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ISRAEL'S UPCOMING ELECTIONS:
WHAT TO WATCH, WHAT TO EXPECT

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P R O C E E D I N G S

MR. INDYK: Good afternoon, everybody. I'm Martin Indyk, the -- for three more days, the Director of the Foreign Policy Program at the Brookings Institution. I'm delighted to have the opportunity to be back up on the stage with my colleagues from the Center for Middle East Policy. I think you're probably all familiar with them, but I'll do an introduction quickly.

But our topic today, as you know, is the Israeli elections -- #IsraelElections if you're going to tweet. We're actually going to take questions, some questions, from the tweetosphere. I don't know what it's called anymore. And, of course, we'll be happy to take your questions.

The Israeli elections look to be a foregone conclusion, as little as a few days ago -- and some panelists may still conclude that it is a foregone conclusion.

Certainly, when Tamara and I were in Israel a couple of weeks ago, the consensus there -- conventional wisdom -- was that a national unity government would be the outcome, with Prime Minister Netanyahu retaining his seat as Prime Minister, and the opposition leader of the Zionist bloc, Yitzhak "Bougie" Herzog, would be his Foreign Minister. And it was very hard to find anybody who disagreed with that conclusion.

Today, however, the situation looks a little bit different. And one never knows with Israel. One thing I know is that I've never managed to predict an Israeli election accurately. When this election started, I was predicting that Lieberman would be Prime Minister. So, that shows you how much you can rely on me.

I see Tom Pickering's in the audience -- also a former Ambassador to Israel, and now a distinguished Fellow at Brookings. I don't know if, Tom, whether you did any better.

But, leaving me aside, we have Tamara Wittes, Natan Sachs, and Itamar

Rabinovich, and they're far more expert and wiser than me on this subject. That's why I'm moderating, and they're going to give you their seasoned judgment about what is going to happen in the elections. We're going to discuss a little bit about the nature of the campaign and, of course, the indications of the outcome.

Tamara is the Director of the Center for Middle East Policy at Brookings, former Deputy Assistant Secretary of State for Near East Affairs, and an expert on political development in the Middle East and Israeli-Palestinian issues.

Nathan Sachs is our Israeli Affairs Fellow at the Center for Middle East Policy, and very much our resident expert on all things to do with Israeli politics. He has been writing a blog on the Israeli elections, which I highly recommend to you. It's on our Markaz blog, which you can find if you simply go to the Brookings website, and look up blogs there - or if you simply Google Natan Sachs's name, and it'll come up with his Israel election blog. And that's definitely worth reading as we go into the last six days of this campaign.

Finally, Itamar Rabinovich, a distinguished Fellow in the Foreign Policy Program at Brookings, and a longtime affiliate of the Center for Middle East Policy, former President of Tel Aviv University, and a Professor of History there. And we're very proud to have Itamar associated with everything we do related to Israel and the Middle East, because -- greatest historians of the Middle East.

So, without further ado, I'm going to ask Natan to give us the latest polling information, and his assessment of where things are trending.

MR. SACHS: Thank you, Martin.

So, I'll give two words of introduction for what is usually referred to as "the crazy Israeli political system." First and foremost, Israelis don't elect delegates. There's no representative of Jerusalem, no representative of Tel Aviv; instead, they vote

in a national forum, one district. They vote for lists -- lists that are put forward before the elections by party or an amalgam of party, and the list has names on it. If the Democratic Party had a list, it would start with Barack Obama and go down the list like that.

And then, after the elections, seats in the 120-seat Knesset, the Parliament, are allotted proportionally to the vote. So, if someone received 50 percent of the vote, they will receive 60 seats in the Knesset. And I'll give you a spoiler: No one ever has, and no one will this time, either. And that means a lot for the way the system works. If someone receives 10 percent -- 12 seats, et cetera -- there's one kink, which is a threshold now raised to about 4 seats -- 3.25 percent. If you go below that, you're out completely.

And so the main result of that is a very fractured system, a multiparty system where no one receives half the votes. And so the real question -- if you want to know who the Prime Minister is after these elections, it's who will be able to form a coalition -- the magic number being 61 -- half of the Knesset, plus 1.

So, these are the latest numbers as of yesterday, and we've seen a momentum change just in the last couple of days -- a consistent one across several polling firms -- in favor of the opposition, in favor of Herzog. And so in some of the material you'll see outside, we see kind of a -- almost a dead heat between the two parties; now we see a bit of an advantage of Herzog -- that's the Zionist Union, it's called in English. These are not always names of parties; I'm sort of flipping here according to what people usually know.

MR. INDYK: Left to right (inaudible) the political spectrum.

MR. SACHSL: So, this is the general axis we speak of in Israel -- left to right. And what left to right in Israel means is (inaudible). It really correlates very poorly to economic positions. You can have populist and socioeconomic varieties on both

sides.

On the far left, the United Arab List, which contains four different parties that are mostly Arab-based; one is actually Jewish Arab, but mostly Arab voters. They seem to be doing probably well, probably because they'll have probably higher voting percentages among the Arab population. Meretz on the left; Herzog-Livni, which is an amalgam based mostly on Herzog's Labor Party. He's the challenger; he's currently the head of opposition.

Yair Lapid, the star of the former elections -- as you can see, 19 in 2013 - - he's down to 13. That's actually not bad at all; he was supposed to do way worse originally, and is an important sort of centrist figure -- center left, though. He's committed not to support Netanyahu. He will recommend Herzog to the President the day after the elections are in. That'll probably be on Sunday after the elections.

The faction leaders will go to the President, recommend one of the members of Parliament as the next Prime Minister. This will primarily will be Netanyahu or Herzog. If any of them get 61 recommendations, they're clearly the winner, and they will try to form a coalition -- and likely succeed. The question is whether any of them will.

Slightly to the right of Lapid, we're talking, really, basically about the center -- maybe center right; it depends who you ask in that party -- is the new party of Moshe Kahlon. He's a former Minister from the Likud, Netanyahu's party -- a very successful one. He's running also on a socioeconomic agenda -- the plight, maybe, of the middle class, but very much geared on reforms and enhancing competition, especially financial sector and housing.

I'll run through it quickly here. We have Ultra-Orthodox party, Ashkenazi party, and Sephardic party, and a splinter of them on the very far right -- Eli Yishai used to be head of Shas, the Sephardic Ultra-Orthodox party. He has aligned himself with the

ultra-extreme right-wing Meir Mazuz, formerly of Gahanas Party, which was a terrorist organization -- United States and Israel. And so they're over there, far on the right.

(inaudible) Prime Minister, who is faring okay. A terrible scandal hit his party. They're going to pass, nonetheless.

Likud, of course, headed by Netanyahu.

Naftali Bennett, the Jewish Home, supposed to be the big star of the election; now it's tapering off a bit, but still a very important faction in these elections.

So, what does this mean? Well, the first question to ask, really, is, can the center left garner 60 votes to block a Netanyahu coalition? The simple answer to that is no. Excuse me while we jump one more. The simple answer to that is no. Netanyahu can get a majority 66 according to the latest polls. That depends crucially, though, on whether all these parties join together.

So, in normal conditions (inaudible) in particular, when will the Likud -- the answer will be quite simple. Netanyahu's Prime Minister, albeit a small majority, but maybe he could bring someone else in.

But if we look at how the Parliament is really broken down, we have an anti-Netanyahu -- Bibi -- Bibi Netanyahu -- anti-Bibi camp of the Arab Union, together with Herzog-Livni, (inaudible) about 55 today. Pro-Bibi camp solid at 44, and then swing parties - the Ultra-Orthodox parties that usually would skew right. They're not exactly swing, but on the right conditions, they might be.

And the real big question -- the kingmaker, probably, of the next elections -- Moshe Kahlon, the new entrant into the political sphere. A lot of what happens when people are predicting the elections right now is, they are trying to guess what is going on inside the head of Moshe Kahlon. That's one of the reasons no one can really guess properly; because only he knows.

There's another possibility -- possibility that Moshe Kahlon decides to recommend no one to the President; says, "I'm a centrist figure. I care about domestic issues. I recommend neither, or I recommend myself," and he has no chance of forming the government. In that case, the President, perhaps Kahlon himself, may force a national unity government. Netanyahu may go to Herzog, offer to form a government together.

That government would be very stable. They could easily bring in the Ultra-Orthodox -- Lieberman, Kahlon -- very easy to form the coalition in math; very hard, though, to govern. The differences between the left side of Labor and the right side of Likud are enormous on many issues. Of course, (inaudible) question, but also on socioeconomic issues, where people are very divergent in their opinions, and this matters a lot in the Israeli election.

Finally, can a Herzog government happen? Well, it could, especially if Moshe Kahlon decides to do something else. If he decides, for example, to recommend Herzog, Herzog will get the first mandate. According to these numbers, he will have more than 60 recommenders, and that's easy. But forming the coalition once he gets this mandate might be very hard.

If you look now at the coalition under Herzog-Livni, you see Lapid, Kahlon, (inaudible), and Meretz. That means that Lapid, the secularist party, has to go together with the Ultra-Orthodox parties. And, most importantly, they have to go with him. They have a score to settle from the last elections.

For a long story short, this would be very difficult to build, and probably a nightmare to maintain. Every little issue, every little budget line could create a coalitionary crisis. It may happen anyway, if the politicians decide that they've had enough of the Prime Minister. And many of them dislike the Prime Minister immensely.

Herzog, although he's farther politically from some of them in ideology, is more liked by general people in the political system, and there's a chance that they would do this for this reason. But it's not easy for them to maintain.

One more word on the outside support -- '92 to '96, we saw the Arab parties -- they were different in those times -- supporting the Rabin-Peres government. They offered some support for (inaudible). It was crucial at some point, but this should be taken with a big grain of salt. They won't support most issues, and they include some very extreme parties.

Hadash, which leads them, is a leftist party and would like to cooperate; has a Jewish member, in fact. But they couldn't even agree on agreement with Meretz -- the very (inaudible) Meretz -- to share surplus votes, which is a technical glitch in the Israeli system. And they couldn't do it, because they also include Balad, which is an Arab nationalist party, loath to cooperating with any Jewish-based parties. So, this would be very hard.

In short, this is possible, especially if the center -- Kahlon -- decide that they want to depose Netanyahu, but it would not be an easy task whatsoever. The silver lining, according to Herzog's people, is that if anyone is good at wheeling and dealing with other politicians, it's Herzog -- not charismatic in public, but very good at dealing with other politicians.

MR. INDYK: Can you go back, Natan? Thank you for that. Go back to your original slide, which showed the parties. Now tell us -- this is not the latest polling. So, the polling that's come out overnight -- what are the shifts that we've seen?

MR. SACHS: So, we have one more poll. This sort of includes the polls from yesterday. So, there were two polls, but it's an average. So, it averages them out a little bit.

We saw a parity between the two main parties. In the last two days, we've seen Herzog-Livni (inaudible) Labor -- but they were the Zionist Union; it's not just Labor -- with 24 or 25, while the Likud was down to 21. This means something, especially if the gap grows a little bit further.

In general, the rule is, it doesn't matter who the biggest party is, because the Prime Minister needs to govern a coalition. But, nonetheless, if there's a big gap between the parties, that can have a very important psychological effect, especially on what the center -- Kahlon -- what Deri from Shas -- what they do; perhaps what the President says himself -- although the President has said he will go with whoever has the best chance.

So, 25 to 21 -- that goes a little bit farther if voting percentages are slightly different, or if one of the small parties -- (inaudible) -- doesn't pass the threshold. All those four votes are gone. They'll split more or less evenly between the even blocs. Then we could see suddenly a situation where Labor's significantly --

MR. INDYK: Afraid I don't understand that. What happens? The four seats have gone. What happens to the votes?

MS. WITTES: They're wasted.

MR. SACHS: So, in a sense, these votes are forfeit.

MR. INDYK: They're away.

MR. SACHS: They go away. These four seats are forfeit, and the 120 will now be divided according to everyone else. So, if the math works out, it'll be almost half basically going to left -- so two more votes are left. And that could be considered.

You could also have big surprises. Meretz could not pass. If Meretz voters, at the last minute, decide to support Herzog and try and topple Netanyahu -- Meretz is truly worried right now that they may not pass. In fact, Labor would not like

that, either. So, what Labor's trying to do is to steal votes from Lapid, maybe even Kahlon.

The real action, though, is right around here, where the median voter is -- between Kahlon stealing votes from his old party, the Likud; Lapid maybe even stealing votes from there or from Lieberman, who has many secular voters who care about that -- that's where the real action is going to be. And a lot of it, also, will be on voting percentages. If the Arabs come out in big numbers, which they might -- they finally managed to unite in one list. If others -- Likud, for example, who have sort of a malaise in their campaign right now -- if they don't come out, these things could affect the overall trend quite considerably.

MR. INDYK: Okay. So, let's just focus on the trend for a moment, because, as Ariel Sharon once told me after he had won election as Prime Minister, it's the trend that counts in Israeli polls. They're not accurate in themselves, but the trend at the moment, if I'm correct, is that Herzog-Livni going up; Lapid is going up; and United Arab List is going up. Likud is going down.

MR. SACHS: That's right.

MR. INDYK: And Bennett is what? Going back up again?

MR. SACHS: Bennett is stagnant. He had gone up. Now he's stagnant, more or less around these 12, but not doing very well. Lieberman is probably doing okay. But most of the gain is on the center left, and that's why, as of this morning, the mood in Israeli is very much suddenly against Netanyahu. You hear people going a little overboard in this and saying it's over. But you do hear politicians suddenly saying, "Well, I never said not Herzog. I might go with Herzog," whereas just two weeks ago, they were saying, "It's a done deal. I won't do anything."

Lieberman, at the beginning of the campaign, was signaling very much,

"I'm no longer the very ultra-hawkish; now I'm centrist." He was saying, "I'll go with anyone," and signaling that he's in the center. Two weeks ago, he figured out that Netanyahu's going to win, and so he's come out very clearly -- also forgot all his voters want Netanyahu -- but he's going to go with Netanyahu.

Suddenly, now, you hear people saying, "Well, Herzog might win, or something else might happen -- maybe a new kind of something," meaning Herzog.

MR. INDYK: Okay. Can you go to the blocs again, where you show -- I guess it's -- yeah, it's here. So, Herzog needs to block Netanyahu. He needs 60 or 61.

MR. SACHS: 60's enough.

MR. INDYK: 60 is enough.

MR. SACHS: That's right.

MR. INDYK: So, he's five short.

MR. SACHS: Yep.

MR. INDYK: Right? So, from -- putting forward an optimistic scenario for him, if he can go up another one or two -- if the Arabs come out to vote in larger numbers, because they're a unified bloc now, and they're interested in having a share of power in some way or other -- so imagine that they come out to vote just in the same number as Jews come out to vote. They could go up another two seats.

MR. SACHS: Well, they've already got probably one from that. So, I suspect it won't be much more than one more seat.

MR. INDYK: One more seat. And Lapid could come up how many?

MR. SACHS: Lapid and Kahlon could be the surprise. And it's anyone's guess. The center is where you usually have surprises. Lapid's 19 from last time. You remember, we were on a different stage in this building. The 19 was a last-day surprise. There's a moratorium on polls for the last couple of days before elections, and so the

momentum, as you said, as extremely important -- also, because it's the last signal people get. And if people suddenly feel Herzog's going to win, you sometimes have people rallying around that, and you might have Likudniks saying, "Well, it's over. There's no point in doing things."

You could also have the reverse, of course. This is a guessing game. But Lapid could certainly go up considerably.

MR. INDYK: But my point is that if the trend continues, they're within striking distance of 60 votes for a blocking majority.

MR. SACHS: They certainly are, but I would caution just to say that even last time, where it did very well for the central left -- they were at 59 -- and some of that is with Kahlon. So, it certainly could happen. 60 would not be earth-shattering. Much more likely, I think, is that they will be somewhere below -- up to 59 -- and Kahlon is the swing.

MR. INDYK: Okay. Let me bring (inaudible) on this particular question -- which is, if Herzog gets 60 -- so he has a blocking majority -- what does Rubi Rivlin, the President, do in this situation?

MR. SACHS: Rivlin is not a passive figure in all of this. Rivlin is from the Likud. He's quite hawkish on foreign policy issues, on land of Israelis, in support of greater Israel -- very liberal on domestic issues in sort of the (inaudible) tradition that you can be nationalistic in foreign policy, but you have sort of a 20th-century European liberal constitutionalist tradition -- also made the issue of building differently with the Israeli-Arab minority a major issue of his presidency -- and a personal foe -- I use the word deliberately, "foe" -- of Netanyahu.

Let me just mention that Netanyahu spent the last two weeks before the presidential election (inaudible) including his trip to Japan, on the phone, trying to recruit

another candidate, because he definitely did not want Rivlin as the President, and Rivlin is now the President, and there's a score to be settled. So --

MR. INDYK: The reason -- if I can interrupt -- the reason he didn't want Rivlin to be the President was precisely because of this scenario.

MR. SACHS: Precisely -- yeah -- precisely because -- you know, Netanyahu, over the years, became a very seasoned politician. And the art of political survival has been perfected by him. He's done well in that regard, and he thinks ahead.

And as Martin just said, this particular moment has been on his mind, when he heard about the President. And since he's quite certain that Rivlin would do anything to ask anybody but Netanyahu, he didn't want him at that particular spot.

So, my sense is that, bottom line, is that if we are at that situation, Rivlin will go for Herzog and not for Netanyahu.

MR. INDYK: Tamara, you want to add anything on this one?

MS. WITTES: Well, I'll just maybe take us a little bit beyond the election and government formation. I think the other thing that comes across clearly, looking at the data that Natan laid out, is how fragmented the next Parliament is going to be -- which means that whomever gets to be Prime Minister, whomever forges that coalition, it will be an unwieldy coalition; it will be an unwieldy Parliament.

Israel is now having its third election in six years, and it would be amazing if this next government lasted a full term, in my view.

MR. INDYK: I want to (inaudible) a little bit, and go to the actual political campaign itself. In the United States, of course, we're used to all issues being vetted and thoroughly debated, first of all, in the primaries, and then in the presidential campaign.

But, Itamar, this election in Israel seems to have been one in which the candidates have gone out of their way to avoid discussing some of the most pressing

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issues for the country. The most obvious one is the Palestinian issue, which nobody seems to want to touch.

I just saw a Reuters story of a debate that took place tonight on Israeli television; did not have Netanyahu or Herzog, two major candidates, in it, but all the other party leaders were in the debate. And the Reuters story said Palestine never got mentioned, except by the Arab candidate.

And so why is this, that given the situation is so tenuous between Israel and the Palestinians at the moment, why does nobody want to touch it?

MR. RABINOVICH: It's the classic elephant in the room. Even if it's not discussed explicitly, it's there, because, basically, what Natan so ably described to us is sort of, let's say, a right-wing bloc and a left-wing bloc. And with all due respect to socioeconomic issues, left and right in Israel, since 1967, have been defined primarily by one's attitude on the Palestinian issue or larger Arab-Israeli issues.

So, even if it's not specifically mentioned in this or the previous election - - or is not the major issue -- it's there as a defining issue. So, the previous election, because of the social protest movement, the issues were socioeconomic -- the unhappiness of younger, middle-class people who manifested themselves in the votes for Lapid.

In this issue, the cardinal issue is Netanyahu. It's the attitude to Netanyahu -- for or against. And, of course, Netanyahu comes with a whole set of policies. And he actually, in the last few days, did refer to the Palestinian issue when he backed down from the Bar-Ilan speech, and basically said that whatever he committed to at Bar-Ilan, given --

MR. INDYK: Which was --

MS. WITTES: The two-state solution.

MR. INDYK: -- the two-state solution.

MS. WITTES: Yeah.

MR. RABINOVICH: -- the two-state solution, given phenomena like ISIS and the general situation in the region, is not on the table right now.

MR. INDYK: Not relevant.

MR. RABINOVICH: Pardon?

MR. INDYK: Not relevant.

MS. WITTES: Not relevant.

MR. RABINOVICH: Not relevant for now. So, that is actually a statement on the Palestinian issue.

Now the opposition, Herzog-Livni -- Tzipi Livni is most identified in the Israeli public with negotiations with the Palestinians, as you personally know very well. They know that, by and large, there's been a trend to the right in the Israeli public. So, harping on the Palestinian issue is not a good election tactic, so they don't. And this is why it's a no-win in that regard.

So, it's there. It's, I think, an underlying factor in determining many voters' attitude. But for the reasons that I analyzed just now, it's not out there on the platform.

MR. INDYK: Tammy?

MS. WITTES: You know, I think when we were visiting a few weeks ago, it struck me that part of the concern here among the Israeli voting public -- it's not that they're satisfied with the situation with the Palestinians. And while they don't feel a lot of day-to-day costs -- of course, the war in Gaza last summer and the tensions in and around Jerusalem do weigh heavily. The prospect of another war on Gaza, I think, weighs heavily on politicians and on the public.

The question electorally is whether they blame Netanyahu for that. And what really came through to me in all of our meetings, Martin, is that while they're not satisfied, they don't necessarily believe that there's some solution out there that their leadership is simply not bold enough to grasp.

And this is why I think Herzog and the left have not been able to benefit from the stagnation on this issue. They see that part of the problem does not lie with their own leadership; it lies with the other side. It lies with the chaos in the region, and they don't expect that anything would change necessarily if their leadership changed.

So, the best that Herzog can do in the campaign on this issue is say, "Well, I don't know if Abu Mazen can be a partner, but I think we should try." And, unsurprisingly, that's not a very compelling case.

MR. INDYK: Itamar, perhaps we can just touch on some of the other neighbors of Israel. Israel's now existing, you know, in a tumultuous regional environment. You've just written a Middle East memo for the Center for Middle East Policy here at Brookings called "Israel in a Changing Middle East." I believe it's available outside for people if they'd like to pick it up on the way out, if they don't have it already.

Has any other regional issue impinged on this election campaign, had any impact on the election campaign?

MR. RABINOVICH: Yes, all of them put together. I mentioned before the tilt to the right in Israeli public. It is largely an outcome of the chain of events in the region -- the instability, Islamic State, Iran, Hezbollah in Lebanon.

If one tries to understand, why has the Israeli public shifted to the right? So, as Mr. Lapid used to say, Mrs. Cohen from Hadera -- as sort of --

MS. WITTES: Phil the plumber.

MR. RABINOVICH: the lady from Dubuque -- gets up in the morning,

and (inaudible) warheads directed at Israel from Gaza, Lebanon, and Syria, and Iran, and looks at the Iranian nuclear issue, and looks at Hamas in Gaza and the Palestinian issue -- one becomes worried, anxious, unhappy.

There is not, as has been correctly said before, a compelling voice from the center left -- a Rabin, Sharon in his later years -- who says, "There is an alternative; something I can lead you towards that will give you peace and safety" -- these two words put together, that is not there. So, the public has shifted to the right.

And, of course, it is being used in the Likud campaign and Bennett's campaign, which is pretty much a fear campaign, harping on these issues.

So, not specifically. There's not a debate of how far away from the bomb is Iran, or is the Islamic State going to be on our borders? There's no such specific issue, but, certainly, the waves generated by these developments are affecting the general trend in the election.

MR. INDYK: Netanyahu, of course, has put a great deal on emphasis on the Iranian threat -- came all the way to Washington. We'll come to discuss that in a minute -- but came all the way to Washington two weeks before the election to wave the threat of Iran. Is that impacting on Israeli voter tactic issues?

MR. RABINOVICH: Ironically not. I mean, there was a wide perception that this was a complex move, partly reflecting, I think, a messianic sense on the part of the Prime Minister, partly reflecting his Republic sympathies, and partly Israeli domestic election calculus that if the Prime Minister is received by thundering applause in the U.S. Congress, and seems to fraternize by admiring Congressmen, this would then be photographed back home, broadcast live, and, you know, bring in two, three, four seats more in the Knesset.

It's not been the case. In that regard, if that was part of the calculus, it

was a miscalculation.

MR. INDYK: Natan, shifting from the kind of threatening regional security environment, what about the domestic security, social security? Those issues don't seem to have had much play, either.

MR. SACHS: You mean personal security or domestic/economic side?

MR. INDYK: I don't know -- on the domestic/economic side.

MR. SACHS: On those things, they have had a lot of play, but in particular for specific parties. So, as Itamar said, Israelis don't feel there's a huge difference. In fact, there's polling data from today saying, I think, 60-some percent of Israelis -- Israel Democracy Institute -- say that even if Herzog is Prime Minister, it won't change things dramatically with the Palestinians.

So, what Israelis basically are saying -- for so many years, left and right have been defined by the Palestinian issue. But there's no difference. Why not deal with so many other things that matter?

Now on this, there are very vigorous campaigns. For Lapid, especially the last election, but this time, too, he represents the plight of the middle class -- I would say upper middle class, maybe -- secular issues, issues of pluralism -- not just secular, but religious pluralism, the right to marry freely in Israel, according to someone's own belief - a variety of different issues that are extremely important for middle-class Israelis, especially on the more liberal side.

Moshe Kahlon gives a different variant on that, but I think he's a new entrant. I think he should be taken quite seriously, especially in one regard -- and that's his plans for reforms. He's had a very detailed platform on reforming the banking system, on questions of land ownership, a variety of different things that matter tremendously to the average Israeli. In this regard, it's very important.

The basic assumption from everyone going in -- and myself included -- is that there's a battle of agendas here. Netanyahu is not just trying to convince Israelis of the severity of the Iranian threat, because Israelis agree with him. And it's not just to prove that he can speak in English in a way that Herzog can't; that's true, and everyone knew that.

It's more to keep it on the headline, because on these issues, the fears are very crucial, and then people want to rally around. They want the known quantity in Netanyahu. They're not going to take a chance on someone who might be leftist and give everything to the Arabs, et cetera.

On the other hand, the opposition wants to capitalize on something that is very strong, which is anger against Netanyahu for the domestic and economic situation. It's not just economy; it's the gaps, and it's the cost of living. It's a little more complex than the economy. And in that regard, I just say it may be, for example, if Netanyahu had not come to Washington, and not got all this reception, it may have been worse for him. It may have been a situation where everyone's now talking about the cost of living, instead of about Iran.

One last kink -- and I'll leave that as a cue for the next -- is that he did take heat for what it did to the relations of the United States. Although the President is not popular in Israel, et cetera, Israelis do notice that the Prime Minister has very poor relations with the United States. And in the same poll I mentioned now, Israelis do think relations in the United States will get considerably better if Herzog were Prime Minister.

MR. INDYK: Really? That's interesting. Hadn't seen that poll.

So, let's go to the U.S.-Israel relationship. As Natan has suggested, in elections past, including the -- what was it -- 1998 election, with Netanyahu against Barak, but certainly with Yitzhak Shamir running for reelection in '92 against Yitzhak

Rabin -- the fact that Shamir and, later, Netanyahu had mishandled their relationship with the United States hurt them in their reelection bids.

And yet, Netanyahu, this time, seems to have gone out of his way to highlight how bad his relationship is with the President of the United States. What's going on? What's changed here?

MS. WITTES: Sure. Well, I think there are things that have changed for Israel in the world, and I think there are changes that we've seen within Israeli politics that affect the incentives for Israeli politicians -- I would say particularly on the right.

And you do -- you know, where you see the argument resonating, that a rupture in relations with Washington is a bad thing, and it matters -- you see that more on the left.

But within the right, I think you have two somewhat contradictory dynamics, symbolized by Naftali Bennett and even Netanyahu. So, the Naftali Bennett argument is, you know, we don't need the United States as much anymore; we're a strong economy. The Chinese come and invest here. We have great trade relationships with Europe. The world needs Israel. Don't worry about it. We're strong. We can handle it. We're not the same little Israel that's dependent on the goodwill of the American superpower. And I think that kind of national pride argument works well for his constituency.

Then you have Bibi Netanyahu, who says it's us against the world; it's Fortress Israel, and we need to stick to our principles because nobody else is going to look out for us the way I will.

So, it's a combination of feeding off Israel's diversified economic relationships -- which I think Bennett oversells in many ways, but are nonetheless significant -- and capitalizing on Israel's sense of besiegement and isolation.

MR. INDYK: But there's one other factor, too, isn't there -- which is that in the previous case, certainly, of Netanyahu versus Clinton, Clinton was very popular in Israel. Obama is not, and so Netanyahu seems to have calculated that he can gain more from standing up to the President of the United States, accusing him of selling out Israel, betraying Israel when it comes to doing a very bad deal, as he calls it, with Iran.

MS. WITTES: Right.

MR. INDYK: And so he seems to have calculated that he would actually benefit from this kind of confrontation.

MS. WITTES: And within his right-wing constituency, I think he has -- now not as much as perhaps he hoped to, but he's mobilized his base on this.

I think, though, that there are a couple of differences. One is Obama's lack of popularity. And Clinton, of course, probably could've been elected Prime Minister of Israel -- and of Palestine, for that matter.

But I think there's also something different today in the connection between the relationship with Washington, the domestic issues, and the conflict with the Palestinians. In '92 -- and, you know, Itamar had a front-row seat for this; Tom had a front-row seat for this -- Rabin was able to link the support from the United States -- the loan guarantees, the support for the Soviet immigration -- to the diversion of spending to the settlements, to the lack of progress in the negotiations with the Palestinians.

I don't think that we've seen leaders on the left able to draw that logical connection for Israeli voters in the same way since, but what do you think?

MR. INDYK: Well, let me just move to Natan, just to ask about that in more general terms.

How has the Herzog-Livni coalition run their campaign? How effective a campaign have they managed to run?

MR. SACHS: I can't repeat some of the words that I've heard from people who were involved in running the -- in not running but in volunteering the campaign early on. There seems to have been a mess -- in part because it's a two-headed beast, in a sense. Herzog and Livni agreed on rotation. If they form a government that, at least per the agreement, Herzog would be Prime Minister for two years, and then Livni, but not just that; they've agreed to co-lead it, and they've been appearing together.

And this has created, unsurprisingly, also, a mess in the campaign. They tried to do a bunch of things. First, they tried to give a very strong alternative on the socioeconomic side. And on that, Labor (inaudible) Labor is quite strong. They have a list that genuinely reflects people who are very active on that issue that came out of 2011 demonstrations where hundreds of thousands of Israelis were in the street in a small country. In that regard, it's successful.

But Labor is not like one of the one-issue parties. It can't, like Kahlon, say, "I'm going to deal with banking." Labor's supposed to lead the country. It founded the country. That's how it speaks. And so they've discussed all the issues -- they've tried to.

But what they're doing is constant triangulation. So, on Iran -- Herzog is not saying, "Here's why Netanyahu is wrong." He's not even highlighting most of the problems with what Netanyahu's doing. Instead, when Netanyahu was in Congress, Herzog went south, to a relatively poor town, and basically said, "On Iran, I agree. Me, too." (inaudible) triangulate -- "Me, too, on these things. And when I'm weak electorally, no difference between me and my opponent. But where there is a difference, when I'm popular, that's what I'm going to speak of." And so he spoke on the socioeconomic issue.

So, in short, a bit of a mess, a bit of all of the above. But, on the other hand, effective in portraying Herzog as, if not charismatic, at least a serious, responsible individual, someone who's well-respected by his peers. In this sense, it has been successful, and he's outperformed many people's expectations.

MR. INDYK: One gets a sense that, as Itamar said earlier, this election has been about Netanyahu, and that Herzog seems to be operating -- perhaps because he can't do anything else -- just basically not trying to make a mistake, and letting Netanyahu be the one who makes mistakes. And in that regard, he seems to have made a few mistakes.

MR. SACHS: Yes, Netanyahu's made many mistakes. And, in fact, he's alienated some people just recently. There was an ad going against unions, which is popular in some circles -- but, of course, is very unpopular with some voters, including Likud voters --

MR. INDYK: That ad connected workers to Hamas.

MR. SACHS: Exactly. It said -- there was basically -- it was an ad where there was a gathering of people who were out of a job because of Netanyahu's policies. There was a Hamas person there. There were also people in the big unions, et cetera -- also, things that Netanyahu supposedly has done. Of course, Hamas is not out of a job, just to be clear. But this was sort of what the ad did, and people got very angry about it.

But this is, I think, true, honestly, of most democracies. Challengers lose more than -- excuse me -- incumbents lose more than challengers win. A challenger needs to be there, needs to be credible, needs to say, "You can trust me with it," but at the end of the day, a very popular incumbent always has the advantage.

Now is Herzog the ideal candidate for the opposition? Probably not. (inaudible) as Itamar said, it would've been easier in many respects. On the security

side, it's easier for them to say, "Me, too," because they were generals, they were chiefs of staff. But it's not over yet for Herzog, and he's done better than some people would have expected.

I'll just point out, we are talking about Labor against Likud. This was not obvious. We had Kadima coming up. We had Lapid doing extremely well last time. Again, now, we're talking about the two big traditional parties, Labor and Likud.

MR. INDYK: Itamar, please.

MR. RABINOVICH: Yeah, a couple of comments in this regard. One is, there are big changes in the way the Herzog-Livni campaign has been run. They brought in a very good professional, Rubin Adler, who was the man who gets the credit for Ariel Sharon's ability to transform himself from a hated hoodlum to a grandfatherly figure. And he was brought in to redefine the campaign.

Second, Herzog-Livni -- and Livni's played down a bit. There's been a sense that the twosome was not working too well, and she's now being played down, with her consent.

Number three, they've made a decision not to attack personally Netanyahu's households and the many, many negative stories about the way his residence and households are managed. The calculus is that it might backfire, but it is an important element in this election. This is where the press, the media, the social media are very active.

American impacted -- or let's say influences from America in two ways. The debate -- Sheldon Adelson and his free newspaper are a big issue in this debate. It's now the most commonly read paper in the country. It's a freebie, with somewhat higher standards than normally -- or I'd say classier, rather than high standards. And there's a debate that this is a smart way of overcoming the laws regarding foreign

intervention in Israeli election.

On the other side, there's a very small but very effective group called V15, which is financed through One Voice, a movement here, that is much more aggressive than the Herzog-Livni campaign; takes on Netanyahu personally. There's been an effort to disqualify them as, again, another manifestation of external intervention. The Supreme Court threw that out.

And, finally, on a lighter note -- but interesting -- Kahlon has been mentioned here a few times. Kahlon was very much an up-and-coming Likud from a poor development town north of Tel Aviv -- Libyan in origin, Libyan-Jewish origin -- and he was the Minister of Communication. And he first performed and then got a lot of credit for the cellular revolution. He broke the backbone of the three monopolistic cell phone companies, and broke prices, and he broke service dramatically. So proud was Netanyahu of his achievement that he told his other ministers, "You should all be Kahlons."

Lo and behold, Kahlon becomes ultra-popular from (inaudible) Netanyahu, and begins to distance himself from him, to the point that Kahlon leaves the party, and now runs against Netanyahu.

So, at the end of the day, sometimes, it's all personal.

MR. INDYK: We'll go to your questions in a moment, but I just want to come back to this issue of what you call the V15 and Adelson's role. I gather that the newspaper that he pays for, the free newspaper, they've dramatically increased the number that they're handing out in the last few days -- hundreds of thousands more.

On the other side, you've got V15. You've got these generals speaking out in particular -- Dagan, the former head of the Mossad, harshly criticizing Netanyahu.

And the response coming from Netanyahu yesterday, I guess it was,

was, he declared that there's "a world conspiracy" to bring him down. And I noticed that Ya'alon, the Likud Defense Minister at the moment, also spoke yesterday about English speakers being behind the effort to topple Netanyahu -- which I thought was particularly interesting, since Bibi gets a lot of points in Israel for being such a good English speaker - - why English speakers have now become somehow like leftists -- bad people.

So, how does this play in the right, Natan -- this kind of playing up of the conspiratorial and outsiders trying to do in their candidate?

MR. SACHS: I think it does a bit of both. I think, as Tammy said earlier, there is a very strong constituency on the right that sees Netanyahu as defender of Israeli interests in the face of a world that, at best, doesn't get it, doesn't understand the region Israel is in, doesn't understand the conundrum, the difficulty of making concessions in this environment. That's at least. And at most, a world that's outright hostile, anti-Semitic, et cetera, et cetera.

And so in that regard, it can be very successful, and it is, I think -- just like Bennett is an English speaker. His parents are from San Francisco.

But, on the other hand, it does exude a sense of a bit of panic. And the last couple of days, we've seen people speak of feeling that this is '99 again, where you saw Netanyahu over the last day feel like things are slipping in the wrong direction.

It shouldn't be overstated. Again, I think the numbers -- people are getting ahead of the numbers. Herzog is not Prime Minister yet, by any means, but there is a sense in which this accusation of there's a conspiracy to bring the Likud down -- and many people's response has been, "There indeed is an attempt to bring the Likud down, and that's called an election. The opposition is trying to bring the Likud down through democratic means, which is legitimate."

The question, of course, is foreign intervention. It's not trivial. Israel has

rather strict campaign finance laws. I don't belittle it. I think there's a good question there, but I should say the Likud itself withdrew its petition against V15 because it did not have any evidence of collusion between V15 and the opposition parties. It's a bit like a super PAC. If you're not overtly colluding, then it's legal.

And, of course, the Sheldon Adelson-funded paper, which is called the "Bibi Paper" often in Hebrew -- the Bibi (inaudible) -- has been running for years. And it's not even for the right; it's against some of the right-wing candidates. It's personally very much in favor of Netanyahu. Many people would say that's foreign intervention.

This is, I think, par for the course. It's the way most things are, especially in a small country where money from abroad can have a big influence. I think it does have an influence -- in particular, the paper has an important influence. I'm not sure it's illegitimate, but I would take with a grain of salt accusations -- certainly of conspiracies.

But it's true Netanyahu is not popular in the world, but most of the heavy lifting is being done by Israelis, and they are allowed in an election to vote however they want.

MR. INDYK: So, both -- I'll come to you in a minute (inaudible) basically it's a wash, in terms of outside influence?

MR. SACHS: No, I think in the hardcore right base, this is a very popular theme, and it's not just about V15; it's older. It's about the idea that there's foreign coming in to influence Israel, et cetera. There have been smear campaigns against some on the more liberal side in Israel. But, on the other hand -- and so this resonates there.

But, on the other hand, I think for many voters, there's a feeling that so many things are one way or the other -- that "Israel Hayom," the paper that Adelson

funds, is so pro-Netanyahu that the other papers probably, for their commercial reasons, are very anti-Netanyahu now. So, I think there's a lot of cynicism about all these interests in general. I don't think it's affecting the elections dramatically one way or the other.

MR. INDYK: Okay. Itamar, I'm going to come to you -- just one second, Itamar -- but I just want to give Tammy warning -- I want to ask you after Itamar about how the White House has handled this campaign.

MR. RABINOVICH: Just a word about the competition inside the blocs -- there is a tension between Labor and Meretz, because, clearly, the final figures are going to make the difference. Let's say Herzog and Livni have 28, and Netanyahu has 24. The chance that Livni would call upon Herzog is much higher.

So, they're trying to garner as many votes on the left, and it would be at the expense of Meretz, their natural ally to the left. And Meretz, of course, do not want to be obliterated. So, there is a bit of an anti-Meretz or anti-Herzog type campaign going on.

A similar competition is on the right, between Netanyahu and Bennett, because Bennett is to the right of Netanyahu. And when Bennett seemed to be on the right, Netanyahu began to attack him, and also tried to outflank him from the right. This is his own drift to the right.

So, sometimes, what goes on inside the blocs is not less interesting than what goes on between the blocs.

MR. INDYK: Tammy, the White House and the President himself have made it clear that they're determined to stay out of this election campaign. How have they been doing in that regard?

MS. WITTES: I think despite the efforts of many to drag them in, they've done a pretty good job. Now, of course, we had a great deal of controversy in the

domestic American political environment over Netanyahu's visit, his speech to Congress. And if you look at polls of the American public, you can see that, in many ways, the last month or so has exacerbated some brewing trends in terms of a partisan divide on attitudes toward Israel. And that may have longer-term implications.

But the White House itself, I think, you know, tried hard, despite a lot of temptation, to stay out of the domestic Israel fight. The one thing I will make note of -- and I really don't know whether this was deliberate or not, calculated or not, but I noticed it -- which is that after many months of signaling that the President was done with the Middle East peace process, we've seen in the last few weeks some mentions in the press that perhaps the administration is considering what it might do on the Israeli-Palestinian issue after the Israeli elections.

And, you know, without saying anymore than that, it just raises the question in the Israeli public mind of what they will be facing internationally, you know, if this standoff in Israeli-Palestinian relations continues, what will happen if there's another crisis, another conflict. And will the United States be there?

And I think, you know, if it was calculated, it was very, very subtly done, but, again, I don't know if there was any intentionality.

MR. INDYK: Well, it may have been too subtle since nobody wants to talk about the Palestinian issue in the election. So, it's not clear that it's going to have much impact, is it?

MR. SACHS: No. But the relations with the United States still do matter. It's true that there's a base that doesn't care about it, but I think for the median voter, Israelis, by and large, know just how important this relationship is. There's a former Ambassador here who can tell us more about it -- actually, two, in both directions. But I think the average Israeli voter knows exactly just how important this is.

MR. INDYK: And to the extent that the sense that the relationship is in a very rocky situation is going to affect their voting behavior?

MR. SACHS: I think to a certain degree, yes. I don't think we're seeing much of these changes in the trend, including the speech in Washington -- partly because Netanyahu's such a known figure. He's a known quantity. So, the numbers that we've seen, even in the beginning of the campaign, they already reflected what Israelis knew. He doesn't get along with the President, who's, again, not popular at all in Israel. He speaks well in English. He's very hawkish (inaudible).

All these things -- there's no news here. And so that's why I think there could be changes in the numbers, as I've said before. I tend to think that what we're seeing is quite stable. It's been stable for many years now. The blocs look very similar, and so we're probably going to see something along those lines. Of course, if it comes close to 60, then just one or two in any direction matters a lot.

But even these issues for Netanyahu -- the reason we're not seeing huge traction is because there's no news here. He's been Prime Minister for nine years congruently, the second-longest, after Ben-Gurion. People know exactly who Netanyahu is.

MR. INDYK: Great. So, we're going to go to your questions, but before we do, I'm going to give you the results of the taxi poll I took when I was in Israel. I'm sure this is highly scientific and very important as an indicator.

Four out of five taxi drivers said it was time for Bibi to go home. No, but normally --

MS. WITTES: They didn't say who they were going to vote for; they just said definitely not Bibi.

MR. INDYK: The fifth one -- you weren't with me for this one -- said that

Herzog was weak, Obama was a Muslim, and Netanyahu was going to get his vote. So, there you go.

Okay, let's take one up the back, and then we'll come to the front.

Please identify yourself and ask the question.

MR. DYER: Thank you -- Geoff Dyer, from "The Financial Times."

If there is a national unity government with Netanyahu as Prime Minister and Herzog as Foreign Minister, will that hamper Netanyahu in any way in his dealings with the Obama administration, either on Iran or on the Palestinian issue, if the administration does, in some way, decide to pick that up again?

MR. RABINOVICH: I think -- no, I don't think so. By the way, I don't think that this is the only version potentially available to a national unity government. I think that we may end up with a rotation government -- not Herzog-Livni (inaudible). That, I think, is, from my perspective, as likely as the other national unity government.

But, no, it's been tried before. It's been tried before, with Ehud Barak as Defense Minister, with Tzipi Livni as Minister of Justice in charge of the negotiations, with Shimon Peres as a very involved President in the same direction. All three have invested hundreds of hours in trying to persuade Netanyahu. All three used to come to Washington and explain to the administration that soon enough, Netanyahu is going to change his policy -- and nothing much happened.

So, if the result is described by (inaudible) your question, namely Netanyahu is sole Prime Minister, and Herzog is just Foreign Minister, I don't -- you know, the tone would be mellower. The Foreign Minister would make more conciliatory statements, but I doubt that the policy -- the substance of the policy -- would change.

MR. INDYK: Tammy?

MS. WITTES: I think it's important, Geoff, to look inside each of these

two parties, too, to get a sense of what unity -- whether unity is possible, and what it might mean. Netanyahu is now, on these issues, on the left of his own party, okay? The main body of the Likud Knesset delegation is hard over on settlements, hard over on legalizing illegal outposts, hard over on abandoning the two-state solution.

Netanyahu and the Defense Minister, Bogie Ya'alon, were the ones holding the Israeli government back from going in much harder and heavier during the Gaza War last summer, just to give you an example.

So, that's on the Likud side. On the Labor side, if there's a possibility of entering into a government with Netanyahu, I predict there will be a huge catfight within the Labor Party over whether or not to do this. There are going to be those who will want government positions. They will want access to the ability to distribute public goods to their constituents, and there are others who, you know, have been in the opposition, they've fought to depose Netanyahu, and the thing that they worry about most of all is delegitimizing their own party by entering into a deal with the devil.

And so I think Labor could be very split on this. But the one thing Labor would need as cover, if nothing else, to join a government with Likud would be for the Likud Party to clearly commit itself to pursuing a two-state solution, and that's exactly what Netanyahu can't do -- and it sounds like he's disinclined to do. So, I think it's very unlikely.

MR. INDYK: So, you're saying that the chances of a national unity government are unlikely, then.

MS. WITTES: Very unlikely.

MR. INDYK: You've changed your position.

MS. WITTES: We'll come back to predictions later.

MR. RABINOVICH: If I may -- have you finished?

MR. INDYK: That's very polite of you.

MR. RABINOVICH: No, I'd like (inaudible) there are two points to Tamara's -- one is, I think Netanyahu has said this before the elections, and he may change his mind after the elections. So, that, I think, is not -- he's changed his mind in a sense of offering verbal support for the idea of the two-state solution.

Second, if that scenario materializes in a way Labor doesn't win the election, that may also be the end of Herzog's chairmanship of the party -- because some of his rivals inside the party are already sharpening their knives.

So, the debate over the question of whether to join the government would be entangled with the question of who remains or is elected to be Chairman of Labor.

MR. SACHS: One way to think about it is that in the last coalition, there was someone put in charge of negotiations with Palestinians who was decidedly to the left of Netanyahu, and that was Tzipi Livni.

But, at the end of the day, as some people on this stage know better than others, the Prime Minister's Office calls the shots. So, the real question is not, who's Foreign Minister? Right now, it's Avigdor Lieberman; doesn't matter much to the peace process -- or Tzipi Livni leading the negotiations.

What matters is the makeup of the government itself -- the votes in the Cabinet. If it's real parity, if it's actual national unity, like 84 to 88, that's a different story. I think it would actually be deadlocked. I don't think they would go much, because Netanyahu would be in opposition to his own government. But that's only of actual sharing.

If Herzog is Foreign Minister or if it's someone else, I think that matters less.

MR. INDYK: And I would just add that the Prime Minister in Israel, regardless of who it is, wields immense authority.

So, Susie (inaudible).

MS. GELMAN: Two short questions.

MR. INDYK: Wait for the microphone, please.

MS. GELMAN: (inaudible).

MR. INDYK: Wait for the microphone.

MS. GELMAN: Oh, sorry. So, two very brief --

MR. INDYK: Identify yourself.

MS. GELMAN: Sorry -- Susie Gelman. Two short questions -- one asking you to look backward -- not too far backward -- and one looking forward, after the elections.

The looking-backward question relates to something you said earlier, Itamar, about Netanyahu's survival skills -- which have been consummate up to this point. But one thing that hasn't been said so far is that there was a spectacular miscalculation on his part on engineering what -- or creating the events by firing Lapid and Livni that brought about the fall of the government. That now looks like a huge miscalculation.

So, my question is, how do you explain that, since he has been so adept up to this point? Maybe he's eating too much pistachio ice cream; I don't know -- but that's my backward-looking question.

And then the forward-looking question -- after the dust settles from the election -- and we realize it might take some time -- I don't remember where I read or saw this recently -- that Rivlin, in calling for the national unity government, also wanted to explore ways of changing Israel's electoral process, because at the rate of turnover,

Israel is starting to look more and more like Israel.

So, do you think that there will be, at the end of the day, any appetite, either among the politicians or among the public in general -- because, after all, these elections are costly. The money could be put to better use. So, do you think that Rivlin will be able to accomplish anything in that regard?

MR. RABINOVICH: Okay, so --

MR. INDYK: Itamar, why don't you answer the backward-looking one, and we'll have Tamara and Natan answer the forward?

MR. RABINOVICH: Okay, let me look back with whatever. So, Netanyahu is a consummate politician and survivor. He's not free from errors -- the one you mentioned and, actually, quite a few during the campaign. And, of course, the greater the stress, the greater the tendency to make errors. Let me mention -- one has been mentioned, with regard to the trade union and Hamas. The other is getting into a fight with the person who -- the manager of the residence.

You can -- you know, Netanyahu made a mistake of meddling in the distribution of the Israel Prize. That was a mistake. But that mistake doesn't resonate, because it's an elitist business. You know, its one group of elitists giving the Prize to another group of elitists. That doesn't move the public.

But the man who ran the residence, and is now in a world war with the Netanyahu family is "one of us." He's a very sort of average, lower-middle-class, Middle Eastern Israeli -- an Israeli of Middle Eastern extraction. And the fight with him, I think, hurts Netanyahu tremendously, because this time now, he's not fighting the elites; he's fighting "one of us."

So, he has made mistakes in the past, but he is a consummate domestic politician.

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MR. INDYK: Well, I would just add -- having spent a lot of time with him, and watching him closely -- is that he is a consummate politician, no doubt -- a great survivalist -- but he also has a deep insecurity. And the insecurity is what led him to make the original mistake that you refer to, which was, he became, I think, quite paranoid about Tzipi Livni and Lapid, I think, working with Lieberman to actually do him in. And so he decided to preempt them. And if he loses, it will be because of that original decision.

MR. SACHS: On the national unity government, I think I agree with Tammy; it'd be very hard to form a national unity government on substance. I think this is the main avenue by which it could happen, nonetheless.

President Rivlin -- he has one more quality -- as Itamar mentioned, he's very liberal, but he also is a very upstanding, principled man, on all accounts. And I think he cares very much about that image, especially for the presidency. And so he's said very clearly, he will only -- there will be no, you know, problems about giving it to whoever has the majority of the Knesset.

If there is no majority, he has said quite (inaudible), as you mention, that he would call Netanyahu and Herzog, and ask them to join a national unity government, with the explicit purpose of changing the law.

And to this, I would add that this has been a cause that Netanyahu's cared about since the '90s. It's a cause that Lieberman has championed in different forms. And it may be that Kahlon could come along. And so if these power brokers on the center are in on it, they could agree for a relatively short-term national unity government that would allow Herzog to become an important minister -- that's important for the future, to become Prime Minister -- with the excuse of, we're doing this to change the law. That could allow everyone to come in on certain terms.

I will just caution -- Americans always get excited that this is going to

become a system that they are familiar with. The changes -- and it still will be a parliamentary system, no matter what happens -- the main change that people are proposing is that the largest party -- the leader of the largest party -- would automatically get the right to be Prime Minister. And that means that people will have a very strong incentive -- instead of voting for Meretz, for example -- Meretz supporters definitely prefer Herzog as Prime Minister, every single one of them -- they will vote for Labor.

And we probably would expect Labor and Meretz to join forces, and create some bigger party. In other words, an amalgamation -- less fracturing of the system, less of what Tammy described in the beginning as this "crazy system."

I think that is quite possible. We've seen so many elections -- this is the second one that we've been doing these kinds of things just in the last two years. I think it certainly is a real possibility, especially if the results more or less hold, and there simply is no clear winner.

MR. INDYK: Is there a question from the tweeters?

SPEAKER: We pulled two questions from our Twitter audience. One is from Grant Rumley of FDD, and he asks, "What, in your opinion, is at stake for Palestinians in the Israeli elections?"

And the other is from Hannah Morris, an MNA candidate at Georgetown, who asks, "Do you see the E.U. ratcheting up pressure on Israel regarding the negotiated peace plan and settlements if Bibi manages to hang on?"

MR. INDYK: So, Tammy, you want to take the Palestinian question, and, Itamar, the E.U.?

MS. WITTES: Sure. Well, look, I think for all of the reasons that we've already discussed, we're not likely to see a major new Israeli initiative to reopen negotiations. Now it's quite possible, depending on who comes out on top in these

elections, that there might be new proposals in terms of unilateral actions in various ways. I think there's a range of ideas that have been discussed, championed by different people, left, right, and center.

So, we might see some of that, but, you know, what, to me, came through most clearly from my most recent visit is not so much that the elections are going to affect the future of the conflict, but that the future of the conflict is not waiting for the elections. And I expect that whatever happens on March 17, it's quite possible that even before a new Israeli government is formed, we could see crises erupt, either with Gaza, where the situation is quite dire in humanitarian terms, and where Hamas increasingly feeling boxed in, and dealing with a very restive population, feels incentive to make trouble to get attention.

And, of course, we've got a brewing crisis on the West Bank, where the lack of tax revenues which the Israeli government is withholding from the P.A. as a result of the P.A.'s decision to go to the International Criminal Court -- that's causing economic distress throughout the Palestinian society and the Palestinian economy. And so we could see some political or social consequences there.

So, I think whoever the new Israeli Prime Minister is, he's going to have some near-term crises land on his doorstep. And whatever his intentions may be on this issue, I hope he's thinking now about how he wants to handle those.

MR. INDYK: I would just add, from the U.S. point of view, my sense is -- and it's on the record on this in Israel -- I'm not recommending this; it's just my assessment -- is that the Obama administration -- precisely because of the volatility of the situation, and because this has been Secretary Kerry's priority from day one as Secretary of State -- will want to move in one way or another on the Palestinian issue.

If they have a government that they can work with in Israel that's

committed to the two-state solution, then, of course, they will work with that government. If they don't, if there's, for instance, a right-wing government that's opposed to a two-state solution, then I would assess that the push to internationalize this effort to resolve the conflict, the push to go to the Security Council, and have a U.N. Security Council resolution that outlines the basic principles of the two-state solution designed to preserve it for the future, and to try to keep a lid on the potential for explosion, is the other way in which the administration may well go about the E.U.

MR. RABINOVICH: Yeah, but can you repeat the question? I didn't quite get it.

MR. INDYK: I think it was, will the E.U. ratchet up its pressure after the election?

MR. RABINOVICH: Yeah. That, I think, ties in exactly to the last sentences in your own statement.

First of all, I think the E.U. discovered that soft power works with regard to Israel. The E.U., for many years, felt left outside. When Martin and I were active in the peace process of the 1990s, there would always be this sorry sight of European diplomats trying to gather tidbits of what was going on, and they were told that, "When we make a deal, and somebody will need to put into it -- and peacekeepers -- we'll let you know," more or less.

Now they have discovered that soft power -- mostly financial but boycotts and other forms of soft power -- can be very effective, with regard to Israel. There's a whole negotiation about an agreement called 20-20, and the research and development program that finances most of Israel's basic research that comes from the E.U. -- and it came with strings attached, and was a major debate.

And I think we'll see more of that, whether or not the United States

moves (inaudible). If he does, and he chooses, as Martin said, to internationalize it, definitely, we'll see much more activity by the major European countries.

MR. INDYK: Okay, let's take three more questions together, and then we're going to have a closeout question from me (inaudible).

SPEAKER: Yeah, Natan, you spoke in general about the socioeconomic issue, but, more specifically, what I read is that Israelis are particularly concerned about the cost of housing, and the fact that they said that tens of thousands of houses that should have been built last few years have not been built. Is it really a major issue that could affect the result of the elections? Because I haven't heard much about it in the last few days, until a week or two ago, I heard a lot about it. So, what's the story with the housing?

MR. INDYK: Okay, just hold on that one. Garrett -- and then we'll come to you.

MR. MITCHELL: Thanks very much. I'm Garrett Mitchell, and I write "The Mitchell Report."

And the question is, you've made it pretty clear that this has been a kind of avoid-the-issues campaign. My question is, if you're the Mark Halperins and the John Heilemanns of Israel, you've got to write a book about this campaign. So, what's the narrative? What was -- we don't know yet who's going to win, but what was this campaign about? What were the atmospherics?

MR. INDYK: There's a one-word answer to that one. Yes, please.

MS. HAIKAL: Hi -- Tala Haikal, American Task Force on Palestine.

Will the (inaudible) Palestine tax revenues be released after the Israeli elections, no matter who the Prime Minister will be?

And then my second question is, did the recent reports of Netanyahu's

secret negotiations with the Palestinians in 2012 -- which were released a couple of days ago -- force him to retract his Bar-Ilan speech?

MR. INDYK: Okay. Natan, you want to answer (inaudible) question?

MR. SACHS: Sure. I don't think the latest news exactly about the housing in particular will have a major effect -- in particular, because these issues are a bit convoluted. They're hard to follow, and it's not completely clear what is the cause of the high price.

So, for example, one of the biggest mistakes that Lapid made as Finance Minister was this plan for a zero VAT tax on new housing for particular kinds. It was criticized roundly by economists and by people in his own Finance Ministry.

What really needs to happen, of course, is simply more supply of housing. And in that regard, it's a very long-term kind of thing that could be done, but it depends mostly on the land authorities.

So, for example, to his credit, Moshe Kahlon, I think, has identified this, and has said that he will demand of the land authority if he becomes Minister.

So, in short, I don't think it's a major campaign. The news about exactly what happened is not a major campaign, but, as you remember as well as I do, in 2011, the trigger for people to go out to (inaudible) Avenue and demonstrate -- eventually hundreds of thousands of people -- was someone not being able to pay her rent in Tel Aviv and setting up a tent on (inaudible) Avenue. And so I think this resonates very strongly and is very big.

On the "what is the campaign about," Garrett, I think --

MR. INDYK: You don't answer that.

MR. SACHS: I don't answer that; sorry.

MR. INDYK: Itamar will answer that.

MS. WITTES: One thing on the housing crisis --

MR. INDYK: Yes, on the housing.

MS. WITTES: So, I had a fascinating -- quickly -- I had a fascinating conversation with my seatmate on the plane ride from Tel Aviv to Brussels, when I was leaving. And this was somebody who sort of symbolized the new Israeli economy. She works in IT. She travels all over, back and forth through Europe, for jobs -- successful, married, young kids, aspiring kind of upwardly-mobile middle-class -- so frustrated with the economic situation. She said, "Look, I love my country. I spent three years in the army. I served as an officer. You know, I don't mind sacrificing, but why do they have to make it so hard? Can't they just make it easier for us?"

And that, I think, is the sentiment that's driving that kind of discontent.

Now, you know, my real question is, who does that latch onto? Who does it benefit in the campaign? And because the economic logic, the issues aren't being fully debated, it's not clear who to believe.

MR. INDYK: What is this election about?

MR. RABINOVICH: You know, as I said earlier, about Netanyahu when you asked about the book, if I were Herzog, I'd say the book I'd like to read up until to the election would be the memoirs of Binyamin Netanyahu.

MR. INDYK: Tammy, do you want to answer the --

MS. WITTES: Tala's question? Well, I want your answer, too, to that.

But I think it's unlikely that we'll see the tax revenues released immediately, unless there is, you know, some evident brewing crisis. I mean, it's clear that those components of the Israeli security establishment who are responsible for watching over what's going on in the West Bank are worried. The IDF is worried. Those messages are being sent.

At the political level, though, it feels impossible to them right now to do this.

The other question, of course, is, how is Mahmoud Abbas going to play his role? The accession becomes effective April 1st. What does he do then? What does he say? Is there any colorable thing that he could do that would give an Israeli government reason to change its position?

So, it's not a one-sided dynamic here, but I'm pessimistic that we're going to see a way forward, unless both sides really decide to work together on this.

MR. INDYK: You going to answer her second question?

MS. WITTES: I'm sorry. The second question -- oh, the secret negotiations. No, you need to answer that one.

MR. INDYK: No, I can't answer that one (inaudible).

MR. SACHS: I think it was a direct response to that. I think that's exactly why he did it. These news came out. These news, on the one hand, hurt Netanyahu on the right. The news was of very extensive negotiations via secret envoy in 2013 -- so not this previous government; the previous one.

And it may have hurt Netanyahu on the right, but I think it did two other things. One, it cemented even more the idea that here, you see, Abbas was offered all this, even from Netanyahu, and he couldn't produce peace.

And the second, it made Netanyahu (inaudible) which is his basic instinct -- and it's the same in other elections, as well -- and then to say, "Well, it's not relevant right now, because look what's happening all around."

I agree with Itamar; I'd take that saying with a grain of salt. It was a campaign reaction to this publication, and I think after the election, all bets are off as to what he says.

MR. INDYK: Well, but all bets are off as to what he says, but there is a credibility problem.

MR. SACHS: Absolutely.

MR. INDYK: Okay, I mean, there's a credibility problem. This is one thing --

MR. SACHS: What he says (inaudible).

MR. INDYK: -- during the elections, and I think there's enough of a record now that it's going to be problematic for him, especially if he is a right-winger.

Okay, closeout question -- who's going to win the elections? What is the result going to be? Itamar?

MR. RABINOVICH: A national unity government based on rotation.

MR. INDYK: With who as Prime Minister first?

MR. RABINOVICH: Big question, because if I were Herzog, I would not be sure that, at the end of two years, there'd be a rotation.

MR. INDYK: So, there's the forced answer. Who's going to be the next Prime Minister of Israel after that?

MR. RABINOVICH: Herzog.

MR. INDYK: Herzog?

MR. RABINOVICH: Yeah.

MR. INDYK: Okay.

MR. SACHS: I honestly don't know. I think the last two days have pushed it dramatically towards Herzog. If I had to still bet, I would say an emergency national unity government for Netanyahu, but with this short aim of changing things. But I'm saying this with the least confidence possible. I think, really, all bets are off. Herzog literally is possible, you know.

But I think if I had to put my money on one person or another -- and I know I do -- I would say still perhaps Netanyahu, but just (inaudible).

MS. WITTES: Okay. So, in the face of uncertainty, I'd go back to fundamentals. Martin knows that a month ago, I was thinking we would see another center right government. You can see the momentum having shifted just in the last few days, and momentum is important in electoral politics everywhere.

So, perhaps the chances of Labor coming out ahead have increased, but, still, when I look at the numbers, it's much easier for them to get a blocking majority than to form a governing majority. So, I'm going to say, by the numbers, I think we will probably end up with a lot of wrangling and a center right government.

MR. INDYK: With Netanyahu as Prime Minister.

MS. WITTES: A center right government, with Netanyahu as Prime Minister.

MR. INDYK: Who is Foreign Minister?

Okay, so my predictions -- with the caveat that I expressed at the beginning -- I said Herzog will be the Prime Minister in a center left and religious government. You heard it here.

Thank you all very much.

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