

WILL CHECK CLASSIFICATION TOP AND BOTTOM			
UNCLASSIFIED	X	CONFIDENTIAL	SECRET
OFFICIAL ROUTING SLIP			
TO	NAME AND ADDRESS	DATE	
1	ORPA/ME		
2	PPG/R&D		
3			
4			
5			
6			
ACTION	DIRECT REPLY	PREPARE REPLY	
APPROVAL	DISPATCH	RECOMMENDATION	
COMMENT	FILE	RETURN	
CONCURRENCE	INFORMATION	SIGNATURE	
Remarks:			
<p>Please annotate each paragraph as follows:</p> <ol style="list-style-type: none"> 1. Classification (including unclassified). 2. If possible, underline classified material and indicate in the margin the reason for classification (i. e. - source, analysis, etc.). <p><i>With a few exceptions (duely noted) this material is from an body of open sources and conf. dental reports. (too large to list) synthesized by the authors. That is why we originally classified the material</i></p>			
FOLD HERE TO RETURN TO SENDER			
FROM: NAME, ADDRESS AND PHONE NO.			DATE
PPG/R&D			9 FEB 1977
UNCLASSIFIED	X	CONFIDENTIAL	SECRET

5401

PPG CONTROL

Project Number: 77-0091-RP Project Leader: Extension: 6/19 Priority: **P**
 Title: Impact of Israeli Elections ¹³³⁹ Sched: 77/02/08
 Folios of Manuscript Forwarded to PDB: 11
 Date: 77/02/01

PDB Processing

- End Product Required IM
- Format Specification
- Graphics Required Table
- Classification and Control
- Cover Information Pub. no
- Editorial Review Completed

Review Media

- Typescript
- Galley
- Page

Folios of Copy Fwd to TPB: 16
 Date: 1 / 1

Office Review Copy Processing

- TPB to PDB 1 /
- PDB to Office 1 /
- Office to PDB 1 /
- PDB to TPB 1 /

Remarks: _____

R&DB Processing

Total Copies 235
 Initial Pickup 1-235
 To: PPE/R+DB 7E-07
 Balance To: _____

Scheduled Printing Date:

Feb 8 1 Noon

Dissemination Date:

Feb 19 1 77

Publication Number:

TPB Processing

- ETEC
- Typescript
- Review Typescript Completed
- Review Galley Completed
- Review Pages Completed

~~Confidential~~



Intelligence Memorandum

The Israeli Election and Its Impact on Peace Negotiations

~~Confidential~~

RP 77-10013
February 1977

Copy N^o 185

~~CONFIDENTIAL~~

The Israeli Election and Its Impact on Peace Negotiations

Key Judgments

The Israeli national election scheduled for May 17 will be closely fought, and a victory by the ruling Labor Alignment is by no means ensured.

Because of popular dissatisfaction with the Rabin government, the Labor Party will, at best, lose some seats and emerge with a restricted negotiating mandate.

On the peace negotiations issue, it would probably not make much difference whether another Labor government were headed by Prime Minister Rabin or by Defense Minister Peres. Both men strongly oppose negotiations with the Palestine Liberation Organization (PLO) and withdrawals to the 1967 borders. Both would also prefer to put off negotiations over the West Bank until much later because of the domestic political sensitivities of the issue.

A Rabin-led government would presumably adopt a more flexible tactical approach to negotiations, but Peres, because his hawkish credentials are unquestioned, might be better equipped to deal with Israeli hard-liners in Israel and thus better able to make concessions.

A national unity government, composed of Labor and the right-wing Likud bloc is a growing possibility. Because hard-liners would constitute a clear-cut majority in such a government, it would probably demand a higher price for territorial concessions in the Sinai and on the Golan Heights than the Arabs are prepared to pay. It would be even less inclined to negotiate over the West Bank than a Labor-dominated government.

Regardless of the election outcome, Israeli leaders will resist any US effort to push them to move further and faster than they are ready to go in making territorial concessions. They still deeply distrust Arab intentions and fear that concessions would only whet the Arabs' appetite for territory the Israelis never intend to give back.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Because of the difficulties of putting together a coalition government in Israel, the Israelis may not be ready to engage in substantive negotiations with the Arabs until late summer or early fall. They might, however, be prepared to reconvene the Geneva conference before then to discuss strictly procedural questions.

Note: This memorandum was prepared by the Office of Regional and Political Analysis and was coordinated by appropriate elements of the Directorate of Operations. Questions and comments may be addressed to

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Discussion

Israel's national election—now set for May 17—is likely to be the most closely fought in the country's history. The governing Labor Party, which has more or less dominated the political scene since independence in 1948, is in trouble and could emerge in a significantly weaker position. It could even lose to the right-wing Likud bloc by a narrow margin. The election results will thus have a critical impact on the course of Arab-Israeli peace negotiations.

The Labor Party's electoral prospects have been badly hurt by rampant inflation, labor unrest, corruption scandals, and popular disenchantment with Prime Minister Rabin's [redacted] leadership. To make matters worse, Labor's 8-year alliance with the left-wing Mapam Party may be on the verge of collapse. And the Labor Party itself faces a potentially divisive leadership struggle between Rabin and his declared challenger Defense Minister Peres at its convention in late February.

A switch in leadership could boost Labor's sagging prospects, but that is by no means certain. The most recent public opinion polls in Israel, which provide a rough gauge of prevailing trends, show widespread popular dissatisfaction with the Labor government and a high degree of voter uncertainty. New parties, such as Yigael Yadin's moderate Democratic Movement for Change and General Arik Sharon's right-wing Shlom Zion, which ordinarily would not be expected to do well, stand to gain the most from voter unrest.

Yadin, a former chief of staff, apparently has already begun to make serious inroads into Labor's traditional strength. As a result, many observers believe that the Labor Alignment (Labor and Mapam) is at present running no better than even with, and may be trailing, the conservative opposition Likud bloc.

Should this trend hold, Labor will lose the election or be forced to form a national unity government with Likud—a growing possibility. In that situation the next Israeli government would take a harder line, especially on the question of withdrawal from the

West Bank, that could block any progress in negotiations.

A Labor Party victory would offer the best prospect for a resumption of negotiations and subsequent movement. We would expect Rabin to be more flexible than any other prospective Israeli leader and to seek a common approach with the US to talks at Geneva.

Even Rabin, however, would continue to resist strongly Arab demands that the PLO be included in the negotiating process on an equal footing with the original parties. Moreover, he would most likely be returned to office with a weaker mandate than before. Thus, his room to maneuver on the PLO question and other matters would be more constricted than before by his dependence on the support of hard-liners in his coalition government and in the Labor Party led by Peres and former Defense Minister Dayan.

Under the best of circumstances, therefore, the Israelis after the election will urge the US to proceed cautiously. They will resist any attempt to push them further and faster than they are prepared to go in making territorial concessions that they believe would

- compromise Israel's vital security interests,
- encourage the Arabs to press even harder for the return of territory Israel is unwilling to give back, now or ever, and
- precipitate a domestic political crisis.

Labor's Troubles

The seeds of Labor's present decline predate the 1973 war; the three elections since 1965 have all witnessed a steady erosion of Labor's strength in the Knesset. But the October war, more than anything else, has sped that process.

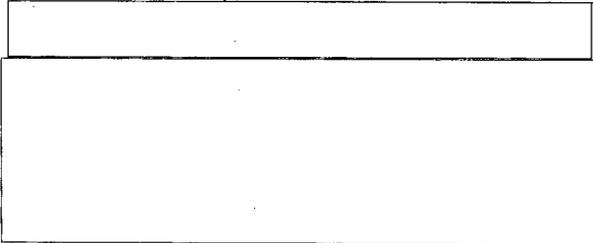
Labor's superstars—Golda Meir, Moshe Dayan, Abba Eban—were all badly tarnished by their failure to detect and take effective countermeasures in time to thwart the Arabs' attack. Their fall from grace set

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

in motion forces favoring change in the party leadership that pushed Rabin to the top.

Under Rabin, however, the party has not been able to refurbish its image or halt the deterioration in the party organization.



Rabin's decision to force an early national election was taken in hopes of arresting the decline in his personal popularity and forestalling the challenge to his party leadership by Peres. The suicide in early January of Housing Minister Ofer—a key Labor Party figure being investigated on corruption charges—has upset these calculations and boosted Peres' chances of wresting the nomination away from the Prime Minister.

The Labor Party will choose its candidate to head the party list soon after its convention in late February, at a meeting of the party's new central committee. At present, Peres appears to have a fair shot at the nomination. But he will have to overcome strong opposition from Foreign Minister Allon's faction of the party as well as from Golda Meir and other old-line party figures who have never forgiven Peres for joining the late former prime minister, David Ben-Gurion, when he bolted the party in 1965.

Thus, no matter who wins the nomination, Labor could enter the election campaign deeply divided. Labor's chances of limiting its losses will depend in part on how well it resolves the present leadership struggle.

A dark-horse compromise candidate, such as Justice Minister Zadok, could emerge, but that possibility appears remote. In all likelihood, Rabin or Peres will be the party's candidate.

Should Rabin survive Peres' challenge, he will campaign on foreign policy and defense issues, hoping to portray the Labor Party as best qualified to negotiate with the Arabs and protect Israel's security interests while keeping relations with the US on an even keel. Rabin doubtless hopes that his tentative

invitation to visit Washington sometime in March will be read in Israel as a US endorsement of his leadership.

The Labor Party was very successful during the 1973 election campaign in depicting the Likud bloc as the "war party," and Rabin will probably try to do so again. But this time it will be more difficult. Likud is trying to put its hard-line position on negotiations in a more favorable light, stressing its readiness to make territorial compromises on the Golan Heights and in the Sinai in exchange for "real peace" with the Arabs. Moreover, the Labor Party is on the defensive on domestic issues. Its opponents are likely to attack sharply Labor's "mismanagement" of the economy, its poor record on social and political reform, and corruption among top Labor officials.

As a result, Labor is likely to lose four or five seats, and possibly more, if Rabin is its candidate.

If Peres wins the nomination, he would probably try to gain the initiative by promising a fresh approach to Israel's domestic problems and a more dynamic leadership. He has already indicated he would push for electoral reform—a popular issue—and has promised to put "new faces" in his cabinet. His candidacy could cut Labor's losses, provided it does not produce a severe split in Labor ranks, but it would be unlikely to result in a net gain at the polls.

On the other side of the ledger, if the Labor Party names Peres to head its list, Mapam will break with Labor and run its own list of candidates for the May election. It may anyway, if the Labor Party does not meet its demand that the party platform include an explicit reference to the government's readiness to make territorial concessions on the West Bank—something Peres and other Labor hard-liners strongly oppose.

At present, Labor and Mapam together hold 50 seats; Likud holds 39 seats. Thus a break with Mapam, which holds seven seats itself, would bring Labor perilously close to even with Likud and would greatly improve Likud's chances of emerging as the largest bloc in the Knesset after the next election.

Election Scenarios

Israel's political system is extremely complex. Nowhere are these complexities likely to be better mirrored than in the May election and the subsequent

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

negotiations to put together the next coalition government. Nine established parties and two new ones will be competing for 120 Knesset seats. Because the election results are likely to be closer than ever before, a number of possible coalition governments could emerge. The most likely are:

A somewhat weaker Labor-led coalition made up of the Labor Party, Mapam, the small Independent Liberal Party, and Yadin's Democratic Movement. Since this would probably provide the coalition with a razor-thin majority in the Knesset, we would expect Rabin or any other Labor prime minister to try to enlist the hard-line National Religious Party.

A National Unity government composed of the Labor Party, Likud, the National Religious Party, led either by Likud leader, Begin, or, more likely, by Peres.

A government of the right led by Likud with Begin as prime minister. It would probably include the Likud bloc, the National Religious Party, Sharon's new party, the other conservative religious parties, and possibly the Independent Liberal Party.

Implications for Peace Negotiations

No matter what coalition emerges after the election, it is likely to possess no more than a limited mandate for renewed negotiations with the Arab states. A Labor-led government under Rabin or another Labor moderate like Zadok would perhaps be the most flexible, but in practice would probably be weaker than a government led by Peres, whose hard-line credentials are unchallengeable. The moderates would be constrained, as always, by ingrained Israeli suspicions of Arab intentions and the influence of coalition hard-liners. They would probably offer no more than limited territorial withdrawals in exchange for formally ending the state of war between Israel and the Arabs.

The ability of a moderate-led Labor government to negotiate over the West Bank would be especially restricted. In 1974, Rabin renewed a promise made earlier by Golda Meir to hold new elections before signing any agreement involving territorial concessions on the West Bank. Like Meir, Rabin made this commitment in order to secure NRP participation in

his cabinet and thus guarantee himself a stronger majority in parliament. He would probably do so again.

A Labor-dominated government under Peres would probably take a tougher, more independent line toward negotiations. But the actual differences between Peres and so-called Labor moderates like Rabin are not great. Peres would try to drive a hard bargain, but he would be just as willing as Rabin to conclude interim agreements with Syria and Egypt to end the state of war and would probably be prepared to make about the same territorial concessions in the Sinai and on the Golan Heights. Both Rabin and Peres oppose negotiations with the PLO and the establishment of an independent Palestinian state and would prefer to cede territory on the West Bank only as part of a final peace agreement with Jordan because of the domestic sensitivity of this issue.

The possibility cannot be ruled out that Peres, as prime minister, might be more flexible on the issue of an interim end-of-war West Bank agreement than he has been thus far as a leader of the hard-liners in the Labor Party. Much would depend on the combination of pressures and incentives he faced and on whether he felt he could bring other hard-liners along with him.

In any event, Peres is likely to have a prominent voice in future negotiations, whether or not he becomes prime minister. Just as Rabin could not conclude the second Sinai accord without Peres' support, so Peres' support will be needed for any future negotiations with the Arabs conducted by a Labor-led government.

It would be argued, therefore, that from the US standpoint Peres might be easier to deal with than Rabin. More politically adept and decisive than Rabin, Peres might be more willing to take the initiative in shaping public opinion. As a man of the right, Peres would be more influential with Likud, the NRP, and Labor hawks, and would stand a better chance of gaining their support for an agreement with the Arabs. His hawkish credentials might also make it easier for him to reassure the Israeli public that he was not caving in to US pressure or compromising Israeli security interests.

In a national unity government—led by Peres or Likud leader Begin—hard-liners would constitute a clear majority. Its willingness to pursue negotiations

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

for new interim agreements could depend largely on Peres' ability to persuade Begin to drop his opposition to territorial concessions in the Sinai and on the Golan Heights in return for anything less than a final peace settlement.

The West Bank problem would be the most difficult to resolve, perhaps impossible. The Likud and many in the NRP have long favored the outright annexation of the West Bank for both security and historical reasons. Labor hawks, such as Peres and Dayan, would be more willing to give up the heavily Arab-populated areas as part of a final peace agreement, but they also believe for security reasons Israel must retain indefinitely a strong military presence along the Jordan River and in the mountains of eastern Samaria.

A government of the right, led by Begin, would be the most difficult of all to deal with. At a minimum, strong and sustained US pressure would be needed to extract concessions from a Begin government, and it might still refuse to negotiate on any terms but its own.

Timing at Geneva

Because neither the Labor Party nor Likud is likely to win more than a slim plurality in this year's election, the construction of a viable coalition will probably be even more arduous and time-consuming than usual, lasting perhaps well into the summer. This would preclude the possibility of serious peace negotiations until at least late summer or early fall,

although the Geneva conference could possibly resume before then to discuss procedural matters.

The present Labor-led caretaker government will remain in power until a new government is formed. It would probably agree to a reconvening of the Geneva talks, especially if Labor won the mandate to head the next government or if there were a consensus among Israeli political parties to go to Geneva in order to establish momentum for later, more substantive talks. Indeed, Rabin might agree to attend a ceremonial reopening of the conference (provided the PLO is not invited) even before the election in hopes of boosting Labor's prospects at the polls.

Present Knesset Representation

	Seats
Total	120
Caretaker Government	57
Labor Alignment	50
Labor Party	43
Mapam	7
Allied Arab Lists (electorally tied to Alignment)	3
Independent Liberal Party	4
Other Parties	63
Likud bloc (Herut, Liberal Party, State List, and Land of Israel)	39
National Religious Party	10
Religious Front	5
Rakah (Communist, mostly Arab)	4
Yaad (new liberal grouping)	4
Moked (ultra-left)	1

~~CONFIDENTIAL~~