

**A Brookings Press Briefing
The Saban Center for Middle East Policy**

**THE NEW ISRAELI GOVERNMENT
IMPLICATIONS FOR U.S. POLICY**

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THIS IS AN UNCORRECTED TRANSCRIPT



MR. E.J. DIONNE, JR.: Welcome everyone, and thank you for coming. We have Florida and Israel has something over 42 days to form a government. I suspect they will be at least as interesting as the 37 days after our election. This was an important and fascinating election and we have about the best people to tell us what happened here.

What we're going to have first is Chemi Shalev, the political analyst from *Ma'ariv*, Israel's second largest daily newspaper. It's a great newspaper. He'll of take us through what happened in the election.

Shibley Telhami will then take us through some of its implications and also talk about what happened with the Arab vote.

And then our own incomparable, unique and irreplaceable Martin Indyk, will talk about what it means and also how the Americans are going to deal with the outcome of this election.

What I'll do is introduce all three of them. Each of them will speak. I may ask a few obnoxious questions as we go, and then we are going to try to turn as quickly as possible to you all to join the conversation. We have a mike going around the room.

Let me just begin by introducing Chemi Shalev. He is the political analyst for *Ma'ariv*. He writes daily and weekly columns on the peace process and Israel's internal politics. He also creates and publishes the newspaper's biweekly public opinion polls. So he will tell us all about the ups and downs of Mr. Sharon during the scandal in intricate detail.

He also serves as the Jerusalem correspondent for the New York-based weekly *Forward* which grew out of the old daily *Forward* that many of you are familiar with. He writes a regular column called appropriately "The Situation on Israel and the Middle East". He's a frequent guest commentator on CNN and other networks and has often served as CNN's resident analyst during times of crisis in the Middle East.

He has managed a publishing company, served as spokesman of the Israeli consulate in New York, and then I guess from my point of view he went up in the world and turned to journalism. Others have a different view of that. He was the diplomatic correspondent for the *Jerusalem Post*. I could go on and on and on, but it is significant that Mr. Shalev could be President of the United States because he was born in Washington, D.C. He's married, he has three children and lives in Jerusalem, so he may also perhaps declare his candidacy today.

Shibley Telhami, first we should plug his book. He's the author of a very important recent book called *The Stakes of America and the Middle East* which every single person in this room should buy.

He also has one of my very very favorite titles. Shibley is the Anwar Saddat Professor for Peace and Development at the University of Maryland, and all failures to achieve peace and

development in the Middle East are laid at Shibley's doorstep despite his best efforts.

He is also a Senior Fellow at the Saban Center here at Brookings. He's an expert in many areas, the Arab-Israeli conflict, ethnic conflict more generally in international relations, Persian Gulf politics. Shibley, in other words, knows everything. Actually, between us we know everything. He knows everything and I know all the rest.

He is currently working on what I can't wait to read, a study of the role of the media in shaping political identity in the Middle East and the sources and ideas about U.S. interests in the Middle East.

Shibley has a PhD from Berkeley. He has an MA from the Graduate Theological Union at Berkeley, and he went to Queens College at the City University in New York City.

Then our incomparable Martin Indyk or Ambassador Indyk as I always refer to him when I run into him in the parking lot. He is a former Ambassador to Israel. He is the head of the Saban Center. He is a Senior Fellow in the Foreign Policy Studies Program. I pointed out to Martin that there is a very interesting political fact in his bio that's put out by Brookings. It says, "Ambassador Indyk served two tours in Israel, the first during the Rabin years, 1995-1997 and the second, and there's no name there, 2000 to June 2001 during efforts to achieve a comprehensive peace and stem the violence of the Intafada." I just want to restore the name of Barak to your bio, but he was there during very interesting and very difficult times.

Before he was assigned to Israel, Ambassador Indyk served as Special Assistant to President Clinton and as Senior Director of Near East and South Asian Affairs at the National Security Council.

Before entering government service, Dr. Indyk served for eight years as the Founding Executive Director for the Washington Institute of Near East Policy. So now Martin may be a little bit like Ted Turner -- first he founds one organization, then he leaves it; founds a competing organization. Both of them do excellent work. I can't wait to see the third or fourth organization you found.

I could go through lots of stuff, but just so you understand Martin's wonderful accent. Martin's an American. He was born in London, he was raised in Australia, so he doesn't even have a Mid-Atlantic accent. He has something that you might call a global accent.

So we'll start with Chemi Shalev and then move to Shibley and then to Martin, and thank you all very much for coming.



MR. CHEMI SHALEV: Thank you very much. If I could just put to rest this issue of my presidential aspirations. There's a 14th Amendment to the Constitution which precludes children of foreign diplomats from attaining U.S. citizenship, and therefore I cannot run for the President and that's the end of my political career. [Laughter]

I'd like to start out just by mentioning the very moving ceremony which I saw on television before in memory, a memorial for the seven astronauts who died on board the Columbia. I spoke to some friends of mine just before coming here, and even the great cynics were very moved by the ceremony, and the people in Israel were very moved by the ceremony. I think from certain psychological and emotional points of view perhaps Israelis have never felt closer to Americans after an Israeli astronaut died alongside six American peers on an American space vessel. I think even though relations between the two countries have always been close, I think on an emotional and psychological level, at least from the Israeli point of view and possibly from the American point of view as well, but from the Israeli point of view, there is a closeness that we've never seen before.

I mention this because I think it has some political ramifications when one is trying to understand where Israeli politics are headed. Israelis will empathize with Prime Minister Sharon when it becomes clear that the main driving force of his coalition negotiations is his wish to maintain the good relationship with the United States that he had. In fact I believe that the key to understanding the current political maneuverings in Israel is to keep in mind the fact that Sharon's main driving force, the main driving force of his foreign policy during the two years that he was in office, some would say the only driving force behind his foreign policy, was his constant attention and nurturing of his close relations with the United States.

Because of this it's quite likely that the results of these elections will not be as people anticipated. Because of Sharon's supreme concern for American-Israeli relations it's quite possible that he will not set up the kind of coalition that one would expect after the elections. It's quite possible that when we look back at these elections with the benefit of hindsight in a few months time we will reach the conclusion that it was not the right wing that won these elections, although the numbers say otherwise.

One has to explain why is it that when Sharon looks at these numbers he seems so unhappy. Anybody who looks at his victory speech in front of the jubilant Likud members on election night could see that this was not the words and the face of a man who had now reached his ultimate goal. In fact there was a joke going around in Israel in the days before the elections that perhaps, when it was already clear that the Likud was going to win, that perhaps Sharon was sending out people from the Likud to vote for Labour because he did not want such an overwhelming victory like the one that he got in the end.

Let's start with the question, the strange question of how is it that when Israel is in what is arguably the worst situation that it's been in some would say since the state was established, the security situation is terrible, the economic situation is terrible, and the Prime Minister and the ruling party are involved in one of the worst scandals of corruption in Israeli history, nonetheless he emerges so triumphant. This is one of the strange things that I'm going to try to explain.

I think that when Ambassador Indyk invited me he knows the meaning of the word [freyal]. [Freyal] in Hebrew is I think the equivalent of sucker. He was looking for a sucker who would try to explain to you the in's and out's of this twilight zone of politics. I will try.

First of all he gave me 15 minutes. I asked for three days, he gave me 15 minutes. [Laughter] Let me telegraphically try to give you what in my opinion are the main reasons for the overwhelming Likud victory.

First and obvious is the effect of terrorism on the Israeli public. The Israeli public lives or has lived for the past two years in a state of fear, anxiety, a situation where any talk of reconciliation with the Arabs is frowned upon if not abhorred. A state of distress, and a state of I would say increasing hatred towards the Arabs. The Palestinian-Arabs in particular, the Arabs in general.

The effect of this given the various positions of the parties, has been to alienate voters from the left and to drive them towards the right.

The voters do not fault the leadership for the situation that the country is in. They do not fault the leadership because they do not fault themselves. Israelis do not blame themselves for the situation that Israel is in. They blame more than anything else, they blame the situation on Yasser Arafat. This in the wake of the Israeli interpretation of the Camp David Summit of July 2000 where in Israeli eyes Israel made a very generous offer to the Palestinians and Yasser Arafat rejected the offer and preferred to continue to try to extract concessions through terror.

They do not blame themselves because they feel that the two years of terrorism were all inspired by Yasser Arafat and that Israel did whatever it can to stop this terrorism and in no way contributed to it.

They know that the security situation is the cause of the economic situation. Therefore they do not blame the government for the situation of the economy either. And they do not fault the government for not having any solution to this situation because they themselves have no solution.

So when people criticize Prime Minister Sharon for being vague or for being unrealistic about his plans for settling the Israeli-Palestinian problem, that is not a criticism which hurts Sharon because it is a sentiment that is shared by a bewildered public.

Because the Israeli public is in such a state of distress they preferred to vote for what we in Israel called the grandfatherly image of Sharon, a man who has been around Israeli military activities and politics since the state was born and they needed a grandfatherly figure to rely on and Sharon's strength was that, this was in stark contrast to Amram Mitzna who is much younger. You would have thought that a younger candidate Mitzna is younger, unattractive, relatively unknown, and the voters, given their emotional and psychological state, did not trust Mitzna.

For that reason, the grandfather element, I think -- my colleagues in Israel do not agree with me, but I think that Labour indeed would have done much better in the polls if Shimon Peres had headed the party. For much the same reason that they voted for Sharon, people would have voted for Peres. Not that he would have won the election, but in my opinion and at least that's what the polls show, Peres would have done much better than Mitzna did.

The next element, and although I said before that Israelis blame mainly Arafat, but nonetheless they wanted to punish Labour. They wanted to punish Labour for what they feel is Labour's responsibility for having gotten Israel into this mess in the first place. It was Labour that signed the Oslo Accords. It was Labour that, although supported at the time by a majority of Israelis, but nonetheless frowned on today, it was Labour that introduced Yasser Arafat and the Palestinian Authority back to the territories. And this has, after two years of Intafada, this has become some sort of original sin which voters wanted to punish Labour for, and they did.

There is another element in understanding Israeli elections. Some people say that this is the most important element and it does not have much to do with day-to-day affairs or perhaps even not much to do with the events of the past two years. That is what we call in Israel the tribal voting.

If you look at the voting patterns in the various demographic groups you will find that they tell a very clear and distinct tale. The Likud was always strong among North African Jews, Sephardic Jews, and only in situations where Labour had a very charismatic leader such as Yitzhak Rabin in '92 or Ehud Barak in '99, only then did Labour succeed in prying away some of the votes of North African Jews away from the Likud.

Given the fact that Mizna is not made from that kind of stuff, the North African community again voted overwhelmingly for the Likud.

Added to that, and perhaps more importantly and the new element is the Russian vote. When I say Russian vote I mean the community of immigrants who have come in the past 20 years from the former Soviet Union who comprise about 17 percent of the Israeli electorate and who are, judging by all the polls today, the most right-wing group in Israel for various reasons. One, because of their antipathy towards socialism that Labour supposedly represents; and perhaps being inspired by the Russians' attitude towards Chechnya which they constantly advise Israel to use towards the Palestinians, they view Labour as appeasers, and it's an amazing fact. We don't have the exact numbers yet but it is clear that Labour this time around got less than five percent of the vote from these new immigrants.

The third group which one must mention are the Israeli-Arabs which Professor Telhami will talk about at length. But nonetheless, the Israeli-Arabs first of all went to vote in smaller numbers than the rest of the population, and those people that did go to vote did not vote for labor or for Meretz or for any other Jewish Zionist party, and therefore Labour's strength in the Arab community plummeted. This as a result of the October, the direct result, I believe, of the October 2000 riots in which 13 Arab-Isrealis were killed by a Labour-led or by a police which was guided by Labour-led government. They have not forgiven or forgotten. And as a result in 2001 in the prime ministerial elections, most of the Arabs boycotted the vote and it is a known fact that once a group boycotts a vote it is very difficult to get them back into the voting habit, and therefore Labour lost a lot of votes there.

So what is Labour left with? Labour is left with, I hope you'll excuse the comparison, what we may call Israeli WASPs. The founding fathers, Israel's affluent, middle class and upper middle class,

[Ashkenazi] secular community which is a minority to begin with. But the Labour situation became much worse because in that minority many were attracted by the Cinderella of these elections which is Shinui, the party headed by former journalist Tommi Lapid. It's a sort of protest party for the affluent. Maybe we can call them White Panthers. The people who voted for them I think are comprised half of people who's main inspiration in life is trying to curtail the power of the ultra-orthodox in Israel, and the other half was a sort of protest vote, both against Labour and against the Likud. And people who, Yossi Beilin said that people who voted for Shinui were, it was the sort of next best thing to not voting at all, was to go and vote for a party which it wasn't clear exactly who they represented.

But they took 15 Knesset seats and so Labour was left with its 19, the smallest showing that it's ever had.

One more note about the corruption scandals, and this has to do with what I said about the fact that Labour is identified with the previously ruling elite. Sharon was bombarded -- We didn't even have an election campaign in Israel. There was no talk of Palestinians, there was no talk of the economy, there was no talk of the major burning issues of the day. All of the campaign was consumed by the corruption stories, first in the Likud party, and then in Sharon's family, and then Sharon himself, and the public was bombarded day in and day out by new corruption stories appearing in the press.

But because the public identifies the press with these leftist elites and because they're identified, the judicial system, with these left elites, and once Sharon spoke to the public and his speech was cut short by a Supreme Court Judge for having contravened Israel's strange propaganda laws, there was a massive swing of voters back to the Likud. The Likud had been going down in the polls until that point, but suddenly in that inexplicable dynamic of public opinion, voters started swarming back to Sharon, viewing him as a victim of this leftist conspiracy and sort of the actual charges against him did not interest the public any more. It may have been a case of overkill in the sense that because there were so many stories about Sharon the public stopped listening and instinctively and emotionally went back to supporting him.

So when you look at the numbers on the page that we handed out, it's quite obvious that the right wing has won a major victory. But I'm not sure that it did.

I think that if Netanyahu had headed the Likud then there would be no doubt, and also we could be sure of what kind of government we were going to have. But because it's Sharon, because Sharon has promised President Bush that once the Israeli cabinet or coalition or government is set in place his first order of business is to bring the Bush Initiative or the Bush speech of June 24th for approval by the Israeli cabinet and to make it the official policy of Israel. That turns his coalition negotiations much more complicated, because the right wing coalition, the natural right wing coalition that Sharon could set up a day after the President appoints him to set up a new government will not approve of the June 24th Bush speech, and that from Sharon's point of view is a nightmare scenario.

When one contemplates the significance of the vote it is also very interesting to note that Sharon has said that he would set up any government without what he calls the extremists. These extremists, he

is referring to the party called the National Union headed by Avigdor Lieberman.

Now it's very interesting that Sharon brands this party as extremists, because for many people they are the right wing, they represent the right wing ideology in its purest form. In fact except for the fact that some of the people in the National Union support transfer, the concept of transfer of Palestinians, if you take that out you would say there isn't that much difference ideologically between the National Union and many parts of the Likud. But nonetheless Sharon has placed the National Union outside the pale, and that is very significant in internal Israeli terms.

Perhaps more significant is the fact that Sharon is ready, I don't know if he's capable, but he's ready of setting up a government without Shas. He prefers a government with Shinui in and with Shas out. This is also a very significant development in internal Israeli politics. Shas and the Likud are eternal partners, people who, the voters of both parties switch from one party to the other throughout the election, and the fact that Sharon is going to try to set up a government without Shas against and despite the objections of many in his party means that he might wind up with a coalition which does not have Shas and does not have the National Union inside. And if Shas and the National Union are not in the government when we look back, I'm not sure we're going to say any more that this was such a great victory for the right wing.

Sharon's dream team, the government that he would most like to see, is what Israelis call a secular unity government. That is a government where Likud, Shinui and Labour make up the nucleus. This would be a powerful government if it ever got off the ground because this nucleus comprises 72 members of the Knesset and it is the government that is most favored by an overwhelming majority of Israelis. We had a poll last Friday in my newspaper and we asked of three possibilities what government would you most like to see. One was this secular unity government, another was a national unity government like the one we had with religious parties, and a third was a narrow right wing coalition. The secular unity government enjoyed the support of 51 percent of the public; 60 percent of Likud voters; 70 percent of Labour voters. Because this is such a popular concept, Sharon believes that in the long run Mitzna will not be able to withstand the stampede of Labour voters to join such a government. Amram Mitzna, as you know, has said emphatically that he will not joining any government under Sharon, and at least until now he appears to be sticking to his statement. But I am not sure personally that if Sharon succeeds in putting together an axis with Shinui, I do not think that Mitzna will be able to stay away from such a coalition, and I am not sure that if he insists he won't be moved aside by his party.

Now I don't know, nor does Sharon know, whether he will succeed in supplanting Shinui for the religious parties. If he does and indeed if he gets Labour inside the government, then I think another conventional wisdom that we had before the election which is that nothing is going to change as a result of these elections will also not be valid any more, because in internal Israeli terms, such a secular unity government would be revolutionary, not so much because of its attitude towards the peace process, but because of its attitude towards the very contentious matters of religion and state.

Another factor which has to be taken into account when one considers the coalition negotiations

is the imminent and impending war with Iraq. Sharon does not plan to wait until President Bush attacks in order to set up his government, but nonetheless when one thinks of the timeline both of the coalition negotiations and of the possible attack on Iraq, it's quite likely that this will have a profound impact on the coalition negotiations because once a war is imminent or once it starts, there will be a sense of emergency in Israel. This will especially be true if Saddam makes any aggressive moves towards Israel, and in that case I think Amram Mitzna will find it completely impossible to remain in the opposition.

I mentioned the fact that Sharon places such high value on his relations with President Bush. It should also be mentioned in this connection and when one thinks of his coalition stand the loan guarantees, that Israel has requested \$12 billion in loan guarantees and direct aid. Each day that passes they appear to be more and more critical for the Israeli economy. There were new figures released today about the budget deficit. The Israeli treasury in the month of January alone raised three billion sheckles less in revenues than it had expected and there is an atmosphere of approaching crisis or I would say even perhaps approaching catastrophe in the Israeli economy. This means that Israel must have the loan guarantees, and it also means that Israel's business community is going to be very active in trying to persuade labor to join the Likud so that Sharon will have the kind of government that will be able to adopt the kind of positions which will make possible for the American Administration to give these loan guarantees.

The bottom line is that Sharon wants to be seen as somebody who is willing to advance the peace process. He wants to be seen as someone who wants to set up a moderate government. He wants to be seen as someone who is not translating the supposedly right wing mandate that he got from the Israeli public into policies. He wants to walk the walk, he wants to talk the talk of being a moderate peacemaker, a potential deGaulle for Israel.

I don't know and I don't think anybody in Israel knows whether he is sincere or whether this is just tactics. I'm not sure that Sharon himself knows. I suspect that the answer doesn't lie in Jerusalem at all, but rather here in Washington on whether President Bush is serious about the peace process. I think Martin will talk about that.

I think if President Bush will turn out to be serious about the peace process, contrary perhaps to what Sharon might believe today, then Sharon will be put to the test and in any other case he will be able to continue maneuvering as he has been maneuvering for the past two years. It is these maneuvers that made him into Israel's very popular Prime Minister and he will keep on being very popular without actually being put to the test.

Thank you.

[Applause]

MR. DIONNE: I was struck during Mr. Shalev's remarks about an old slogan, when the scandal didn't work against Sharon, a machine politician once ran on the slogan, "Honesty is no substitute for experience" and won. And the other is, I love the term Israeli WASPs. It reminded me of

John Lindsey, the Mayor of New York who was elected on the slogan, "He's fresh and everyone else is tired." But in this case it sounded like he's tired, but everyone else is hopeless, was the key to the Sharon victory.

There are so many good thoughts there and good questions that we could raise, but now we turn to Shibley.



MR. SHIBLEY TELHAMI: Thanks very much.

One group of people that are not likely to be part of any government in the foreseeable future is the Israeli-Arabs, the three parties that have elected collectively eight members of the Knesset this time around, and they are not likely in any imaginable coalition to be part of the government, in part because even some of the centrist parties like Shinui had in part ran on a platform saying they will not be part of a government that has religious parties for Israeli-Arabs, in part that historically in fact no Israeli-Arab party has been an actual part of a coalition during Labour government in the '90s. In fact Israeli-Arabs were part of a loose coalition, in fact an essential part of a loose coalition. They were an important part of a coalition but they were never really part of the government itself.

Let me put the results of the elections in perspective.

In some ways when you look at the two years prior to the election, they have been the most difficult two years in a long long time in relations between Arabs and Jews in Israel. It's been a very difficult period when a lot of people raised questions even about the possibility of coexistence. Clearly the previous prime ministerial election which took place when in fact Israeli-Arabs, only 18 percent of them voted, came at the tail end of a difficult period which began with the Intafada, and then Arabs demonstrating in support of the Palestinians, and then the Israeli police confronting them forcefully and killing 13 Israeli-Arabs. That really began a very very difficult period in the relations. Obviously also on the Israeli-Jewish side people were asking questions about the loyalty of the Israeli-Arabs.

In addition to all of that which is the Intafada and the tension and the fact that most Israeli-Arabs to this day feel that they are second-class citizens despite the fact that they had been part of a coalition government in the 1990s, there is another part which is just a coalitional part. In fact really in the past couple of years it's been a national unity government. And they were outside of that national unity government. They weren't even part of a leftist opposition. So they were marginalized more than they had ever been in the political system. So in that sense during this difficult period in the relationship where both parties were asking questions about the nature of the relationship there was also a marginalization politically.

So leading up to these elections there were two episodes -- one negative and one positive -- that affected the potential for the turnout. One was when initially the Knesset banned a couple of members from two parties which alienated a lot of Arab citizens. And the Supreme Court overruled it and allowed them to run for the election which clearly resulted in much more of a turnout than people had originally anticipated.

In fact when you look at the turnout of the Arab voice in Israel, it was not very far behind the Jewish turnout, about 64 percent of the Arabs voted in the election. The Israeli turnout was about I think 68.5 percent, 69 percent total, and that's not very different from the history of that vote. The Arab vote typically lagged behind the Jewish participation, anywhere between two to five, six, seven percent. In 1999 75 percent of the Arabs voted in the election.

The interesting thing though is when you look at the turnout in the prime ministerial election last time which resulted in only 18 percent of the people voting, it was seen entirely to be protesting the death of the Israeli-Arabs and also protesting the Israeli policies toward the Intafada, and yet I think it has to be said that this was completely a new experiment of having an election without local elections. And typically most of the Arab parties, the Arab voters mobilized through local, to vote for their own candidates in the Knesset. So in fact there isn't really much to be learned from that, and this time around too, it's clear that the parties mobilized the voters on a scale that is comparable to the Jewish participation which of course had been the lowest in the history of elections in Israel.

If you look at the results, the Israeli-Arab results were, they lost in power comparable to their loss in participation. They've elected eight. There was only one party that gained an additional seat that is a valid party of Azmi Bishara, and the Hadash which is really a party that was a secular leftist party that is Arab and Jewish, but mostly Arab voters. But always had at least one Jewish candidate in the top four or five and typically had a Jewish candidate winning in the Knesset. They were essentially a coalition that combined the former communists in Israel. That coalition dropped a little bit in the percentage of the votes that they got, but they still only elected three instead of four seats. Actually that was significant in a way because that fourth seat happened to be the seat of the Jewish candidate of that party which for the first time as these results fold out, it will not be a Jewish member of the Knesset from that party which had prided itself on being actually an Arab-Jewish party. Even though, by the way, the party I believe got only about 700 votes from the Jewish sector. So most of the votes going to it are from the Arab sector, not from the Jewish sector.

The major drop happened in the United Arab party which went from five seats to two seats. That was not a surprise because the party really had disintegrated. There were divisions. One key member, [Achmed Zibi] went and joined Hadash and that didn't really add much power to Hadash. Then the Islamists themselves who had backed this party, this is a party that had been backed by some of the Islamists in Israeli politics, they were divided. In fact if you want to look at the trend and the turnout, they may have been a factor here when part of the Islamists among Israeli-Arabs called for boycotting the elections. It's hard to tell yet whether that had the actual consequence of Islamists not turning out in some of the villages because the trend is not so surprising overall. But clearly they only won two seats and that is a very small number given the fact that people had anticipated that Islamists were on the rise. In fact the secularist Arab parties are the ones that have won most of the elections and the highest percentage of the votes so far.

What about trends? One of the interesting things when you look at the history of the Israeli elections, is that over time more and more of the Arab votes went to Arab parties. Historically labor

used to get a very good chunk of the Arab vote. There was a time in fact when there were no Arab parties. The only one that was close was the Communist party. So most of the vote went to Zionist parties. But in the past decade there has been a shift, and certainly in the late 1990s. That shift was thought to not only be based on the rise of Arab parties as independent entities reflecting more and more the aspirations of Arab citizens, but it was thought to be in part related to the new electoral system in Israel, because the first major drop, the first really dramatic drop in the support of Labour was in 1999 because Labour got a very small percentage of the Arab vote in 1999. That was the election when you had, there had already been the introduction of the prime ministerial vote direct, and it was thought that by virtue of people voting directly for a Prime Minister, they no longer feel that they have to vote for a powerful party and the result would be that more and more people would vote for the smaller parties. They would vote on the issues that are closest to them. That's how people actually originally interpreted the rise of Shas and other parties. People saying we're going to vote for this for Prime Minister, but we're going to vote for the other party. Certainly that was part of the trend, but yet the results in this election are almost identical to 1999 in terms of the percentages.

Most Israeli-Arabs voted for Arab parties. Very few voted for Labour. Labour only received about 7.7 percent of the Arab vote. Likud received some, over three percent actually of the Arab vote, mostly Druse from Druse villages, and there are in fact two members out of the 38 members who are Druse in the Likud party itself. So it's hard to say that there is a new trend here. I think it is the old trend in terms of Arab parties getting more and more of the Arab vote.

Now it's interesting when you look, aside from the secular religious issue, and clearly the religious issue is important for the United Arab left because it is supported mostly by the Islamists. But aside from that, it's very hard for the Arab parties to differentiate themselves. They have marginal differences among them, but practically all of them have two fundamental issues that are at the core of their demands and that is a just solution to the Palestinian issue, essentially a Palestinian state on all of the West Bank and Gaza and East Jerusalem. All of them support that universally; and two, full equality in Israel. Demand for full equality in Israel. Those are the two basic demands and it makes it very hard for them to differentiate themselves in that spectrum. And as a consequence, people really vote for personalities, for local political reasons, for a variety of things except for the Islamist secular, and it's clear that the tendency has been mostly towards secular.

What about the outcome? I think if you look at where they are going to be now, I already said that they're not likely to be part of any coalition. And I think that is certainly going to be the case. I think it's going to be a turbulent period because Israeli-Arabs will feel more marginalized, especially if the intensity of the Israeli-Palestinian conflict continues because that is going to be a difficult and divisive issue in Israeli politics. And if you have a coalition government that excludes them, it's hard to see how that government is going to place a high priority on attaining equality for Arabs in Israel.

Now on the bright side, if there is one, if it's not a national unity government that incorporates labor and Meretz and so forth, then they're part of an opposition that is much more than the Arab opposition. They were in a way isolated as opposition in the previous national unity government. Now you can say well now they have allies and maybe there could be issues that are common and challenging

the mood. But that I think is a little bit too much to hope for, in part because the reality is that labor and Meretz are going to be licking their wounds. They might want to build a broader coalition but right now they've got to build their core and their core isn't going to be in the Israeli-Arab sectors. The trends are there. They can almost feel that they can take that for granted because of the focus on Arabs voting for Arabs and Jews voting for Jews in the system.

So ultimately I think Israeli-Arabs are likely to be more marginalized and it's likely to be a much more turbulent period in the next couple of years, especially if the intensity of the conflict continues.

Thanks very much.

[Applause]

MR. DIONNE: Thank you for that very thoughtful and at the end very sobering thought, Shibley.

Martin Indyk?



MR. MARTIN S. INDYK: Thank you, E.J., and thank you for agreeing to moderate this session today. I actually invited you to do it so that you could declare your candidacy for presidency, but I can't because I wasn't born in this country even though it's possible Chemi might have.

I want to thank Chemi also for doing us the great favor and honor of coming over from Israel to give us the benefit of his insights and analysis. Chemi, I'm delighted that you did, and I think we all benefited greatly today from your presentation.

Of course thanks to Shibley who has always been the first to contribute to the efforts of the Saban Center to bring analysis and light to an understanding of Middle East politics, and we're always grateful to you.

I want to talk about the impact on U.S. policy of the scenarios that Chemi has outlined, the various possibilities for coalition government. I think what we can learn from what he said is that as a result of the elections, even though Sharon may not be thrilled about his great victory he is surely thrilled that he will have one way or another a stable government. And he, as Chemi has already suggested, has made it clear, he made it clear before the election campaign, he made it clear during the election campaign, he even made it clear in his victory speech, that he intends to take a political initiative. If he has Labour in his coalition then he will be under pressure to do more; but there are other reasons why I believe this is not just rhetoric on his part. I wanted to first of all run through them because the question of the seriousness of such a political initiative will impact quite importantly on U.S. policy.

The other factors I think pressing him to take a political initiative are first of all, and perhaps most importantly, the economic situation in Israel. Chemi has given you one example. Another figure that

was released today by the Central Bureau of Statistics in Israel showed that average wages in Israel over the last four months dropped by six percent, which is an astounding figure. But you combine that with the other things that Chemi mentioned and you get a sense of the fact that the status quo which Sharon was able to live with for the last two years as he pursued a strategy of wearing down the will of the Palestinians to pursue a course of violence, that status quo is no longer comfortable or even tenable for this Prime Minister in his second term.

The second factor is related to that. As Chemi said, he needs those loan guarantees and additional assistance, some \$12 billion worth that he has already come to the United States to ask for. And that renders himself vulnerable to American demands, conditions such as they might be. But certainly in his mind he recognizes that vulnerability. He's already pointed out that maintaining a good relationship with the Bush Administration was the main driving force of his first term, and I believe if for no other reason than the need to get American assistance to get Israel out of its dire economic circumstances, it will be a main driving force in his second term, meaning that he will be prepared to go a long way in response to requests from the United States.

I won't prolong this presentation by giving you examples of what he was prepared to do in the first term. I will just give you one from my own experience. I was Ambassador during the first six months of Sharon's first term, the first six months of President Bush's term. They happened to coincide. And during that period it was very clear to me that he was prepared then for a full settlements freeze including natural growth as had been recommended at the time by the Mitchell Commission. The only problem was that we didn't ask for it. But it I think underscores the point that part of the reason behind his commitment to pursue a political initiative is because he wants to maintain the closeness of the U.S.-Israel relationship. It's critical to his purposes and to Israel's well being.

A third reason lies in the fact that in this context he expects the United States to launch some kind of initiative after we get through with Saddam Hussein in Iraq. Whether or not that is a realistic expectation is something I'll talk about in a moment, but there's no doubt that he has this expectation -- every Israeli Prime Minister has a touch of paranoia in him about what the United States might do, and certainly he remembers well the efforts by President Bush's father to pursue a peace process initiative after the last Gulf War in 1991.

Fourth is his sense that his strategy of wearing down the Palestinians is producing results. That there are, as he has said publicly on a number of occasions, Palestinians in leadership positions who have come to recognize that the Intafada was a huge mistake for the Palestinians and that there is a moment coming in which he could take advantage of that to pursue a political way out of this conflict with the Palestinians.

Fifth is the sense that I believe he has that after Saddam there will be an opportunity to orchestrate the removal of his Saddam, if you like, Yasser Arafat. If not removal of the man himself, removal of his influence on Palestinian politics and the direction of the Palestinians that they adopt.

He knows that such a feat, that is regime change in Palestine, is only achievable in the context of

him putting something serious on the table for Palestinians who would step into the vacuum to respond to it.

And finally, there is the personal factor. This is presumably Sharon's last term in office. He has some four years and nine months by a quirk of Israeli election laws. By that time I think he will be what, 82? And of course if he were Shimon Peres he'd still be a young boy looking forward to many more terms, but I suspect that he sees this as his last term and therefore there is the whole question of legacy. I do not believe that he wants to go down in history as the man who ruled over catastrophe in the Israeli economy, the man who was responsible for putting the Israeli army back into the West Bank and even into Gaza as he did as Defense Minister put the army into Lebanon. So I think that also plays on his interest in taking a political initiative.

What kind of move would he take? Well, from what I understand of him he talks about the Bush vision and not the Bush road map. You'll hear him refer to his plan being consistent with Bush's speech, not with what he views as the State Department interpretation of that speech as has emerged in the quartet's road map.

What that means essentially is that [Ariq] Sharon would be prepared to accept a Palestinian state in provisional borders. It is, by the way, if you look at the genesis of this idea a Sharon idea that first emerged I think some ten years ago in his thinking. A state with provisional borders in territory that would comprise, with a push from the United States, something like 50 or 52 percent of the West Bank, a settlements freeze including natural growth, the removal of illegal outposts to give some real meaning to the settlement freeze, and maybe if push really comes to shove and it's absolutely necessary, the removal of some outlying settlements. Those are identifiable by the fact that he didn't put them there. The ones that he put there will not be removed by definition because he put them there for what he viewed as strategic reasons. He's a general who values the high ground and the ones he put there were all put on the high ground.

But there are others that he has said with a twinkle in his eye privately, that were not his, implying that as I say, if it were part of a deal which involved the removal of Arafat's influence and in league with President Bush, something that he might be prepared to do, all in the service of an interim arrangement with the final state of negotiations put off until it was established once and for all that the Palestinians were no longer pursuing their objectives through terrorism and violence.

What does the Bush Administration do in these circumstances? I'd like to distinguish between what I think it will do and what I think it should do. What I think it will do is not very much at all. There are several reasons for this. First of all the President's own political calculus which I think has been an important factor in his decision to stay disengaged from the effort to help the Israelis and Palestinians get out of the abyss they've dragged themselves into. He needs to grow his constituencies. The Jewish vote is important in this regard, particularly in places like Florida. And I don't believe that he is interested at all in any tension between the United States and Israel that might undermine his chances of making some serious inroads into the Jewish vote.

Secondly, I think that his view of the reasons for not getting involved will not change much in the immediate future. His view is that Barak and Clinton were two desperate men trying to make a deal that Arafat rejected and resorted to violence; that Arafat therefore is not a candidate for a serious peace process; and Sharon is not going to offer what Barak offered; and therefore there really isn't a deal out there to do. So he will respond with vaunted visions and speeches and rhetoric but he doesn't believe that with Arafat and Sharon still around, and they are still around, much can be done. Not worth the investment of political capital especially if it costs you the chance to gain in Jewish votes.

Thirdly, he will have his hands full with Iraq, and in my own view I think it's very important that he make sure that a post-Saddam situation in Iraq is stabilized. That will not be an easy task and he I think will be preoccupied with that as well as all the other things he's going to have to deal with, whether it's Afghanistan, North Korea, or phase three of the war on terror.

So I think his inclination is to let the State Department and the quartet play with their road map but not do anything else.

There are three conditions under which that might change, and you might actually see a combination of all three. The first is that somehow the Arab states that we want as part of our coalition against Saddam extract some kind of commitment from him as a price for their support. That's what happened last time around in the Gulf War with his father who committed to launching a peace initiative which led to the Madrid Conference and the launching of Arab-Israeli negotiations on four different tracks, five different tracks. But it doesn't seem very likely this time around simply because he's, well I don't have time to go into that, but he's really not that sensitive to their concerns for the time being.

That, however, could be changed by the second factor which could lead him to take a more active role. That is the potential for turmoil in the region as a result of the war in Iraq. If that were to occur, it could well increase the pressure on him to do something to calm things down. And if the turmoil actually starts in the Israeli-Palestinian arena which I think is probably the most likely place that it would emerge, that could force his hand to intervene.

The third condition leads me back to Ariel Sharon. If for all the reasons I've suggested Sharon comes forward in the wake of the war in Iraq, comes forward with a serious initiative, then the constraints on the President change quite importantly.

First of all politically it's much easier for him to get behind an Israeli initiative, this is true of every Administration. It was true of us in the Clinton Administration. That when an Israeli government is taking a political initiative there is much less concern about the blow-back, the tensions that could be created that could cost the President politically in the United States. Therefore I think that condition might actually lead him to be more actively engaged than he would otherwise be prepared to do.

What should he do? I think in this context if we go to war with Iraq and if Saddam Hussein's regime is removed, we should be mindful of the fact that it will change the balance of power in the Middle East in a significant way. We will have a lot of influence as the dominant power in the region but

we should never forget, we must always be sensitive to the fact that we will be feared and resented much more than we will be respected for what we have done. And respect is very important in terms of what happens to American interests in that region and back here in the war on terrorism. We can earn the respect if we combine post-war stabilization in Iraq with a serious effort on the Israeli-Palestinian front.

Sharon at least is ready to talk about it. Let's hope that President Bush will be too.

Thank you very much.

[Applause]

MR. DIONNE: Thank you very much, Martin. There are so many issues on the table. As some of you know, I have never met an election I didn't like, and before we turn to the larger issues that Martin raised I'd like to ask a couple of questions about the results themselves and what their implications are.

First, what happened to Shas, and if there's any significance to their decline? Second, what happened to Meretz? It sort of seemed more or less equal. Does that have any significance? And third, the decline of the Russian party whose name escapes me at the moment. Sharansky's party. Taking a look at these in terms of indicators of where Israeli policy is going.

Lastly, Labour and age. How old is the Labour electorate, and is that a real problem for them in the long run? In other words, are they not only Israeli WASPs but older Israeli WASPs?

MR. SHALEV: They have an absolute majority in the funeral parlors. They're dying out. It's a well-known fact that Labour voters are much older, much more established. The families that traditionally vote Labour have less children and they're a dying breed. If Labour does not expand its constituency then it will also be a dying party.

You asked about Shas. Two quick points. One is Shas was without [Ari Adari], its charismatic leader, but more importantly, Shas is the party probably where we saw the effects of this return to the proportional system where you can vote only with one slip and you don't have a split vote, many of the people who voted Shas in the last election were traditional Likud voters who by virtue of being able to vote for an Likud candidate for Prime Minister then allowed themselves the luxury of voting for Shas as a party. I think probably it's true to say that most of the six seats that Shas lost were simply Likud votes that the Likud gained, seats that the Likud gained.

Meretz suffered on two counts. One, the general shift of the Israeli public towards the right, meaning that centrists became rightists and leftists became centrists and they lost their constituency. More importantly perhaps is the damage done to Meretz by Shinui because Meretz always had a large component of people who were interested in civil rights and in religious/secular issues and they were now attracted, especially the more right-wing voters of Meretz found Shinui to be a much better place

for them to be.

Sharansky, the explanation being given in Israel is that this is a sign of how the Russian immigrants in fact are being well absorbed in Israeli society in that the more time goes by the more they vote for general Jewish parties and not for specifically sectarian parties, and therefore the biggest party among the Russian immigrants was the Likud, and second the National Union party. Although it is apparently said that the Russians who voted for the National Union party didn't do so because Leiberman, the ex-immigrant, is at the head but because they were simply more right wing than the Likud.

Sharansky, who is a right winger, but not as strong a right winger as Leiberman, and who did not project himself as somebody who has really done much for the Russian immigrants during the past two years suffered a very big loss, from six to two.

But the general explanation is that this is a trend that will continue, that the Russians will get more and more absorbed into Israeli society and that Sharansky's party next time around may disappear altogether, although he has said that his lesson from these elections is that he now has to look for other immigrant groups to work with such as Ethiopians or Anglo-Saxon immigrants and so on.



MR. DIONNE: Before I turn to Shibley, one other question about this sort of shifting around on the right and toward the center. Does Shinui have real staying power? Your quotation from Yossi Beilin is wonderful, it's as good as not voting. That could get a lot of votes for a party in our country. [Laughter]

What do they need to do to become a major force? Clearly on the basis of this vote they could become a major force. What happens with them?

MR. SHALEV: The conventional wisdom now, after the election, is that if Shinui joins the coalition, and by joining the coalition they will necessarily have to compromise on some of the positions that they held before the election. That will be the death knell for the party because then it won't be pure, it won't be able to be as emphatic in its positions like it was. That's the conventional wisdom and it is also based on the experience that we had in 1977 with the [Dutch] party, another centrist flash in the pan which got 17 seats, joined the cabinet, and then dissipated within a year or two.

I am not 100 percent sure that this conventional wisdom is true because it depends under what terms Shinui would join the government, what portfolios it would get, whether indeed by joining it would make a real difference in terms of secular/religious relations in Israel. And if that were the case, then perhaps they could grow even more in the next election.

MR. DIONNE: Can Sharon afford to make those concessions to Shinui?

MR. SHALEV: Sharon can't make the kinds of concessions that Shinui is looking for. I think that would create too much turbulence for him both in his own party and among the Israeli public at

large. But he wants Shinui in very much and therefore he will be willing to, for example I think, take a look at budget allocations and he will be willing to perhaps, for example there are people today -- there are no civil marriages in Israel. Shinui is demanding civil marriages and there are people today, there's a certain group of population that cannot be married by the rabbinical authorities and therefore it's quite possible that Sharon would be able to give limited civil marriages to this population. He is willing to make some steps in their direction. And if they play their propaganda right they could portray these as immense historical achievements.

MR. DIONNE: Shibley, your description which rings so true about this transformation of politics on the left and the Arab left. The old, I guess [Rakov], the old Communist party really was much more of an ideological party than it was a purely Arab nationalist party. What you seem to be seeing is a shift from some kind of ideological politics to a much more pure sort of Arab nationalist politics. Is that fair? And that does not bode well for any sort of civil peace over time. I'll leave it there.

MR. TELHAMI: First a factual point. Inadvertently I said that [Achmed Zibi] was a part of the United Arab left. He was obviously part of [Beres] which was [Azmik Shara's] coalition. He left and joined Hadash. For the record, that was the fact. He wasn't part of an [anti-Arab] [inaudible].

But in terms of the history of the role of Israeli-Arabs in politics when [Rakov] was the representative in a way of the aspiring left among Israeli-Arabs -- they never got a majority, by the way, even when they were popular. They always got a significant minority, often one-quarter to one-third of the Israeli-Arab vote. But at that time, Israeli-Arabs were not allowed to have Arab nationalist parties that are independent.

There was a time when Israeli-Arabs could not put forth independent voices with nationalist [aspirations]. So if they wanted to vote for any party that was not a Zionist party, that was it. That was the non-Zionist party. That party happened to be A, non-Zionist, which obviously calling for full equality; and two, was championing the Palestinian cause which obviously -- So all of the two issues that accord to them, they were being championed by it.

Rakov] had another factor that people don't quite understand historically. Israeli-Arabs have been marginalized. They obviously have not had the same opportunities, have been behind economically, got a lot less aid. Their schooling opportunities are more limited, largely because of that socio-economic background and [Rakov] understood that early on. And in the heyday of the Soviet empire what they did was they went to any village, a small village, and if you joined the party they took one of your children and sent them to get a medical degree in Eastern Germany. Then they made sure that that person came back to the village, not stayed there, came back to the village with an elevated status, more income, and almost every family that had joined had a member getting education and coming back and elevating the socio-economic position. They played a very significant role.

In fact when all of that dried up their ability to do that was more limited, and that coincided with what you might call a maturity of the political system, and with Arabs much more comfortable about asserting their own political identities, often through these political parties. And what appears at some

level in the 1990s, when the good old days, right Martin, I guess from the point of view of the peace process at least, it looked like they were hopeful years. People disagreed with what was happening even within Israel itself and among Arabs themselves, but those years when it looked like things were working out both internally, when Arabs actually achieved a role in the government. Rabin actually relied on their vote for his own government. In those years, those were the most assertive years of Arab political identity because equality does bring the comfort, the security to be more assertive.

But the other side of that is that it could turn into a divisive nationalism in times of tension. It could be a force for independence and equality if things are working. It could be a divisive force. What we see now, in fact, I wouldn't say that it is ultranationalism. We see the same moves.

Hadash, which is the old [Rakov], still got, by the way, almost 30 percent of the vote, 28.8 percent of the vote. They only got three seats by virtue of the fact that they have an agreement with the [Nex] party Balad which is the access vote, who has more. And it turned out that Balad had slightly more, like 300 votes more than Hadash in the access vote, what they call those votes that are not quite enough to add another mandate, so that transferred to Balad instead of transferring to Hadash and as a consequence they only have three seats. But they're still powerful and I think don't underestimate in a way that the trend, the trend I think is still certainly nationally. The nationalist force is very strong. It's been strong all along. It's not new. It's very strong, it's part of their assertiveness. But the secular part of it which actually came out of the [Rakov] tradition remains even the same that inspires people who support Balad, and as I said, although there's been an Islamic trend and Islamists voted in the 1990s, they had not voted before. They were asked, they were mobilized, some still boycott and some boycotted this election, it's still not the dominant force among Israeli-Arabs and that's the one that one has to look at.

MR. DIONNE: Thank you. That was fascinating. The Soviet-backed machine politics. That's brilliant. [Laughter]

Martin, let me skip my question to you so we can get some folks in.

MR. INDYK: Please.

QUESTION: Philip Matar, USID. I want to thank all of you for an excellent presentation.

Martin, I was wondering why you used the term serious effort in regards to Sharon's proposals. The Camp David Barak offer which was turned down by the Palestinians, was turned down by the Palestinians, was turned down primarily because they didn't feel at the end of it a viable, contiguous, sovereign state would have been established largely because Israel would control the borders, Jerusalem would be given back in pockets, and so on.

An offer by Sharon of 52 percent without Jerusalem with only some [desettlement] of settlements is not really one that I know any Palestinian leader would even consider discussing. And I suppose not even from certainly analysts who have been following the negotiations would consider it

serious. I'm wondering why you think this is a serious effort on the part of Sharon.

MR. DIONNE: That was exactly the question I wanted to ask you. Thank you very much.
[Laughter]

MR. INDYK: Serious in the context of Ariel Sharon rather than in the context of what would be acceptable to the Palestinians, by which I mean that I think Sharon is generally views as somebody who's really only interested in maintaining the status quo, re-occupying the West Bank, getting rid of the last vestiges of Oslo, and getting rid of Yasser Arafat. That he doesn't have a positive vision of how Israel could take a first step towards a solution with the Palestinians.

So what I was trying to suggest is that he does have, I believe, a serious intention to engage in what would be a first step, an interim. We're talking about an interim offer. One that involves statehood with provisional borders, contiguity, a settlement freeze, elements that I think would have some attraction -- I certainly accept your general proposition, but I think it would have some attraction to Palestinians who are looking to get the Israeli army out of the West Bank, out of the major cities that they've now reoccupied, are concerned about settlement activity and its potential for creating even greater problems if it's not stopped now, and could perhaps see it as a way out, as a first step to get out of this crisis.

QUESTION: John Moore. My question is to Chemi about I guess the right in Sharon's party. How stable, how steady in view of Bibi's challenge a year plus ago, and the fact that a lot of the voters that came over probably, as you said, came from Shas. How stable would that coalition or that right be if he's getting close to forming this secular coalition? Can they sort of block something like that or has he got enough power that he can drive that secular coalition which will be the first time in history for something like that in Israel.

MR. SHALEV: Some people think that the reason that Sharon is so intent on setting up such a coalition is indeed not so much because of the right wing outside the Likud, but because of the right wing inside the Likud, and if we personify that, because of Bibi. Because Netanyahu enjoys the support of the party apparatus, and also if you would poll the members of the Knesset who were chosen now, Bibi, at least his ideology appears to be more popular than what Sharon represents now.

Sharon recognizes this danger, but I think he views it as a longer term danger rather than a short term danger. Right now he is riding on the crest, on the waves of the success. He did bring the Likud to an unprecedented achievement and at least in the short term nobody, including Netanyahu, is going to challenge his leadership.

If we try to look down the road then yes, when the crunch comes Sharon will have deep problems with his own party and it depends on how popular the process will be. If he is supported by a majority of the public as I assume he will be, then his right wing will think twice about challenging him. If the public support is not that strong then he may be in deep trouble. If you look at the 69 members of the right wing block, Sharon's views are in the minority there, or at least the views he professes.

Therefore he needs outside assistance in order to overcome that majority which is built in against him both in the right wing generally and in his own Likud party.

MR. DIONNE: Two questions quickly. If Sharon's views do not represent the views within the right and people are to the right of him, this would seem to indicate a really remarkable shift to the right overall in the entire Israeli, in the context of the Israeli argument, or does it indicate some shift on Sharon's part?

The second quick question, what will Netanyahu do in this interim period?

MR. SHALEV: First of all, it is very complicated. There has been a shift to the right but that is a political shift in the sense of who people vote for. I'm not sure there's been a shift to the right in terms of what people support in terms of let's say a settlement. I think the opposite is true. This is true also of Likud voters. You have a majority today in all the public opinion polls for the establishment of a Palestinians state without going into the details, or for the removal of settlements in the Gaza Strip or even for the removal of settlements in the West Bank, and in different numbers than we had a few years ago. So it's a strange mix that the public is more moderate, if you want to call it that, in its views of the process itself, but it is more hardline in its political preferences. And it's already been said that what Israelis want is a tough guy like Sharon to carry out the so-called reconciliatory policies of the left.

MR. DIONNE: And Netanyahu? What happens to him?

MR. SHALEV: Netanyahu will have to wait and see. There are two different situations. If there is a national unity government, Netanyahu will not be Foreign Minister, in which case he said that he won't be anything at all. He'll sit out, he'll be the leader, the uncrowned leader of the right wing opposition, and I think he'll just wait for the right moment to pounce on Sharon -- a moment which will probably come if and when the peace process advances.

If there is a minority government then Netanyahu will be Foreign Minister most likely, and then he might not have, ironically he might not have the opportunity to challenge Sharon because such a government would not pursue a policy that Netanyahu would object to.

MR. DIONNE: I like that.

QUESTION: [Inaudible] with the American Institute for Contemporary German Studies.

I was wondering if you could say something to the role of the Arab world in the peace process if it's restarted. Would the Palestinians have the cover from the necessary Arab states to make an agreement? Would Sharon in visiting Mubarak, what do you expect from that visit? And could modern Arab states actually strengthen Sharon in getting President Bush to reassess the position that you outlined?

The second question is to Europe, does Europe have a role to play in the Middle East? Can it

make a contribution?

MR. TELHAMI: If I may let me just address that a little bit because I think when you look at the opportunities clearly there was one Arab initiative that was important and it certainly fell through. It's still technically on the table. Nobody has really energized it. The people who are talking about energizing that are at the right moment.

But realistically, as people awaiting the outcome of the Iraq issue, no one is going to place top priority on this particular issue. So what happens after? I would just say that if there is a war, which is likely, no one really can predict the outcome of the Arab-Israeli issue. I think the Arab-Israeli issue will be largely independent from the war, but obviously there will be some consequence for it that I don't think anyone can predict.

I would also say that if the hope is there will be external intervention, whether it's from the Arab world or from the U.S. after the war, not from the parties themselves, not from the Sharon government or whichever government with the Palestinians. I don't see that after a war. I'm less hopeful about that for a very simple reason.

I think in 1991 we knew what people meant for after the war. it was after the liberation of Kuwait. What do we mean by now after the war? If you mean after the collapse of the Iraqi government and the U.S. inheriting a broken Iraq, it seems to me that the moment that happens Iraq becomes the top priority for America, even more than it is today. And to assume that in the next two years as we're entering in an American election somehow the issue will be trying to really do an Arab-Israeli piece, I just don't see it.

And if Arab-Israeli peacemaking is not a priority for a White House it can't work. That is if that initiative is the basis of success. Now if something happens on the ground it's something else, but I don't see that it's going to become a priority, but it could happen. There are a lot of unanticipated consequences of war. I have to keep saying that.

But if you look at the sequence of events and the timing it's not likely the Administration will make it a top priority. In that case it's hard to imagine what the Arab states can do that would rejuvenate a peace process on their own without the U.S. playing that role unless, for whatever reason, Sharon and the Israeli government decide they want to move forward. If I am hearing Chemi right, it just doesn't look like that's a probably outcome in the foreseeable future.

QUESTION: Which government? Which --

MR. TELHAMI: Of course it does.

MR. INDYK: I think that's right, but if a Sharon move prompted an Arab engagement it would increase the pressure on Bush to get more serious as well, and your point about Mubarak being now prepared for the first time to host Sharon is I think an interesting indication of a potential partnership that

might emerge. I wouldn't want to exaggerate. But it might just be that in the wake of war on Iraq that the Egyptians, Saudis and Jordanians become so concerned about the situation in their region that they might be prepared to play a more active role along the lines of the [inaudible] initiative. And Sharon has an interest in engaging them. He has a slightly different agenda. He wants them to help in the process of kicking Arafat upstairs. They can play a role there. If they were prepared to come to Bush and say look, if you get Sharon to act seriously, here's what we need from him, we'll be the custodians of the Palestinian cause -- they always like to do that anyway. Then it's possible. It may be an unlikely scenario, but in those circumstances you can see that the President might also be prepared to move more actively.

As far as the Europeans are concerned, here it's a very simple proposition, although there are some exceptions. The Germans have a relationship of trust with Israel bilaterally. But the overall point is as follows. The reason that the United States is the one that has traditionally been the broker of Arab-Israeli peace processes is because we have a relationship of trust with Israel. Israel depends on us, but Israel knows it can depend upon us to support it. That we'll be in the trenches when the chips are down and things go wrong. As in fact the Bush Administration has been over the last two years.

We've got a lot of capital with Israel, the Europeans have not, and there's a long history to that. So that's why Sharon has, even while he talks about taking political initiative, put down a marker that he's not talking about the EU being part of that. Until the EU rebuilds a relationship of trust they're not going to be able to play an influential role politically. They can play a very important role, as they have in the past, in helping to rebuild the Palestinian economy, the Palestinian infrastructure, much of which has been destroyed in the last two years. They resent that role, but it is a very important role for them to play.

MR. DIONNE: What I want to do is bring in these three gentlemen. Maybe all three of you could comment and then our panelists could reply and close at the same time.

QUESTION: My name is [Biliransef] and I am a Palestinian student of Israel, what's called here Arab-Israeli. I just want to mention that speaking about Sharon and this initiative is so ironic and not rational and not realistic.

I think it's not the strategy if Sharon wants to make peace. And I think in my own analysis about the election in Israel is that the Jewish population mainly has two choices. One is to elect Mitzna with his promises for peace, and we will not argue if these are real promises or not. And the other option with Sharon with his [process] a war against the Palestinians. We all know who is Sharon, about his ambitions. There is little known about the [inaudible] and the war crimes that he continues to commit in the [inaudible]. The Jewish population decided, the majority of the Jewish population in Israel decided to vote for the war option. It is like very sad.

The other comment that I have here is that in, about the Arab and Israel, the Palestinians, the indigenous people in Israel are really, the democracy of Israel is really separated. That means I can say that in Israel there is apartheid regime which means that democracy for Jewish people would exclude all

the Palestinians from this democracy. What Mr. Shibley says about that most of the Palestinian minority vote for Palestinian parties is like supports this fact.

The last thing that I want to say is about Shas. I think that the same Shas in the early '90s are the same party that supported Rabin with his peace process. We know that Shas and [inaudible] become more right, but I think if we look on like supporting the peace process, that Shinui, Meretz and the Labour party and the Am Echad and with supporting with just [inaudible] for the peace process, I think it's the same thing that was in the early '90s. So what about this coalition?

MR. DIONNE: Thank you very much.

QUESTION: Mr. Ambassador, you indicated that it's your belief that a guiding principle for Sharon's conduct will be to try to stay close to a Bush Administration policy. If so, he must often feel terribly adrift while confessing to be --

MR. INDYK: Right.

QUESTION: While confessing to be a Democratic politician, I still must ask you if you would agree that as difficult as it is to solve the problems that we're discussing, is it not a prerequisite that there be a President of the United States who is compassionately interested, persistent over time -- although that is by no means a guarantee -- but isn't that a prerequisite if we're likely to have any solution here?

QUESTION: Jim Matlock with the American Friends Service Committee. Those one I think is also to Martin Indyk. Among the many developments that might take place during what we now expect to be the Iraq war, you must know that a great many Palestinians fear that under the cover of war the Israeli government will move for systematic transfer. This is very widely feared and discussed and it's also clearly talked about within the political framework in Israel, even in Knesset. It used to be just off-stage, but now it's something under active consideration, discussion, debate.

Why is it not an imperative for the U.S. government at this point before the war and before any potential transfer might actually be undertaken by an Israeli government for our government to say any such behavior is unacceptable, violates international law, the Geneva Convention, as a deterrent, as a clear line saying transfer is not an acceptable behavior, and simply do that before we're in the situation where it may actually happen.

QUESTION: I'm Ori Near with the Forward.

One quick comment on what Shibley said, I think it actually reinforces his conclusion which is that I think that in this election we actually did see somewhat of a shift from traditional voting patterns among Israeli-Arabs, with the minutiae of Israeli-Arab politics to more ideological ones. I think that the rise of Balad was a dramatic one from, in my analysis, from one mandate not two because of -- It doesn't matter why now. To three. I think it's dramatic they're perceived, that's the important thing, they are perceived in the [abstract] as an ideological party which for the first time has a platform that deals

with issues of the Arab minority in Israel while the very dramatic drop of the Unified Arab list is also ideological because they are viewed as a traditionalist, not so much as a nationalist party.

My question though is to Martin, and it is the following. There is a conventional wisdom which says that the U.S. will either use the energy of a post-Iraq scenario for either promoting the peace process between Israelis and Palestinians or for democratization of the Arab world. I'd like to ask you to explore a little bit the linkage between the two if there is one.

MR. DIONNE: Thank you very much. Let me just quickly summarize.

The first gentleman expressed what you might say is a certain skepticism about the idea that Sharon is a peacemaker. He asks the question or poses the proposition of whether Israelis actually voted for the war option. He mentioned Palestinians apartheid and also had some very interesting comments on Shas and its history.

The second question might be summarized as: do you need a President passionately interested to do this?

The third question is about the transfer of Palestinians.

Then you just heard the last one.

QUESTION: [Inaudible]

MR. DIONNE: Okay, then we have to let these folks go home.

QUESTION: My name is Jennifer Kiasak, I'm a student. I have a question based on, we've discussed basically, we've discussed things from [inaudible]. The situation [inaudible]... I want to know what the Israeli [inaudible].

MR. INDYK: The question of a passionate President, I don't know that passionate is so important, but certainly a willingness to engage. It's not the only requirement. You have to have parties, leaders that are committed to ending the conflict and living up to their commitment as well. But without a U.S. engagement, especially in a situation where trust between the parties has been so systematically destroyed in the last few years, that without the leadership of the United States and the President himself, it simply doesn't work and we've see that. We've had the President saying essentially the right things, but his lack of commitment to actually making it happen, to creating a mechanism that could give the parties some way forward and working with them is a critical missing ingredient. And it's critical when it comes from the President because we can see, Colin Powell will not get out there unless he knows the President is behind him. Whereas if the President were behind him you'd see the Secretary of State, who I think could be very effective, be much more engaged.

As far as the question of getting rid of Yasser Arafat, perhaps I wasn't listening closely enough,

but you seemed to be talking about two issues, Arafat and transfer as being the --

QUESTION: I didn't talk about Arafat at all. I was just saying the Palestinians worry about transfer.

MR. INDYK: Okay. I think the answer is that Sharon has made clear that this is not an option that he is going to pursue and the Administration has listened to that. We have made clear in various statements made by Administration spokesmen that that's not an acceptable option, but Sharon himself has made clear that he's not going to pursue that option -- not because the idea hasn't occurred to him vis-à-vis the Palestinians but because he has developed over time a very different approach to Jordan and a commitment to --

QUESTION: -- very different if the U.S. government openly [inaudible] instead of relying on a private conversation [inaudible].

MR. INDYK: I take your point, but it's sort of like it's not on the agenda because even though you may have 20-30 percent of the Israelis thinking it's a good idea, you don't have a leader in Israel in a responsible position actually advancing this notion.

And as far as the question of democratization. Yes, democratization is an important policy imperative for the Administration in a post-Saddam Middle Eastern environment, but I think it's also important -- Shibley I'm sure will have something to say about this -- as a long term policy. In the wake of Saddam's removal, the chances for actually making progress on democratization in the region are not only very good, the regimes themselves are going to shut down, clamp down. They're not going to be ready to open up, and will be very fearful of the ripple effect on their regimes. So the environment actually is going to be hostile to that except in Iraq, and that's where we have to be very focused not so much on democratization but ensuring that there's a pluralistic government that represents the interests of all of the communities within Iraq. Shias, Kurds, as well as the Sunis. That can be a good model for future political reform down the road.

MR. TELHAMI: Let me start with the last question first, which I agree actually in terms of Balad emerging perceptually as the winner. They did go, you're right, [inaudible] Hadash and they get three instead of the two they had with him, and there is that perception that Hadash only gets three. Of course the other party goes down even further. That's going to be important. That's going to affect the perspective.

Percentagewise, though, it's important to also look at the facts. They got 28.9 percent, that is Hadash, and Balad got only 19.8 percent. It was because of the interesting system that they ended up getting the same number of votes in the Knesset, but you're right, that perception wise I think it's going to be correct.

The first question about Palestinian-Israelis and the fact that they're going to their own parties in [assertiveness], I think that's right. Although as I said, it's not very different at all from 1999 at a time

when things were going better. In 1999 almost the same percentage of the vote went to Arab parties, as well. It was not a fundamentally different percentage. That's an interesting fact, you have to look at it. Again, it may be explained at that time it was really because of the Prime Ministerial kind of vote, and this time they don't even trust Labour and they don't care. So you could be still right even though the numbers are equal, not different.

On the Sharon issue though, it's an important question that you raised. I'm glad you have it last, Chemi, because I want to hear your opinion of this. The question is, you have qualified what you said about Sharon, at least what he says. Assuming that maybe what he says and what he believes are not necessarily identical. Who knows? Maybe he's tactically wiser. Maybe he has aims, and that obviously is the worry that you hear about, the possibility of transferring populations in an environment where there might be change. Let's be realistic. What you might have is, there may be upheavals in Jordan. Clearly if the cameras and your newspapers are going to be out there in Gaza they're going to find somebody who is going to have Saddam Hussein's picture or burning an American flag. That's going to happen. You're going to find that. And there is going to be an environment of hostility to the Palestinians. Is it not conceivable that he may exploit that? Is it such an outrageous proposition?

I happen to agree that there should be a public position. I don't think it's likely to happen across boundaries, in part because in a way the Jordanian-Israeli agreement, as long as Jordan remains the way it is today it is not likely that any Israeli government is going to penetrate that. That prevents that and there's an agreement already between them on that. And it certainly is not going to happen across the Egyptian borders.

I actually think if something like that is going to happen, it is possible it could be internal. That is from certain [inaudible] to others don't. That too is troubling. It shouldn't be discounted, it should be stated, and it should be part of the debate. And I agree with Martin, I know they're having that behind the scenes, but there should be a much more public position making it clear that that's not acceptable.

MR. SHALEV: First of all a comment about Shas. Shas is not and never has been a pro-peace party. The voters stand far to the right of the Likud. It has a leadership that determines everything for the voters and there was a certain constellation in the '90s, a lot having to do with [Ari Adari] who isn't there any more which caused it to be aligned with Labour, a move which Shas regrets and has sworn never to repeat. So I would not count Shas under any circumstances.

Second I would just like to voice a different opinion about the issue of the transfers. I agree with Martin, I don't think the issue of a transfer is realistic at all. Sharon has used Jordan today as a vital strategic asset. He changed his mind essentially after the 1991 Gulf War. He sees Jordan as a vital buffer between Israel and the Eastern Front, and I don't think one needs the American government to stand up and say that it is unacceptable. I don't think Sharon has the slightest illusion about the American attitude towards transfer, and I'm not sure whether raising the issue would be productive or counterproductive. Because right now, despite the fact that there perhaps is a bit more discussion inside Israel of a transfer, nonetheless it's still considered beyond the pale. And I don't know whether an American government suddenly out of nowhere saying that transfer is out of the question, whether that

might not achieve the opposite effect, given the fact that the Israeli public doesn't like to be told what to do.

The final comment which has to do with Sharon, and that goes back to the previous question about the Arab government, I can tell you that one of the things that Sharon is delighted in in the wake of these elections is the fact that he has been receiving, until the Columbia tragedy but even after, he's been receiving phone calls and telegrams from people who didn't have any contact with him in the past two years. And he views these elections and the majority that he got as a sort of confirmation that the world now has to come to terms with him. There is no hope that he'll be replaced by a left wing government. He is the address. And probably that is what led Mubarak to make the move. Mubarak doesn't have any illusions any more. It's either working with Sharon or not working at all.

And I'm just raising an interesting psychological point I think, that Sharon from childhood and throughout most of his political career was a man who stood on the fringes of the consensus, a man who was rejected by his peers and only in the past two years has that changed. I think Sharon has fallen in love with being loved. Therefore I think that if the Arab countries did initiate close ties with Sharon, and if Europe were to have a softer attitude towards Israel, and if on top of all of that we had a President that was passionately interested in the peace process, then you might have the conditions that would change Sharon's rhetoric into something substantive and might move the peace process forward. That might be an impossible formula, but I think under those circumstances, and if he does get the coalition that he wants, then things might move forward. They won't move forward to the final status because he'll never get there, but they might move forward somewhere in that direction along the lines of the proposal that Martin indicated.

MR. DIONNE: A perfect end on a loving note. Everybody left here is the winner of the Saban Peace Prize that involves an invitation to the center's next event, and thank you to our lovely panel for a great discussion.

[Applause]

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