

Will Labor Agree to Broaden the Netanyahu Coalition?

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Brief Analysis

A breakthrough will likely hinge on whether Netanyahu agrees to make a significant policy shift, thereby assuaging fierce critics within the Labor Party.

See *PolicyWatch* (<http://www.washingtoninstitute.org/policy-analysis/view/netanyahus-sudden-coalition-shift-early-implications>) 2619 (<http://www.washingtoninstitute.org/policy-analysis/view/netanyahus-sudden-coalition-shift-early-implications>) for an update on Israel's political landscape in light of Netanyahu's sudden coalition shift away from Labor.

Israeli prime minister Binyamin Netanyahu has reportedly been holding quiet talks with Labor Party leader Isaac "Bogie" Herzog to broaden his 61-59 parliamentary coalition. Labor's entry into the current government would invariably dilute the power of right-wing parties such as Jewish Home and have important implications for Israel's policy outlook.

Herzog, for his part, has made few public comments, except to suggest that he would only join Netanyahu if he can make a difference on critical issues facing Israel's future, including ending the impasse on the Palestinian issue. Yet Herzog's Labor critics say he is selling out for a handful of portfolios, including that of foreign minister, which Netanyahu has kept vacant to induce him, rather than insisting on significant policy modifications. Apart from key restrictions on the West Bank settlement issue, a potential lure for Labor would be the replacement of Justice Minister Ayelet Shaked -- which Herzog called for yesterday -- who is associated with nationalist legislation such as that aimed at suspending Arab Knesset members for inflammatory speech. However, such a move would lead to a collision with Jewish Home, and no evidence suggests Likud would agree to it.

Regarding the Labor Party, its nineteen members belong to the larger twenty-four-member Zionist Union bloc, and media speculation suggests that no more than a dozen Labor parliamentarians could be expected to join Netanyahu's government. Indeed, former foreign minister and Zionist Union member Tzipi Livni has announced she

would dissolve her partnership with Labor if the latter joins Netanyahu's government.

Meanwhile, Netanyahu's terms have not been disclosed, and the window to create a coalition with Labor is likely brief. To begin with, waiting too much longer beyond the March 2015 election of the current government could make a reconfiguration politically unfeasible. Indeed, Israeli governments rarely last for the full four-and-a-half-year term. Secondly, governments are generally reconfigured during recesses -- the current one ends May 22 -- to avoid weekly no-confidence votes, in which critics from the left and right could potentially join hands to bring down the Netanyahu government. On the upside for Labor, Herzog could attempt to parlay the fierce criticism from within his own party to upgrade his demands from Likud to include policy shifts. Whether or not he takes such a tack, it is unclear whether the current level of brinkmanship between Netanyahu and Herzog is sustainable into the summer recess, amid accusations within Labor that Herzog is "crawling" into Netanyahu's government.

Incentives for Netanyahu

For Netanyahu, Labor participation in his government would present advantages in areas ranging from his coalition's overall functioning to his foreign policy. Moreover, including Labor would not prompt junior government partners such as the ultraorthodox and settler parties, which rely on government largesse, to bolt. Finance Minister Moshe Kahlon, who leads the centrist Kulanu Party, would likewise stay put in order to fulfill his campaign pledge to lower housing prices. As matters stand, Netanyahu's slender coalition hinders day-to-day Knesset operations, giving every member maximal leverage. Indeed, when two Knesset members went "on strike" in March, refusing to show up for parliamentary votes, Netanyahu was deprived of his parliamentary majority and forced to yield to the two rogue members to restore his policy edge.

Looking back, Netanyahu likely views his 2009-2013 coalition as ideal, given that having parties to his right (Jewish Home) and left (Labor) gave him international room for maneuver. His 2013-2015 government excluded Labor, but his true dissatisfaction with the coalition, which he dissolved, centered on the exclusion of the ultraorthodox, whom he finds pliable on issues unrelated to religion. Including Labor in a new coalition would reinstate this preferred dynamic from 2009-2013, wherein Labor and the ultraorthodox were grouped together, and keep Jewish Home under the tent. On Jewish Home, the unsavory alternative is watching the party cause political damage by working with Netanyahu's nemesis, the also right-wing Avigdor Liberman, who belongs to the Yisrael Beiteinu Party. Generally, Netanyahu does not want a lot of right-wing energy in the opposition.

On foreign policy, Netanyahu faces two possible big challenges -- one this month -- that a broader majority could ameliorate. At month's end, in a move Israel has rejected, France wants to host thirty foreign ministers to presage a wider Middle East peace conference this fall on the Palestinian issue. This Paris parley has emerged as the Quartet, comprising the United States, the European Union, Russia, and the UN secretary-general, plans to release a report said to be tough on the Israeli settlements. As it stands, however, Netanyahu's coalition does not give him room to act boldly on the settlements, such as through a construction freeze beyond the security barrier, even if some prominent members have hinted privately that they would consider such an initiative.

The second challenge could come toward year's end, when the Obama administration is expected to decide whether to pursue a UN Security Council resolution that would outline the toughest issues blocking progress on the Israeli-Palestinian conflict. Here, too, Netanyahu fears an imposed solution and appears to believe Labor's inclusion could allow Israel to modify its policies in ways that preempt such a move. A broader government would also give Netanyahu the flexibility to deal with a new U.S. administration. Perhaps Likud members understand these advantages, given that Netanyahu has received far less pushback within his own party than has Herzog. This, of course, could change if Netanyahu offers significant policy modifications.

Domestically, a government that includes Labor could help break the recent impasse on natural gas. On March 27,

the Israeli High Court of Justice struck down the "stability clause," a ten-year freeze on the terms of the natural gas agreement with the U.S. firm Noble Energy and Israel's Delek Group, and gave the government a year to amend these terms and obtain Knesset approval for Noble to explore the Leviathan field off the Mediterranean coast. Netanyahu views this gas exploration as providing substantial leverage for export deals with Jordan, Egypt, Turkey, and perhaps others. Even if most Labor members opposed such a measure, viewing it as too friendly to Israeli corporate interests, just a handful would need to vote yes to get the legislation through.

Also on the domestic front, Labor participation would guarantee passage of a two-year budget, virtually ensuring Netanyahu two years of legislative peace. Failure to pass a budget, by law, triggers a government collapse.

The move could also assuage more liberal-minded Jews who have expressed frustration over Netanyahu's apparent backtracking on a plan for mixed-gender prayer south of the Western Wall, fueled by ultraorthodox pressure.

Moreover, Netanyahu evidently feels Justice Minister Shaked's legislative ideas could damage Israel's international standing.

Incentives for Labor

To start with the counterincentives, Labor, by staying outside the coalition, can maintain its clear opposition status, perhaps to be rewarded in the next election. This was Livni's justification for not joining Netanyahu in 2009 and Labor's justification in 2013. But the plans backfired in the voting booth. Livni, whose Kadima won twenty-eight seats in 2009, saw her party disappear completely by 2015. And Labor lost the 2015 election. This may be because Livni and Labor are seen as focusing on the peace process, so they suffer electorally when diplomatic setbacks or terrorist attacks occur. Whatever the voting outcome, Labor critics of Herzog may contend that joining Likud simply isn't ideologically acceptable.

The country's rightward drift since the second Palestinian intifada (2000-2004) also possibly plays into Herzog's calculations. Indeed, Labor has not won an election outright since 1999. Thus, whereas Shimon Peres led the party virtually unopposed from 1977 to 1997, Labor has gone through some eight leaders in the last fifteen years, reflecting the party's unforgiving approach to electoral losses. Therefore, critics assert that Herzog -- who has lately been dropping in the polls -- may see joining the government as an act of self-preservation aimed at avoiding the party's "one strike, you're out" trend. Indeed, his critics have accused him of opportunism based on this premise, a charge Herzog rejects given his belief that saving Israel from the current impasse is an act of utmost responsibility.

Conclusions for Washington

Despite leading the more dovish of his country's two major historic parties, Herzog does not believe Israel is verging on a grand peace deal with the Palestinians. However, he believes Israel must make some gestures to the Palestinians, especially on settlements, to preserve the viability of a two-state outcome and ensure Israel remains both a democratic and predominantly Jewish state. Netanyahu, for his part, believes he can more easily rationalize limitations on settlement policy to members of his coalition in the precious name of "unity" than as a concession to Washington or Ramallah. Should such settlement limitations be enacted, their effect on U.S. and French attitudes will be important to watch. If Netanyahu succeeds in forming a broadened government, Israel will deserve time to act. But if the Netanyahu-Herzog talks break down, Netanyahu will most likely lack the political space within his current coalition to preemptively stem what he considers undesirable initiatives in the international arena.

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