

Campaign Season Begins in Israel (Part II):

Labor's New Leader, Amir Peretz

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Brief Analysis

Read (<http://www.washingtoninstitute.org/templateC05.php?CID=2407>) Part I of this two-part series.

Amir Peretz's decision to pull the Labor Party he leads out of its national unity government with Prime Minister Ariel Sharon set Israel's new political calendar and precipitated Sharon's decision to bolt the Likud Party and consent to elections in March 2006. Peretz is a veteran labor union leader who won the leadership of the Labor Party on November 10, defeating Shimon Peres, a dominant force in the party since 1974.

The Significance of Peretz's Victory

Peretz's victory is unusual in Israel's fifty-seven year political history. An immigrant from Morocco whose family lived in a transit camp upon arrival, the fifty-four-year-old Peretz will be the first Sephardic or Mizrahi (Middle Eastern origin) Israeli to lead one of Israel's two major parties into elections. He will be the first party leader since Levi Eshkol in 1963 to run for prime minister with virtually no background in national security or foreign policy.

Though Peretz seemed an unlikely candidate to win Labor's leadership elections, several factors played in his favor. Peretz was able to ride to victory on the perception that the Labor party was becoming a stagnant, also-ran party. Last year, Peres had made a convincing case to Labor that the party needed to ally with Sharon in order to provide a broad political base for a successful disengagement from Gaza. Labor's support was key; it enabled Sharon to neutralize the rebel wing of his own Likud Party that opposed withdrawal. However, with disengagement complete, Peres failed to articulate a new rationale for remaining in the government.

Peretz reportedly registered more than 20,000 new voters and used trade-union mobilization techniques to get out the vote. In contrast to Peretz, the eighty-two-year-old Peres did not bother to register any additional voters, convinced that he could coast to victory on his reputation as the Labor Party's elder statesman and Nobel Peace Prize laureate. Turnout among dues-paying Labor members was low by Israeli standards, with 64 percent voting. Peretz won 42 percent of the votes cast, defeating Peres, who won 39 percent of the vote.

A combination of forces have enabled Israelis to focus on economics rather than security issues: the truce agreed among the Palestinian factions, the vigilance of Israel's security services, and the effectiveness of Israel's security

barrier. Moreover, corruption scandals have swirled around individuals in Likud's governing body; in early November, Sharon's son Omri reached a plea bargain regarding the solicitation of illegal contributions for his father's campaign. In contrast, Peretz has portrayed himself as an antiestablishment, straight talking, trade-union leader who lives in a modest house in a poor border town.

Peretz also presented himself as a leader who would return Labor to its socialist-leaning roots and address growing income disparities. On one hand, Israel's economy is growing and its per capita GDP has reached \$17,400, recovering completely from the devastating terror and violence between 2000 and 2004. Growth levels in 2005 are high, and this week Bank of Israel governor Stanley Fischer predicted 4.3 percent growth in 2006. However, due to the exigencies of the intifada and an agreement with the United States over 2003 loan guarantees that obligates a 1 percent cap on fiscal spending growth, Israel has experienced several austerity budgets. Benjamin Netanyahu, Sharon's finance minister until summer, slashed child allowances for large families, a move that particularly affected ultraorthodox and Israeli Arab families. Israel's National Insurance Institute announced that 30 percent of all Israeli children, and almost 20 percent of all Israelis, live under the poverty line. A central feature of Peretz's campaign was his call for greater government subsidies of pensions and mortgages as well as a sharp hike in the minimum wage.

Peretz believes his Sephardic roots and his ability to understand how the disadvantaged are hurting position himself well to peel off the many Sephardic Jews who have voted with Likud for decades due to a combination of factors, including affinity with hawkish foreign policy, protest against how the old Labor elite treated their immigrant parents, and identification with Likud's emphasis on a traditionalist, Jewish cultural identity.

Peretz's Likely Electoral Strategy

Yuli Tamir, a Labor parliamentarian, suggested this week that Peretz will try to mute his foreign policy differences with Sharon and accentuate his economic differences with the other parties. (Peretz favors skipping the interim phases of the Quartet-backed Roadmap and heading directly to final status talks, as does Palestinian leader Mahmoud Abbas, but this is not favored by most Israelis, who fear it will end in deadlock over Jerusalem and refugees.) There are some early signs that Peretz wants to demonstrate that he is similar to Sharon when it comes to supporting Israeli control of settlement blocs largely adjacent to the 1967 ceasefire lines. Outgoing housing minister Isaac Herzog announced on November 22 that he consulted with Peretz about building 350 units inside Maaleh Adumim, while making clear that he is not building outwardly in a way that would require acquiring new land or settling in the controversial area adjacent to Maaleh Adumim. Peretz is aware of the previous Labor leader Amram Mitzna's disastrous showing against Sharon in the 2003 elections, when the former general stressed his dovishness.

Nahum Barnea, political commentator for Yediot Ahronot, says that no more than 20 percent of the Israeli Jewish electorate identifies with the left politically, and if he stakes out dovish positions, Peretz will be defeated. Therefore, the question is how Peretz will move more to the middle. Ami Ayalon, the former head of the Shin Bet, is assisting Peretz to offset his lack of security experience.

Both Sharon's new National Responsibility Party and Likud will be counting on Israel's penchant to trump social and economic worries with security concerns. The irony is that Peretz's economics-driven strategy is predicated upon a continuation of the truce with the Palestinians. In other words, the more successful that Sharon is in maintaining quiet, the easier it will be for Peretz to frame the election around economic issues on which Labor believes Sharon is vulnerable.

While Sharon's decision to bolt Likud was probably driven most by his desire to perpetrate a legacy of shaping the future borders of Israel, one cannot exclude that Peretz's election as Labor leader had at least some impact on Sharon's decision. Sharon likes big-tent governments to deal with challenges to his left and right. Peretz would find it

more acceptable to make a coalition with Sharon than with Likud; Netanyahu, more than Sharon, is identified with Likud's economic policy. It will be interesting to see whether Likud embraces or runs from Netanyahu's economic stewardship. Netanyahu is proud of his record given Israel's recent growth despite difficult odds, but Likud may feel that this record is unpopular with the Sephardic voters; the party may seek to run away from its economic record.

Conclusion

While the Bush administration will avoid any public comment on a sensitive issue like a contested election, it is possible that a Peretz victory could intrigue Washington even as it poses challenges on two fronts. Peretz believes Israel cannot remain in most of the West Bank, so Washington will like his foreign policy stance -- but only up to a point. Both President George W. Bush and Sharon view Palestinian reforms and antiterrorism measures as prerequisites for diplomatic engagement under the Roadmap. Though frustration with the Palestinians could lead Sharon to take unilateral action for West Bank withdrawal, he views bilateralism through the prism of the Roadmap. Peretz does not see reform and antiterrorism measures as prerequisites for engagement; he would be happy to go to final status discussions on the core issues. Alternately, Peretz's Labor Party could continue its partnership with Sharon after the elections, albeit not in a senior capacity, and work with Sharon's foreign policy agenda, given that Peretz does not seek to accentuate foreign policy differences with Sharon.

On the economic front, successive U.S. administrations since the mid-1980s can take credit for helping Israel veer away from the socialism of the past. Whatever their differences with Netanyahu on Gaza and other peace process issues, U.S. administrations liked Netanyahu's free market reforms. Peretz, who has in the past proclaimed himself to be a socialist, will need to make clear to Israeli voters that he is merely tweaking Israel's social safety net, not returning Israel to its pre-1980s socialism.

Peretz's election marks a significant departure from the Labor headed by Peres. Peretz wants to make bright-line policy distinctions on economics with Sharon's party and Likud in a bid to chart a bolder future and thus attract low-income Sephardic Likud voters who have not traditionally voted their pocketbooks in national elections. Sharon will invariably seek to depict Peretz as a neophyte who should not be allowed to take the helm as Israel navigates the turbulent seas of the Middle East.

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