



Israel: 2013 Elections Preview

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Summary

Close U.S.-Israel relations drive congressional interest in upcoming elections for Israel's 120-seat Knesset (parliament), scheduled for January 22, 2013. Israeli leadership decisions may have profound implications for matters of high U.S. priority, including potential threats from Iran and its non-state allies (such as Hezbollah and Hamas), issues of ongoing Israeli-Palestinian dispute, and political change in neighboring Arab states. The composition of a probable new coalition and government led by Prime Minister Binyamin Netanyahu could significantly influence Israeli decisionmaking, politics, and relations with the outside world, including the United States. In turn, this could affect U.S. popularity, credibility, and—ultimately—national security vis-à-vis the Middle East and more broadly. For more information on Israeli politics and U.S.-Israel relations, see CRS Report RL33476, *Israel: Background and U.S. Relations*, by Jim Zanotti.

Netanyahu came to power following elections in 2009, and called for the 2013 elections to take place in January, nine months before they were required. Most polls and analyses predict that Netanyahu will win another term as prime minister, but a drop in polling support for his joint Likud/Yisrael Beiteinu list—possibly due in part to the indictment of Yisrael Beiteinu leader Avigdor Lieberman—could increase his dependence on support from small right-of-center or ultra-Orthodox parties that focus on specific issues and have seen their polling averages rise. If they thus acquire disproportionate influence, such coalition partners—along with other parties, cabinet ministers, and “hardline” elements within Likud—might constrain or otherwise affect Netanyahu as he confronts a range of challenges that include the Iranian nuclear issue, cost-of-living and other budgetary matters, and the seemingly intractable situation with the Palestinians. Netanyahu's political opponents from the left and center appear thus far to have been unsuccessful in attempts to gather a bloc that represents a viable political alternative.

The likely effects of Israel's elections and related political developments on its internal cohesion and foreign relations are unclear. Criticism by some U.S. and international observers of Netanyahu's government since 2009 has targeted expanding Jewish residential settlement in the West Bank and East Jerusalem. Many of these critics accuse Israel's leaders of a penchant for short-term thinking, focused on maintaining territory and security control, at the potential expense of a longer-term vision of mutual accommodation with other regional actors. Some Israelis dismiss this criticism by insisting that it does not properly take into account the proximity, multiplicity, and seriousness of the challenges Israel faces, or the concessions that Netanyahu and other Israeli leaders have periodically made.

Should his party emerge with the largest Knesset representation, Netanyahu would play the leading role in shaping the new coalition and government, but would need support from outside his political support base. As part of this process, he would weigh various domestic and international considerations—including the lack of a clear rival to his immediate leadership—within an overall political, demographic, and regional security context. The strategic challenge of Iran's nuclear program and the potential for key short-term decision points on unilateral Israeli military action are paramount among security concerns. However, the concerns also include questions about growing threats in ungoverned spaces at Israel's borders, increased potential for West Bank instability, and the future nature of Israel's relations with neighboring countries and concerns about further international isolation. To the extent that Netanyahu's choice of coalition partners and ministers reveals his priorities and constraints as to policy initiatives, Members of Congress can use this information to assess the status and trajectory of U.S.-Israel relations and evaluate possible political, economic, and military options in the Middle East.

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Introduction and Implications for Congress

Israeli electoral outcomes for Congress and other U.S. policymakers may have important ramifications for many issues, including the following:

- **Overall U.S.-Israel Relations:** Actual and perceived costs and benefits of close U.S. cooperation on specific policies or issue areas with the new Israeli government, as well as on the long-term direction of the bilateral relationship.¹
- **Addressing Iran's Nuclear Program:** Imminence and urgency of major U.S. decisions regarding the use of diplomatic and/or military means to address Iran's nuclear program, based on calculations of a potential Israeli willingness to unilaterally attack Iranian nuclear facilities.²
- **U.S. Policy in the Middle East:** U.S. priorities and substantive approaches to a wide range of foreign policy issues, especially with regard to issues of ongoing Israeli-Palestinian dispute, the civil war in Syria, and domestic political developments in Egypt, Jordan, and elsewhere in the region.

Overview

General Assessment

Prime Minister Binyamin Netanyahu came to power following elections in 2009, and called for the 2013 elections to take place in January, nine months before they were required. Although stalemate in passing a 2013 national budget ostensibly motivated Netanyahu's decision to hold early elections, many observers asserted that Netanyahu viewed their timing as favorable. Most polls and analyses predict that Netanyahu will win another term as prime minister. For the elections, his right-of-center Likud party is paired with the pro-secular, nationalist Yisrael Beiteinu (Israel Is Our Home) party of former foreign minister Avigdor Lieberman. However, Lieberman's December resignation from the government as a result of his indictment for fraud and breach of trust may have—along with other developments—contributed to a discernible drop in polling support for the joint Likud/Yisrael Beiteinu list (commonly known as “Likud Beiteinu”). This could increase Netanyahu's dependence on small parties with right-of-center or ultra-Orthodox constituencies that are passionately devoted to specific issue areas and have seen their polling averages rise. Theories differ regarding how Netanyahu plans to use a renewed mandate. Various coalition partners, cabinet ministers, and an apparently increased rightward tilt within Likud following its November primary elections³ might influence or constrain Netanyahu

¹ For more information, see CRS Report RL33476, *Israel: Background and U.S. Relations*, by Jim Zanotti; and CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp.

² See, e.g., David Horowitz, “2013: The year of Iran,” *Times of Israel*, December 19, 2012. For more information on the issue, see CRS Report R42443, *Israel: Possible Military Strike Against Iran's Nuclear Facilities*, coordinated by Jim Zanotti.

³ For the first time, Moshe Feiglin (14th on the Likud party list for the elections, 23rd on the joint Likud Beiteinu list) appears almost certain to win a Knesset seat. Feiglin leads the Jewish Leadership faction within Likud, which takes a number of uncompromisingly Jewish nationalist positions. Other Likud figures seen as newly ascendant and characterized by some commentators as opposing a two-state solution include Danny Danon, Zeev Elkin, Yuli (continued...)

in efforts to address a range of challenges. These include the Iranian nuclear issue, cost-of-living and other budgetary matters, and the seemingly intractable situation with Palestinians and settlements (or neighborhoods) in the West Bank and East Jerusalem.⁴ For further discussion, see “Key Electoral and Coalition-Building Questions” below.

In light of established security measures that continue to protect civilians from Palestinian terrorism and a generally positive macroeconomic outlook,⁵ it is unclear that consequential sections of Israel’s voting public are eager to change the governing status quo. Netanyahu’s opponents from the center and left⁶ appear thus far to have been unsuccessful in attempts to gather a bloc with the support or cohesion necessary to become a viable political alternative. With former Prime Minister Ehud Olmert ultimately opting not to run,⁷ the alternatives to lead a coalition are Shelly Yachimovich of the Labor party, former foreign minister Tzipi Livni of the new Ha’tnua (The Movement) party, and former journalist Yair Lapid of the new Yesh Atid (There Is a Future) party. Their respective parties seem to have attracted support away from Kadima (Forward), which was the largest party in the Knesset over the past six years under the leadership of Olmert, Livni, and current leader Shaul Mofaz.⁸

Netanyahu’s consistent polling advantage over possible rivals on questions of national leadership has reportedly led to posturing among Yachimovich, Livni, and Lapid in attempts to avoid the outcome of a Netanyahu-led right-of-center/ultra-Orthodox coalition. Their criticisms of Netanyahu vary. Livni focuses largely on Netanyahu’s approach to Palestinian issues and how they affect relations with the United States, while Yachimovich and Lapid concentrate more on proposals to change different socioeconomic policies. Although early January statements by all three possible Netanyahu rivals indicated that they are discussing ways to bring center-left elements into the government, sources reportedly quoted from within the Labor party indicated skepticism that a significant challenge to the governing status quo would take shape, based partly on disagreements over political tactics:

There is no common language between Shelly [Yachimovich], who announced that she wouldn’t enter the government in any case, and Lapid who demands that the three parties jointly negotiate with Netanyahu in order to enter his government. There is no common

(...continued)

Edelstein, and Tzipi Hotovely. Anshel Pfeffer, “Has Likud gone too far right for Netanyahu?”, *haaretz.com*, November 27, 2012.

⁴ For more information on these subjects, see CRS Report RL33476, *Israel: Background and U.S. Relations*, by Jim Zanotti. Many Israelis who support the extension of Israeli civil law over East Jerusalem—which took place in 1967—refer to Jewish residential areas there as “neighborhoods”, seeking to distinguish these areas from Jewish settlements in the West Bank, which remains under Israeli military jurisdiction. For ease of use in this report, but without any connotation regarding these areas’ legality or international status, the term “settlements” shall be used hereafter in this report in reference to Jewish residential construction in both the West Bank and East Jerusalem.

⁵ CRS Report RL33476, *Israel: Background and U.S. Relations*, by Jim Zanotti; and CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

⁶ In Israel, the left-right spectrum has been traditionally defined by parties’ positions on the Israeli-Palestinian conflict/peace process, though the spectrum also has some validity in describing differences on economic and social issues.

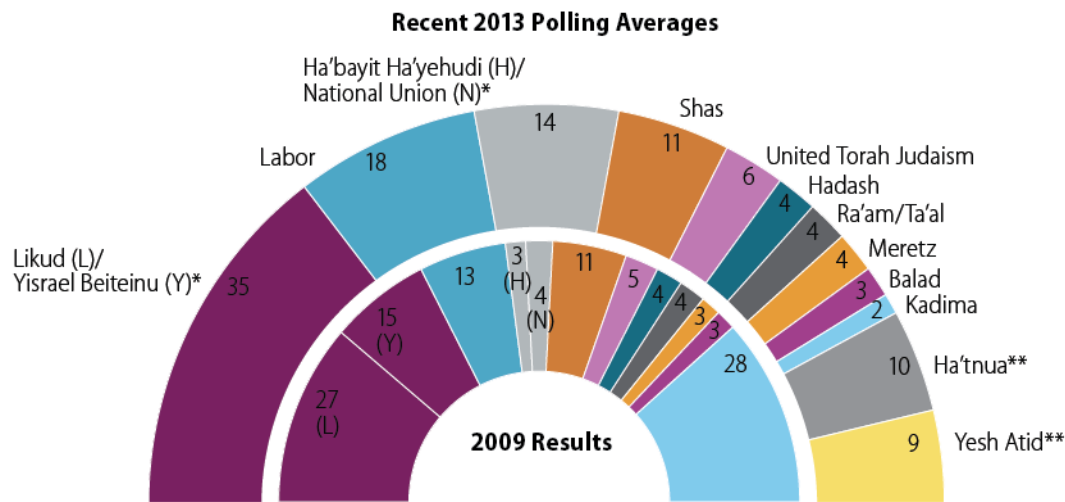
⁷ Most reports indicate that uncertainty surrounding Olmert’s eligibility for office because of unresolved legal troubles was a major factor in his decision.

⁸ See the textbox below for context on Kadima’s formation in 2005 by Prime Minister Ariel Sharon as a centrist offshoot of Likud. Historically, most centrist parties in Israel have had short life spans, perhaps because of their dependence on specific leadership figures.

ground between Livni, who demands recommending a candidate from the centrist bloc to the premiership, and Lapid who has declared that he has no such intention.⁹

As discussed below, developments during the campaign indicate that potential right-of-center Netanyahu coalition partner Ha'bayit Ha'yehudi (The Jewish Home)/National Union might eat into Likud Beiteinu's share of the vote by holding itself out as more committed to constituencies who support the construction and maintenance of Jewish settlements. See **Appendix** for a list and brief descriptions of major parties contesting the elections.

Figure 1. 2013 Polling Averages Compared with 2009 Election Results



*Likud (L) and Yisrael Beiteinu (Y), and Ha'bayit Ha'yehudi (H) and National Union (N) ran separately in 2009.

** Ha'tnua and Yesh Atid are new parties for the 2013 elections.

Sources: *Ha'aretz* 2013 polling averages from *Maariv*, Channel 2, *Ha'aretz*, and Walla! Polls dated January 1-4, 2012, aggregated in *Ha'aretz* online polling center. 2009 results from Israeli Ministry of Foreign Affairs.

Notes: Figures are approximate and rounded to the nearest whole number.

⁹ Jonathan Lis, "Netanyahu exploiting center-left unity to win back Likud votes," *haaretz.com*, January 7, 2013.

Primer on Israeli Electoral Process and Government-Building¹⁰

Elections to Israel's 120-seat Knesset are direct, secret, and proportional based on a party list system with a 2% threshold of entry. All Israeli citizens age 18 and older may vote. Turnout in elections since 2001 has ranged between 62-65% of registered voters (before that it generally ranged between 77-80%)¹¹. Elections must be held at least every four years, but are often held earlier due to difficulties in holding coalitions together. A Central Elections Committee is responsible for conducting and supervising the elections. The committee includes representatives from parties in the current Knesset and is headed by a Supreme Court justice.

Thirty-four party lists have registered for the January 2013 elections. See **Appendix** for a list and brief descriptions of the major parties. National laws provide parameters for candidate eligibility, general elections, and party primaries—including specific conditions and limitations on campaign contributions and public financing for parties.¹² Since 2007, a “cooling-off law” requires that senior Israeli military officers wait at least three years before entering civilian politics.¹³ This law may have prevented Lieutenant General (ret.) Gabi Ashkenazi, who retired as Israel Defense Forces Chief of Staff in February 2011, from possibly challenging Netanyahu from the center-left.¹⁴

Following elections, the task of forming a government is given by Israel's president to the Knesset member he/she believes has the best chance to form a government as prime minister. The would-be prime minister has 28 days to assemble a majority coalition, and the president can extend this period for an additional 14 days. The government and its ministers are installed following a vote of confidence by at least 61 Knesset members. Thereafter, the ministers determine the government's course of action on domestic issues, while military and national security action are directed through a “security cabinet” consisting of nearly half the ministers.¹⁵

For the first 30 years of Israel's existence (1948-1977), the social democratic Mapai/Labor movement—led by a founding Ashkenazi Zionist elite of Eastern European descent—dominated Israeli governing coalitions. As questions regarding the future of territories that Israel's military occupied during the 1967 Arab-Israeli war became increasingly central to political life, the nationalist Likud party and its prominent prime ministers Menachem Begin and Yitzhak Shamir helped drive the political agenda over the following 15 years. Although Labor under Yitzhak Rabin later initiated the Oslo peace process with the Palestinians, its political momentum was slowed and reversed after Rabin's assassination in 1995. The concept of territorial compromise, along with its champions in Labor and other left-of-center parties, suffered as a result of (1) increasing confrontation with Hezbollah and Hamas and (2) the breakdown of negotiations and outbreak of the second Palestinian intifada (or “uprising”) in 2000. National attention, though still preoccupied with the demographic challenge to Israel's Jewish and democratic identity, focused on how to implement a security-based solution to Israel's conflict with the Palestinians. In this context, Prime Minister Ariel Sharon, a longtime champion of the Israeli right and settlement movement, split from Likud and established Kadima as a more centrist alternative in 2005. Elections in February 2009 were a divided affair, with Tzipi Livni's Kadima winning the most Knesset seats but Netanyahu's Likud leading the coalition because of an overall advantage for right-of-center parties.

¹⁰ Much of the information for this textbox comes from Israel's Ministry of Foreign Affairs website, “Elections in Israel - February 2009,” February 10, 2009.

¹¹ International Institute for Democracy and Electoral Assistance, “Voter turnout data for Israel,” October 5, 2011.

¹² For additional details on Israel's campaign finance laws, see Ruth Levush, “Campaign Finance: Israel,” Law Library of Congress, July 25, 2012.

¹³ The law, sponsored by Likud's Yuval Steinitz, was reportedly intended to counter Israeli military officers' cultivation of civilian political connections and influence in anticipation of their possible career transitions. Some reports criticized the law's failure to address the use of influence by civilian politicians to prepare for private sector career transitions. Nehemia Shtrasler, “The Bottom Line / Lawmakers don't need to cool off too?” *Ha'aretz*, May 16, 2007.

¹⁴ Attempts in 2010 and 2011 spearheaded by then Kadima (now Ha'tnua) legislator Yoel Hasson to shorten the cooling-off period to 18 months were unsuccessful, partly because of their reported focus on providing a political opening for Ashkenazi.

¹⁵ Although the security cabinet is legally required to approve major national security actions, reports indicate that most substantive deliberations on such issues have occurred in informal consultations among an “inner cabinet” of eight or nine ministers, including Netanyahu, since the government's formation in 2009.

Political and Demographic Context

The Israeli electoral and coalition-building process is known for its fluidity and unpredictability, given the low threshold of entry (2% of the vote) for parties in the Knesset. Major parties routinely have difficulty in achieving and maintaining broad, lasting coalitions because several smaller parties are able to attract constituencies intensely focused on specific security, economic, or social issue areas. These parties often exert disproportionate influence in national politics when their support is crucial to coalition-leading parties.

Since the 2009 elections, apprehension within Israel related to the Iranian nuclear crisis and political change in the Arab world have further challenged the centrality of Palestinian issues in Israeli politics. In addition to demanding attention in their own right, these newer concerns raise questions in Israel about the viability of the concept of peace based on territorial compromise, given the changed regional and international circumstances they reflect and reinforce. Many on the Israel right have consistently rejected or expressed skepticism regarding territorial compromise, and the shifting context has arguably increased the credibility of their views among the Israeli public. Skeptics of the land-for-peace formula set forth in 1967 by United Nations Security Council Resolution 242 assert that the likelihood of the formula's acceptance by Palestinians and Israel's Arab neighbors has been significantly undermined by Iran's material support for non-state militias in Lebanon and Gaza and increased instability and Islamist populism in Egypt, Syria, and Jordan.

Nevertheless, many from elite Israeli political, military, media, academic, and business circles remain driven by traditional center-left concerns holding that the lack of a durable, mutually acceptable arrangement with Palestinians undermines Israel's long-term security and international legitimacy as a Jewish-majority, democratic state. This is largely due to various means of control that Israel exercises over populations in the West Bank and Gaza Strip who seek autonomy or independence. These elites warn that in the context of challenges from Iran and the Arab world, the renewal of open Israeli-Palestinian conflict in the West Bank and Jerusalem or heightened instability in those areas could considerably worsen Israel's regional security situation while also increasing its international isolation.

In large measure, Netanyahu assembled Israel's 2009 government to undergird his personal leadership and support him on key security issues. Perhaps consequently, he has been unwilling or reluctant to act against some of his coalition partners' core constituencies on various matters of concern. These include reducing or revoking military service exemptions or subsidies for ultra-orthodox Jews (Haredim), and revisiting societal conditions that have arguably enabled religiously- or ethnically-based intimidation and vandalism and political efforts to quash some forms of dissent.

Changing demographics are shaping the Israeli political landscape in potentially important ways. Israeli demographic trends reflect an increasing share of the population for groups that tend toward nationalism and right-of-center policies, and a decreasing share for left-of-center groups associated with the largely Ashkenazi founding elite. A 2011 book analyzing these trends argued that they partly explain why Israel's current Jewish population is "more nationalistic, religiously conservative, and hawkish on foreign policy and security affairs than that of even a generation ago."¹⁶ The traditional support of many Mizrahi Jews¹⁷ for Likud and other nationalistic parties as

¹⁶ Haim Malka, *Crossroads: The Future of the U.S.-Israel Strategic Partnership*, Washington, DC: Center for Strategic (continued...)

a counter to Ashkenazi-dominated left-leaning parties such as Labor and Meretz has been augmented by these nationalists' common cause with Russian-speaking immigrants from the former Soviet Union and, in some cases, Haredim with high birthrates.¹⁸ Arab parties (see **Appendix**) are also represented in the Knesset, as Arabs constitute 20% of Israel's population, but political leaders have sought to build coalitions solely with the support of other Jewish Israeli parties because of the widespread Israeli Jewish perception that Arab parties fundamentally diverge from the Zionist idea at the core of Israel's identity.¹⁹

The likely long-term effects of Israel's continuing political evolution on its internal cohesion and ties with the United States and other international actors are unclear. Criticism of Netanyahu's government by some U.S. and international observers has been especially intense on the subjects of settlement expansion. Many of these critics accuse Israel's leaders of a penchant for short-term thinking, focused on maintaining territory and security control, at the potential expense of a longer-term vision of mutual accommodation with Palestinians and other regional actors (see "How Might International Factors Affect the Process?" below). Some international actors have also joined domestic critics in routinely questioning whether Israel's political tradition of secular, pluralist Zionism and vigorous debate is taking a potentially illiberal turn, though Netanyahu has spoken out frequently against religiously-motivated and gender- or ethnically-based discrimination.²⁰ Some Israelis regularly dismiss these critiques—including those that come from parts of the largely Ashkenazi but ideologically diverse Jewish-American community. They insist that international actors do not properly take into account the proximity, multiplicity, and seriousness of the security challenges Israel faces,²¹ or the efforts that Netanyahu and other Israeli leaders have made in containing settlement construction.²²

(...continued)

and International Studies, 2011, p. 19.

¹⁷ Mizrahi or Sephardic Jews are descended from Jewish communities in the Middle East and North Africa.

¹⁸ Over one million Israeli citizens are Russian speakers, and Haredim constitute approximately 7% of Israel's population and have an average of 6.5 children per family. Barry Rubin, *Israel: An Introduction*, New Haven, CT: Yale University Press, 2012, pp. 140, 162. Israel has approximately 7.6 million people and an average birthrate of around 3 per family.

¹⁹ The Central Elections Committee (CEC) has disqualified Arab parties and individuals from running in Israeli elections on multiple occasions, based on provisions in Article 7A (adopted in 1985) of the Basic Law on the Knesset prohibiting the participation of candidates or candidate lists that negate Israel's existence as a Jewish and democratic state, incite racism, or support armed struggle by a hostile state or terrorist organization against Israel. To date, every disqualification of Arab parties and individuals under Article 7A has been overturned by the Supreme Court. The only party whose disqualification has been upheld under this law was the Jewish far-right nationalist party Kach in 1988. Before this law, the Supreme Court upheld the CEC's 1965 disqualification of the Arab movement Al Ard (The Land). On December 19, 2012, the CEC disqualified Knesset member Haneen Zoabi of Balad (National Democratic Assembly/Country) from running in the 2013 elections because she was a passenger on the ship (the *Mavi Marmara*) raided in international waters by Israeli commandos in May 2010 for leading a flotilla that intended to breach Israel's naval blockade of the Gaza Strip. For general information on the raid and its broader political context and meaning, see archived CRS Report R41275, *Israel's Blockade of Gaza, the Mavi Marmara Incident, and Its Aftermath*, by Carol Migdalovitz. Zoabi's disqualification was overturned by the Supreme Court in late December.

²⁰ Barak Ravid, "Netanyahu: Israel is a democracy and won't tolerate discrimination," *haaretz.com*, December 25, 2011; Shmulik Grossman, "Netanyahu: Uproot discrimination against Ethiopians," *ynetnews.com*, June 23, 2010.

²¹ Barry Rubin, "How Do We Know Definitively That Israel's Critics Are Wrong? Because of What They Say," *pjmedia.com*, October 7, 2011.

²² Evelyn Gordon, "What Incentive Does Netanyahu Have to Make More Concessions?," *commentarymagazine.com*, September 20, 2011.

Key Electoral and Coalition-Building Questions

As maneuvering within and among parties continues in preparation for the 2013 Israeli elections, a few key questions have emerged that could have a substantial impact on voting results and the new government's composition. These, in turn, could have significant implications for Israeli leaders' future policies and actions, including their conduct of relations with the United States.

Lieberman's Legal Troubles: How Important a Factor?

Following the announcement of Yisrael Beiteinu leader Avigdor Lieberman's impending indictment and his resignation from the current government in mid-December, the Israeli media has been awash with speculation about the potential for these developments to transform the election or change the character of another Netanyahu-led government. Before the mid-December events, several reports analyzing the October Likud/Yisrael Beiteinu electoral merger asserted that Netanyahu—mindful of the close result (discussed in a textbox above) in the 2009 elections—wanted to ensure that he would have the prerogative to form the next government,²³ and that Lieberman was positioning himself to become prime minister after Netanyahu.

Since the indictment, opinion polling indicates a dip in voter support for "Likud Beiteinu" from a projection of nearly 40 Knesset seats to 35 or even slightly less—not enough to threaten the joint list's projected first position in the elections, but possibly enough to weaken Netanyahu's coalition-building and governing leverage within the list and with other parties. Lieberman's troubles and the uncertainty

The Lieberman Indictment

Yisrael Beiteinu leader Avigdor Lieberman was indicted for fraud and breach of trust by Israel's Attorney General Yehuda Weinstein on December 30, 2012. An initial draft indictment including only a breach of trust charge had been released publicly in mid-December. The indictment alleges that in 2010 while serving as foreign minister, Lieberman supported the appointment of Ze'ev Ben Aryeh as Israel's ambassador to Latvia after Ben Aryeh—who was serving as ambassador to Belarus at the time—provided Lieberman with information that Ben Aryeh had received while acting as the Israeli police's liaison with Belarus. The information pertained to an investigation into some of Lieberman's past dealings in that country. In mid-December, Weinstein announced that, due to a lack of sufficient evidence, he would not pursue potentially more serious charges against Lieberman stemming from investigations of corruption, fraud, and money laundering that had possibly occurred since 2000.

Lieberman's initial hopes to quickly resolve the charges against him and rejoin the government following an expedited process or a plea bargain have appeared to fade because of Weinstein's reported call for a judgment of "moral turpitude."²³ In the event of such a judgment, Lieberman would be suspended from the Knesset and disqualified from serving as a government minister, and would cede his Knesset membership if the judgment is final. If such a finding were coupled with a prison sentence, Lieberman would be disqualified from serving as a minister for seven years following the end of a sentence, and if the sentence was three months or more, he would be disqualified from serving as a Knesset member for the same period of time.²⁴

²³ Edna Adato, et al., "Lieberman to face harsher charges as police complete questioning," *israelhayom.com*, December 27, 2012.

²⁴ Sections 6, 42A, and 42B of Basic Law: The Knesset; and Sections 5, 6, and 23 of Basic Law: The Government contain applicable legal provisions regarding criminal convictions, Knesset membership, and eligibility to serve as a minister. See Anshel Pfeffer, "Can Israeli politics exist without Avigdor Lieberman?," *haaretz.com*, December 30, 2012.

²⁵ Because of Lieberman's past service in Ehud Olmert's 2006 Kadima-led coalition and Yisrael Beiteinu's pro-secular positions, reports indicated that Netanyahu may have worried about Lieberman throwing his support to Olmert to (1) defeat Netanyahu and thus claim overall leadership of the political right, and (2) support pro-secular positions on military conscription and budget priorities.

they portend might contribute to this apparent decline in popularity. However, other factors could include possible concern among core constituencies from each party (working class Mizrahim in Likud, Russian speakers in Yisrael Beiteinu) that joining forces with the other will dilute these constituencies' relative power within the joint list. Some among right-of-center voters might also perceive that their support of smaller parties will not harm Likud Beiteinu's coalition leadership prospects. One could argue, however, that Netanyahu's overall leadership of the joint list will largely insulate Yisrael Beiteinu from the consequences of uncertainty that it might have suffered following the indictment had it stood alone in elections.

If Lieberman is unable to serve as a minister in the next government, Netanyahu (should he remain prime minister) might have more flexibility to offer prestigious ministerial positions to potential coalition partners, although even if Lieberman is not in the government, his status as Yisrael Beiteinu leader will provide him some influence in the post-election process. Depending on the duration and circumstances of Lieberman's case, Netanyahu might himself act as temporary caretaker of a ministry he would cede to Lieberman upon the case's resolution, or appoint someone else willing to do so. Given Lieberman's largely negative reputation among U.S. and other Western officials, partly due to his contentious positions regarding the Palestinians and other potentially key interlocutors such as Turkey, some Israeli and international actors might welcome his long-term absence from government. However, a Lieberman hiatus probably will not by itself reverse or eliminate broader Israeli political trends and security concerns that could increase friction with Western interests or sensibilities.

How Might International Factors Affect the Process?

Though polls and public debate indicate a prominent role for socioeconomic issues in the campaign,²⁶ several regional and international issues could influence electoral outcomes or the subsequent formation of an Israeli government. The elections will take place in an atmosphere of great uncertainty regarding Iran's nuclear program and political transition and conflict in neighboring Arab states, and in the aftermath of a November 2012 conflict with Palestinian militants based in Gaza. Nevertheless, issues pertaining to Jewish settlements in Palestinian-populated areas of the West Bank and East Jerusalem may also influence Israeli voters, including those choosing between different right-of-center parties. Such issues are closely associated with aspects of Israeli national identity and everyday life, and indeed often are characterized as domestic in nature.

Netanyahu government announcements in November and December 2012 pertaining to proposed settlement plans and construction²⁷ have drawn strong condemnation from the United States and

²⁶ One poll indicated that 60% of Israelis view various socioeconomic issues as the most important challenges facing the next Israeli government, while 35% view issues of security and peace as the most important challenges. Stephan Miller, "For 43% of likely voters, economic issues — not the Palestinians or Iran — are top priority," *Times of Israel*, January 8, 2012.

²⁷ The settlement-related announcements reportedly pertain to tenders for approximately 3,000 residential units in various areas of the West Bank and East Jerusalem, as well as residential planning that could lead to nearly 8,000 additional units in East Jerusalem and the "E-1" area of the West Bank (located just east of the Israeli municipal boundaries for Jerusalem). E-1 is seen by many proponents of a negotiated two-state solution as an insuperable obstacle to the contiguity of the West Bank territory within a future Palestinian state. Americans for Peace Now, "11 thousand units in one week - the government's settlement offensive," December 5, 2012. Owing to the level of international dismay about possible construction in E-1, some observers speculate that Netanyahu would be willing to indefinitely delay such construction after the elections if he discerns possible political or diplomatic advantages in doing so.

the international community—perhaps most prominently from Western European countries that have historically maintained good relations with Israel. These announcements are apparent reprisals for the U.N. General Assembly’s adoption of Resolution 67/19 on November 29, which changed the permanent observer status of “Palestine” (the Palestine Liberation Organization, or PLO) at the United Nations from that of an entity to a “non-member state.”²⁸ The United Kingdom and other European Union member states have hinted that, absent a change of Israeli policy, they may in the future go beyond their routinely vociferous opposition to settlements by substantively curbing or limiting expansion of European political and economic cooperation with Israel.

Some of Netanyahu’s center-left political opponents and media critics have cited international condemnation of the timing and manner of the announcements in their more general critiques blaming Netanyahu and his allies for distancing Israel from President Obama and the United States and otherwise eroding Israel’s worldwide goodwill. Yet, instead of discernibly aiding the center-left, whatever drop in Likud Beiteinu’s opinion polling support may have occurred has coincided with an uptick in support for Ha’bayit Ha’yehudi/National Union, the adamantly pro-settler joint list.

An ongoing Palestinian Authority (PA) budget crisis has sparked some protests in the West Bank. If it metastasizes into more widespread instability before the elections owing to PA delays and shortfalls in paying salaries of security personnel and other public employees, the political blowback Netanyahu and his Likud Beiteinu list would face might depend on the direct consequences to the Israeli public. The Israeli government has withheld tax and customs revenue transfers from the PA since the adoption of U.N. General Assembly Resolution 67/19.²⁹

How Will a New Coalition Balance Political and Governance Considerations?

Netanyahu or whoever else forms Israel’s next government will face challenges in simultaneously seeking to address various problems facing Israel and to maintain his or her coalition. The growing likelihood that Likud Beiteinu will not exceed 40 Knesset seats might make Netanyahu’s choice of coalition partners more significant for the policy priorities of a new government, assuming that he remains prime minister. Although Netanyahu has previously favored traditional right-of-center coalition partnerships, a range of different alignments is possible depending, for example, on whether he prioritizes addressing Iran’s nuclear program; the Palestinians and settlements; or cost-of-living and other socioeconomic questions that include Haredi lifestyle subsidies and military conscription.

One instance may be illustrative. In a late December interview, Ha’bayit Ha’yehudi leader and military reserve officer Naftali Bennett³⁰ was quoted as saying that he would personally ask to be

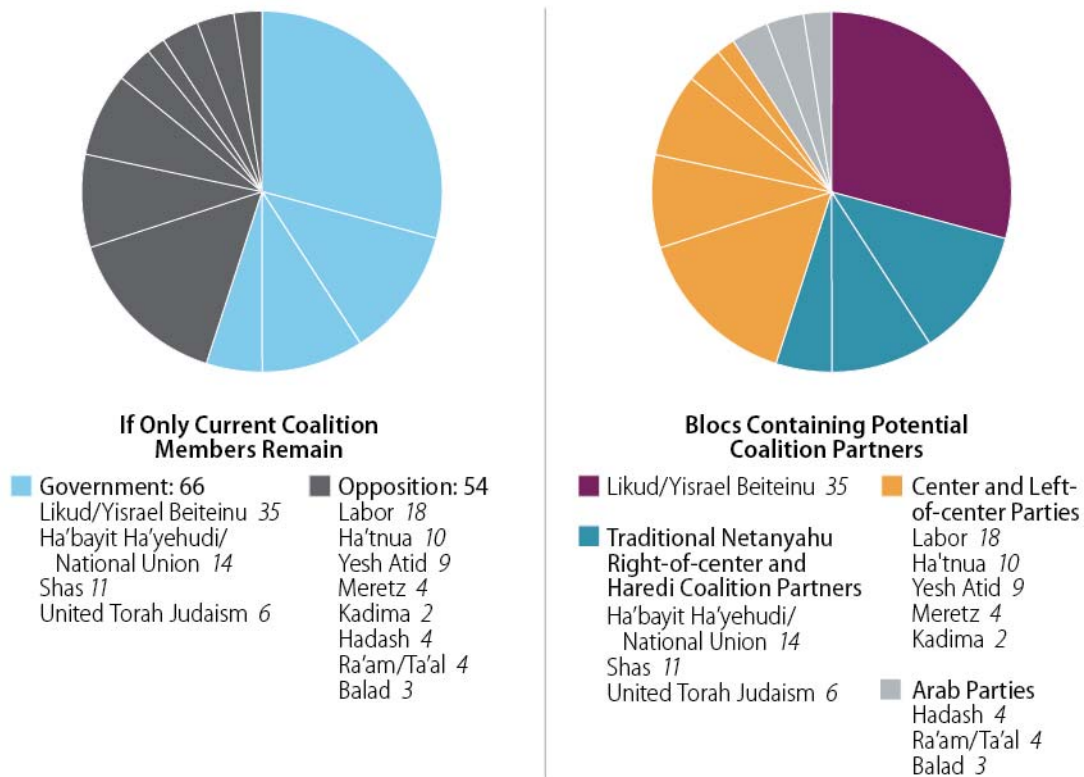
²⁸ CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

²⁹ Following the adoption of Resolution 67/19, Israel announced that would withhold approximately \$115 million in monthly customs and tax payments that it is generally legally bound to transfer to the Palestinian Authority (PA) under the 1994 Israel-PLO “Paris Protocol”. Subsequent reports speculate that Israel might withhold monthly payments until as late as March 2013. The withholding will ostensibly defray amounts (up to \$350 million) owed Israel for utility expenses, even though it is private Palestinian companies, not the PA itself, which owe these amounts.

³⁰ Bennett, who is routinely described as a young, charismatic leader helping remake his party, is also a multimillionaire businessman and was a former chief of staff to Netanyahu during his time as opposition leader in (continued...)

exempted from official orders to evacuate a Jewish settlement, prompting Netanyahu to respond that his cabinet would not include those who support refusing orders. Subsequently, Bennett affirmed that soldiers must carry out orders, but other parties are reportedly angling to use Bennett's comments to their advantage, even though—as discussed above—polls indicate a spike in support for Ha'bayit Ha'yehudi and an accompanying decline in support for Likud Beiteinu.³¹

Figure 2. Possible Post-Election Knesset Coalition Scenarios



Source: Same poll averages cited in **Figure 1**.

The composition of a new Netanyahu coalition and government could significantly influence the tenor of Israel's politics and its foreign relations, including with the United States. On one hand, enlisting coalition partners from other parts of Israel's political spectrum to join the government might help Netanyahu cultivate Western interlocutors—potentially gaining U.S. support for and reducing international resistance to Israeli national security initiatives. A broad-based coalition could also help ensure wider domestic approval for decisions of critical importance. On the other hand, coalition ministers from the center-left could work against potential efforts by Netanyahu to overcome existing opposition within Israel's security establishment, as well as possible U.S. and international opposition, to possible unilateral military action against Iranian nuclear facilities. In

(...continued)

2006-2008. Bennett also favors Israeli annexation of a large part of the West Bank. Jodi Rudoren, "Dynamic Former Netanyahu Aide Shifts Israeli Campaign Rightward," *New York Times*, December 26, 2012.

³¹ Jonathan Lis, "Netanyahu clashes with Habayit Hayehudi's Bennett over call to disobey IDF orders," *haaretz.com*, December 23, 2012.

late December, Netanyahu reportedly dismissed rumors that he was considering appointing Livni to a ministerial position with responsibility for Palestinian issues.

The extent of Netanyahu's desire to accommodate a broad range of domestic and international views in his policymaking deliberations could also be indicated in part by whether he reappoints Dan Meridor, Benny Begin, Avi Dichter, and/or Michael Eitan to his cabinet. These four individuals are all generally perceived within Israel as moderate or establishment figures. However, in Likud's November 2012 primary elections, they were all denied premier positions on the party electoral list in favor of a group that includes nationalists with "hardline" credentials.³⁴

Conclusion

Israeli electoral outcomes may have major implications for U.S.-Israel relations and security cooperation. If the Likud/Yisrael Beiteinu partnership emerges with the largest Knesset representation, Binyamin Netanyahu would primarily shape the new coalition and government, but would need support from key Israeli constituencies outside his political support base. As part of this process, he would weigh a number of domestic and international considerations—including the lack of a clear rival to his immediate leadership—within an overall political, demographic, and regional security context. The strategic challenge of Iran's nuclear program and the potential for key short-term decision points on unilateral Israeli military action is paramount among these concerns. However, the concerns also include questions about growing threats in ungoverned spaces at Israel's borders; a seemingly more intractable Palestinian situation with increasing potential for West Bank instability and international isolation of Israel; and the future nature and extent of relations with a more Islamist Egypt, a potentially fragile Jordan, a war-scarred Syria vulnerable to extremism, and a conflicted, powerful, and less friendly Turkey.

To the extent that Netanyahu's choices of coalition partners and ministers reveal his priorities and constraints as to policy initiatives, Members of Congress and other U.S. policymakers can use

A New Defense Minister?

Perhaps no position other than prime minister is more consequential in Israel than that of defense minister. Former Prime Minister and Israel Defense Forces (IDF) Chief of Staff Ehud Barak, who has served as Israel's defense minister for nearly six years under Olmert and Netanyahu, could be replaced, and is not even competing in the elections.³² During his tenure, which began in the aftermath of Israel's 2006 conflict with Hezbollah, U.S.-Israel security cooperation has evolved and, by most accounts, deepened on a material and an operational level amid continually shifting and developing regional challenges.

Although Israeli law would permit Barak's reappointment regardless of his political status or membership in the Knesset, some reports indicate that a new Netanyahu government might feature Moshe Ya'alon of Likud as defense minister.³³ Ya'alon is currently a Vice Prime Minister and Minister of Strategic Affairs, and during his military career he served as an IDF chief of staff. He is often identified as a key player in cabinet discussions, especially over Israel's approach to the Iranian nuclear issue. If a new U.S. Secretary of Defense is confirmed, the possible replacement of Barak would lead to new top-level leadership on both sides of the U.S.-Israel defense relationship.

³² Barak, who was reelected to the Knesset in 2009 as leader of the Labor party, formed a splinter party (Ha'atzmaut, or Independence) with four colleagues in January 2011 when they chose to remain with Netanyahu's coalition after Labor left it. In doing so, Barak was left without a significant political base.

³³ Barbara Opall-Rome, "Contenders Jockey for Israel Defense Job," *Defense News*, December 2, 2012. Other names mentioned were Avigdor Lieberman (before his indictment) and Labor's Benjamin Ben Eliezer.

³⁴ See footnote 3.

this information to assess the status and trajectory of U.S.-Israel relations and evaluate possible political, economic, and military options in the Middle East.

Appendix. Major Parties Contesting 2013 Elections

Likud (Consolidation)/ Yisrael Beiteinu (Israel Is Our Home) <i>Current status: Coalition</i>	<p>Likud: Israel's historical repository of right-of-center nationalist sentiment; skeptical of territorial compromise; has also championed free-market reforms. <i>Leader: Binyamin Netanyahu</i></p> <p>Yisrael Beiteinu: Pro-secular, right-of-center nationalist party with base of support among Russian speakers from former Soviet Union. <i>Leader: Avigdor Lieberman</i></p>
Avoda (Labor) <i>Current status: Opposition</i>	<p>Israel's historical repository of social democratic, left-of-center, pro-secular Zionist sentiment; although associated with efforts to end Israel's responsibility for Palestinians in West Bank and Gaza, has campaigned this cycle largely on socioeconomic issues. <i>Leader: Shelly Yachimovich</i></p>
Ha'bayit Ha'yehudi (The Jewish Home)/ National Union <i>Current status: Coalition</i>	<p>Right-of-center nationalist coalition with base of support among Ashkenazi Orthodox Jews; includes core constituencies supporting West Bank settlements and annexation. <i>Leaders: Naftali Bennett and Uri Ariel</i></p>
Shas <i>Current status: Coalition</i>	<p>Mizrahi ultra-orthodox (Haredi) party guided by Rabbi Ovadia Yosef; favors welfare and education funds in support of Haredi lifestyle; opposes conscription of Haredim and compromise with Palestinians on control over Jerusalem. <i>Leaders: Eli Yishai, Aryeh Deri, and Ariel Atias</i></p>
Ha'tnua (The Movement) <i>Current status: Opposition</i>	<p>New pro-secular, centrist party focusing on ending Israel's responsibility for Palestinians in West Bank and Gaza and preserving international support for Israel. <i>Leader: Tzipi Livni</i></p>
Yesh Atid (There Is a Future) <i>Current status: N/A</i>	<p>New pro-secular, centrist party focusing largely on socioeconomic issues, including conscription of Haredim and easing middle class burdens. <i>Leader: Yair Lapid</i></p>
United Torah Judaism (UTJ) <i>Current status: Coalition</i>	<p>Ashkenazi Haredi coalition (Agudat Yisrael and Degel Ha'torah); favors welfare and education funds in support of Haredi lifestyle; opposes conscription of Haredim; generally seeks greater application of Jewish law.</p>
Hadash (Democratic Front for Peace and Equality) <i>Current status: Opposition</i>	<p>Israeli Arab-Jewish socialist party; supports complete Israeli withdrawal to 1949-1967 armistice lines, creation of a Palestinian state, and religion/state separation. <i>Leader: Mohammed Barakeh</i></p>
Ra'am (United Arab List)/ Ta'al (Arab Movement for Renewal) <i>Current status: Opposition</i>	<p>Israeli Arab coalition with base of support among Islamists and Bedouins; supports creation of Palestinian state along 1949-1967 armistice lines. <i>Leaders: Ibrahim Sarsur and Ahmad Tibi</i></p>
Balad (National Democratic Assembly/"Country") <i>Current status: Opposition</i>	<p>Israeli Arab party; supports a two-state solution; opposes formal characterization of Israel as a Jewish state. <i>Leader: Jamal Zahalka</i></p>
Meretz <i>Current status: Opposition</i>	<p>Left-of-center, pro-secular Zionist party that supports initiatives for social justice and for peace with the Palestinians. <i>Leader: Zahava Gal-On</i></p>
Kadima (Forward) <i>Current status: Opposition</i>	<p>Centrist party offshoot from Likud espousing similar principles to Ha'tnua; top vote-getter in 2006 and 2009 elections. <i>Leader: Shaul Mofaz</i></p>
Otzma Le'yisrael (Strength to Israel) <i>Current status: N/A</i>	<p>Further right offshoot of National Union. <i>Leaders: Aryeh Eldad and Michael Ben Ari</i></p>
Am Shalem (Whole Nation) <i>Current status: N/A</i>	<p>Offshoot of Shas seeking to integrate Haredim with secular Israelis. <i>Leader: Haim Amsalem</i></p>

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