

From: Sullivan, Jacob J <SullivanJJ@state.gov>
Sent: Tuesday, January 22, 2013 8:22 PM
To: H
Subject: FW: Likud down, Lapid rises

Very latest.

-----Original Message-----

From: Shapiro, Daniel B (Tel Aviv)
Sent: Tuesday, January 22, 2013 8:19 PM
To: Shapiro, Daniel B (Tel Aviv); Burns, William J; Sherman, Wendy R; Sullivan, Jacob J; Nides, Thomas R; Jones, Beth E; Prem G. Kumar; 'Jason_A_Abell [REDACTED]'; 'dmcdonough [REDACTED]'; 'Benjamin_J._Rhodes [REDACTED]'; 'tdonilon [REDACTED]'; 'svinograd [REDACTED]'; 'nquillian [REDACTED]'; Hale, David M
Cc: Goldberger, Thomas H
Subject: RE: Likud down, Lapid rises

The numbers continue to shift a bit, and Likud may gain a seat or two overnight, while Yesh Atid and others may drop a seat. Current numbers look like this, with final numbers not due until at least sometime Wednesday:

Likud	31-33
Yesh Atid	18-19
Labor	16-17
Shas	12
Jewish Home	11-12
Livni	7
Torah Judaism	6-7
Meretz	6-7
Arab Parties	9

Although Yachimovich in her speech tonight said there is a good chance to have a government not led by Netanyahu, hardly anyone else believes that. Netanyahu's first call tonight was to Lapid, and he told him, "We can do great things together for Israel." When Lapid talked to Livni and Yachimovich, he made clear that he did not want to form a blocking majority to prevent Netanyahu from becoming PM, and that he wanted either Labor or Livni (or even both) to enter the government with him.

Netanyahu and Lapid, in their speeches tonight (which, awkwardly, and perhaps symbolically, took place at the exact same moment, forcing TV stations to cover them with a split screen, switching audio back and forth between them), both called for "the broadest possible government."

There would really be no way for Lapid to form a broad government without Netanyahu, and he would be forced to depend on the Arab and/or ultra-Orthodox parties -- both counter to his centrist image and agenda of equality of military service. So, while it will be several days before President Peres, following consultations with all party leaders, designates someone to form the government, the chances that it will be anyone other than Netanyahu are approaching zero.

In his speech tonight, Netanyahu said any government he forms will be based on five key principles: 1) strengthening Israel's security, especially by preventing Iranian nuclear weapons; 2) responsible economic stewardship; 3) pursuit of a "real peace" with the Palestinians; 4) equal sharing of the burden of military/national service; and 5) bringing down the cost of living, especially housing prices. All of these themes resonate with Lapid and his voters.

In my phone calls with several key players tonight, the picture emerges of Netanyahu trying to anchor his coalition with Yesh Atid, and, probably, Jewish Home, but perhaps instead, or also, with Shas. (He wants breadth, and left-right balance, with himself in the middle of the coalition. He also will be thinking about his relationships with key players -- his "natural" right/religious partners -- in the next election, which may be much sooner than four years.) What is clear is that Shas and the other ultra-Orthodox have much reduced leverage, and if they want into the government (which at least Shas does) they will have to adjust themselves to some kind of increased military/national service, even if they are permitted to vote against it. There is a reasonable chance that Livni, or, less likely, Labor, could also come in. All of this will take several weeks to sort out -- not until early March, most likely -- and there will be no end of horse-trading of issues, ministerial portfolios, and the like. I'll do a further round of calls with party leaders tomorrow to get a fuller picture on key players' thinking, which will continue to evolve.

Even down a seat from early projections, Lapid is the big story of the night, and his performance is being heralded as a sign that the slumbering center/left woke up and asserted itself. The likely payoff will be on military/national service legislation and key issues in the tough budget, which must be passed by June 30. Whether it creates any opening for more flexibility on the Palestinian issue very much depends on what the coalition looks like. On Iran, I would not count on a huge change in approach, although Lapid could have an interesting restraining effect. That will be a key issue for my first discussion with him.

While avoiding interfering in their process, I think in my conversations with the key players, I should indicate the kinds of issues we hope to work on with the next government, which could suggest conclusions about what kind of coalition would be able to do that.

Good night!

-----Original Message-----

From: Shapiro, Daniel B (Tel Aviv)
Sent: Tuesday, January 22, 2013 10:20 PM
To: Burns, William J; Sherman, Wendy R; Sullivan, Jacob J; Nides, Thomas R; Jones, Beth E; Prem G. Kumar; 'Jason_A_Abell'; 'dmcdonough'; 'Benjamin_J_Rhodes'; 'tdonilon'; 'svinograd'; 'nquilliar'; Hale, David M
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B6

I left out:

Livni: 7
Kadima (Mofaz): 0

By traditional breakdowns, the Right/religious bloc is about 62, and the center/left about 58. What makes it complicated is that Lapid, and perhaps other parties can go either way.

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From: Shapiro, Daniel B (Tel Aviv)
Sent: Tuesday, January 22, 2013 10:14 PM
To: Burns, William J; Sherman, Wendy R; Sullivan, Jacob J; Nides, Thomas R; Jones, Beth E; Prem G. Kumar; 'Jason_A_Abell'; 'dmcdonough'; 'Benjamin_J_Rhodes'; 'tdonilon'; 'svinograd'; 'nquillian'; Hale, David M
Cc: Goldberger, Thomas H
Subject: Likud down, Lapid rises

B6

First exit polls show Likud Beiteinu below expectations, and Yair Lapid the big winner among the center/left:

Likud Beiteinu: 31

Lapid: 19

Labor: 17

Jewish Home: 12

Shas: 12

Meretz: 7

Torah Judaism: 6

Arab parties: 9

Big disappointment for Netanyahu. There will be shifts as the evening wears on, but this is the basic picture. Small chance the center/left could try to recruit Shas to join a center/left government with Lapid as PM, perhaps in rotation with Yachimovich. Much larger chance that Netanyahu will be PM, with Lapid as a major partner. But the coalition negotiations will be long and tortuous, and the resulting coalition inherently unstable.

Not clear there should be a congratulations call tomorrow. I'll advise further as the evening wears on.

Stay tuned.....