

Top Secret 217

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1			
2			
3			
4			
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NATIONAL INTELLIGENCE DAILY CABLE

Friday April 8, 1977

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State Dept. review completed

DIA review(s) completed.

NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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ISRAEL: Rabin's Resignation

[] Israeli Prime Minister Rabin's resignation, following press disclosures that he had maintained illegal bank accounts in the US, seems certain to hurt the ruling Labor Alignment's prospects at the polls next month. Because of its reformist image, the new moderate Democratic Movement for Change led by Yigal Yadin seems likely to gain the most from Labor's latest misfortune.

[] Ironically, the Alignment, which has been rocked by corruption scandals and torn by dissension for months, was just beginning to rebound from its earlier poor standing in public opinion polls. The most recent surveys showed the Labor Party and its left-wing ally, Mapam, moving ahead of both the hard-line Likud opposition bloc and Yadin's new group.

[] At this point, it is unclear who will succeed Rabin as head of the present caretaker government or whether in fact he can legally step down. Israeli law in this situation is not clear, but Minister of Justice Zadok and other key Labor cabinet members and party leaders may decide the matter.

[] More important is the question of who will replace Rabin as head of the Labor Party list for the election. Under Israeli law, the party apparently must decide by next Tuesday at the latest.

[] The top spot would seem to fall by default to Defense Minister Peres, who Rabin defeated by a very narrow margin in the election held at the Labor Party convention in late February. Although the party may fall into line quickly behind Peres to avoid disruptive wrangling that would further damage Labor's prospects, there is a possibility that some of Peres long-standing enemies could make some effort to promote a compromise candidate. Such a move, especially if successful, would almost certainly seriously split Labor.

[] If Peres does succeed Rabin, on the other hand, Mapam might decide to reverse its decision to pursue its electoral alliance with Labor. Mapam had threatened earlier to run its own list if Peres were chosen over Rabin at the Labor Party convention. Party leaders have called an urgent meeting for tomorrow to consider what actions Mapam must now take.