

New Sharon Government Sworn In: A Preliminary Assessment

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Brief Analysis

Prime Minister Ariel Sharon presented his new 68-member right-center government to the 120-member Knesset today. The government represents four parties with the following allocation of seats: Likud (40), Shinui (15), National Union (7), and National Religious Party (6). This marks the first Israeli government formed since 1974 that does not include any ultraorthodox participation. Below are the main areas that the government has made its policy guidelines.

Views on Peace

During today's remarks, Sharon made no mention of the Quartet's (i.e., the United States, European Union, United Nations, and Russia) Roadmap for Middle East peace, which President George W. Bush mentioned in his speech to the American Enterprise Institute yesterday. Instead, Sharon referred to a December 2002 speech that he gave in Herzliya, where he seconded Bush's June 24, 2002, speech calling for a performance-based process aimed at establishing a provisional Palestinian state and culminating in a final-status accord as soon as 2005—an accord based on peace, security, ending occupation, and a full two-state solution.

A central difference between Sharon's Herzliya plan and the Quartet Roadmap is sequence. The Roadmap process would be launched once the Palestinians announce that they are halting violence, which would trigger Israeli actions. Yet, the Herzliya speech sets a different standard: "Israel can no longer be expected to make political concessions until there is proven calm and Palestinian governmental reforms." The speech explicitly states that one element of such reform is the relegation of Yasir Arafat "to a symbolic role." Yet, while the Roadmap calls for the installation of a Palestinian prime minister, it makes no reference to either his or Arafat's powers, leaving open the prospect that the prime minister could have minimal authority, as seen in most Middle Eastern countries. Bush's June 24 speech also avoided mentioning Arafat by name, but it did call for a new Palestinian leadership.

Both the Roadmap and Sharon's Herzilya speech advance the idea of at least provisional Palestinian statehood to the interim phase, as opposed to the Oslo Accords, which viewed statehood as an outgrowth of a final deal. The Herzilya speech suggests the scope of a provisional Palestinian state at around 42 percent of the territory (it "will overlap with territories A and B, except for essential security zones"), while the Roadmap does not delineate what territory such a

state would include.

Although several members of Sharon's coalition oppose Palestinian statehood a priori, this does not preclude negotiations once the Iraq crisis is resolved. A mix of factors could drive future talks; these factors include recognition of growing Palestinian ferment against Arafat's leadership; realization that Israel's economic woes will not be overcome without a peace process; the potential for greater Arab participation in the peace process; and higher international expectations of progress in the post-Saddam period. Moreover, if prospects for credible negotiation brighten, Labor has indicated that it will reassess its opposition to the current government.

As is traditional among Israeli prime ministers, Sharon will determine foreign policy regarding the Arab world and the United States, leaving much of the rest of the world for his surprise choice as foreign minister, Silvan Shalom. Unlike outgoing foreign minister Binyamin Netanyahu, Shalom is not identified with opposition to Palestinian statehood, which could be of diplomatic value even if he does not possess Netanyahu's media savvy.

One cabinet minister who is likely to be under much scrutiny in Israel and abroad is Effi Eitam, the projected housing minister and current leader of the National Religious Ministry (NRP). The NRP is the biggest advocate of settlements, and the Housing Ministry has traditionally aided the settlement movement. Israel has found much sympathy in Washington when it comes to antipathy toward Arafat and the need to address security-related issues, but virtually no support on the issue of settlements, which are often seen as being part of an ideological agenda.

Sharp Fiscal Austerity Measures Ahead

During his Knesset remarks, Sharon made clear that improving the economy will be his highest priority. Paradoxically, he has handed this sensitive portfolio to his archrival, Netanyahu. Some believe Sharon was convinced that Netanyahu would turn down the post of finance minister, but in the end he accepted once written commitments were made by both sides. Others believe that Sharon wanted to saddle Netanyahu with a thankless task, believing it would be his political graveyard. Still others wonder how Netanyahu can be assured of Sharon's backing for inevitable and unpopular fiscal austerity measures (likely involving cuts of billions of dollars), given the personal enmity between the two men.

Yet, if the economy continues to drop, Sharon's political fortunes may drop as well, putting him in the same boat with Netanyahu. Moreover, public expectations that the new government can create an economic turnaround are very low (15 percent, according to today's Ha'aretz poll), so Netanyahu should be able to exceed them. Netanyahu's economic responsibilities may also force him to be less vocal on Palestinian issues.

Although keeping the ultraorthodox out of the coalition may pose problems for Sharon, it has created opportunities for budget cutting. During coalition negotiations, child allowances were equalized, ending a situation in which ultraorthodox families were given disproportionately higher welfare benefits if they had more than five children. When the Interior Ministry was held by the ultraorthodox Shas, the party used the ministry's formidable budgetary power to muscle municipalities across the country and divert money to ultraorthodox needs. These diverted funds will now be slashed.

Netanyahu brings to the position of finance minister a set of free-market beliefs favoring a smaller budget and lower taxes. Several months ago, he approvingly cited Russian president Vladimir Putin's efforts at slashing tax rates while improving tax revenues. Yet, while serving as prime minister between 1996 and 1999, Netanyahu found this task difficult to carry out; the one substantial measure he implemented was the lifting of foreign currency restrictions.

Synagogue-State Rebalance?

Shinui has claimed that its biggest achievement during the coalition negotiations was keeping the ultraorthodox parties out of the government. According to today's Ha'aretz poll, even Sharon voters support this stance by a 47 to

26 percent margin. Shinui's move has provoked the ire of Shas rabbinic leader Rabbi Ovadia Yosef (who called Sharon the "prime minister of the garbage cans") and Shas political leader Eli Yishai (who accused Sharon of heading an "Ashkenazic and elitist" government).

Yet, the fine print surrounding the resultant coalition make many of Shinui's gains suspect. Virtually all of these gains are deferred for at least a year pending the formation of a committee to hammer out details related to the drafting of yeshiva students and to the consolidation of the Religious Ministry and religious councils into the Interior Ministry. Thus, while Shinui made symbolic gains, triggered some reduction in ultraorthodox welfare benefits, and won five cabinet seats, its policy gains during coalition bargaining have so far been modest. It remains an open question whether the current coalition will seek to further redress the imbalance between religion and state or whether such efforts will crash on the shoals of fractious Israeli politics.

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