

Talking Points for ADDI

29 September 1986

Implications of the Peres/Shamir Transition

Dramatic changes in Israeli policy are unlikely after Prime Minister Peres and Foreign Minister Shamir switch jobs in mid-October.

mid-October

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--The balance of forces between Labor and Likud in government decisionmaking bodies will remain evenly divided--allowing Labor to veto controversial Likud initiatives.

Labor and Likud agree on the broad outlines of policy in several key areas including:

--Support for the security zone in south Lebanon patrolled by General Lahad's Israeli-allied Army of South Lebanon.

--Military retaliation for Palestinian and Lebanese terror.

--Lessening government intervention in the economy

Nevertheless, on the rhetorical level, Shamir as prime minister will set a far different, less compromising tone in relations with Israel's Arab neighbors than Peres has during the past two years.

Shamir--unlike Peres--is adamantly opposed to any kind of international conference for Middle East peace because he believes it would leave Israel isolated before a Soviet-led Arab bloc.

- Arabs

--If Jordan and the Palestinians could agree on a negotiating framework acceptable to Israel's Labor Party, the national unity government probably would split over the question of Israel's participation in an international conference.

Shamir will try to slow Labor initiatives designed to give West Bank and Gazan Arabs a greater role in running their own affairs.

- W. Bank autonomy

--He will probably try to establish one or two new West Bank settlements to please hardline supporters. Labor opposition and serious financial constraints, however, will prevent the establishment of many new settlements.

- Settlements

Shamir's distaste for West Bank initiatives may contribute to renewed coolness with Egyptian President Mubarak, who has long regarded Shamir as an inflexible leader.

- Mubarak

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--Shamir opposed the Camp David Accords and the peace treaty at the time they were concluded, although he now endorses both.

Under Shamir, the government is likely to continue with the economic policies initiated under Peres, focusing on tax reform, cuts in subsidies and public sector spending, and increased productivity and employment.

Econ.
policy
(no
change)

--Shamir will have to walk a careful line over the next two years, however, if he is to balance sustained reductions in the budget deficit with increased employment and heavy military spending.

We believe the chances are good that Israel's unity government will survive at least another year.

--Peres is not confident that his Labor Party could win a decisive victory in a new national election or attract sufficient religious party support to form a narrow coalition.

Gov't
will
survive

--Shamir wants to serve his full two-year term as prime minister in order to defer resolution of his bitter rivalry with Trade Minister Sharon and Deputy Premier Levy for control of Likud.