

Peres in war with Sharon over Middle East development plan

by Mark Burdman

In the week immediately following Israeli Prime Minister Shimon Peres's April 1-3 trip to the United States to announce his proposal for a "Marshall Plan" for the Middle East, Israel itself erupted in some of the most intense political warfare since Israel became a state in 1948. The worst of Israel's International Monetary Fund, U.S. State Department, and Soviet intelligence front-men, have come out of the woodwork to violently attack the prime minister. Peres has, thereby, been presented with the challenge, and opportunity, to go for early general elections, and clean this nest out of government.

The two key protagonists in the anti-Peres warfare have been Gen. Ariel Sharon, Israel's minister of trade and industry, and Yitzhak Modai, Israel's finance minister and architect of the past months' IMF austerity policies. According to the French daily *Le Monde* of April 11, Modai, during the Israel's 1940s War of Independence against the British, was Sharon's military superior, and was close to Sharon's family; the two had developed an "amicable complicity" during this period. The ties that bind them personally and politically run very deep; both, among other things, are working on behalf of those drug-money-laundering banking families, such as the Recanatis originally of Venice and Salonika, Greece, who have been trying to turn Israel into a gambling-casino paradise, and who are aghast at the Peres plan.

No sooner had Peres returned to Israel, than the widely read daily *Ha'aretz*, on April 4, quoted Modai denouncing Peres as an "ignoramus" in economics, and as a "flying prime minister." Modai charged that Peres was sabotaging Israel's economy, by selectively bailing out Labor Party-linked enterprises, while failing to come up with a general plan for Israel's economy. He said this right after Peres proposed what his Economics Minister, Ga'ad Yaacobi, in an April 3 exclusive interview with *EIR*, labeled a "comprehensive regional economic development plan" for the Middle East!

Peres angrily demanded the finance minister's resignation, opening a rift in the Labor-Likud coalition government. Under Israeli law, especially under the peculiarities of the coalition arrangement in effect now, Modai cannot be "re-

signed," without the whole government collapsing and early elections being called.

Then, on April 6, during the weekly Sunday cabinet meeting, Sharon launched a bitter diatribe against the Peres Marshall Plan. The next day's *Jerusalem Post* headlined, "Sharon Scorns Peres Proposal for Mideast 'Marshall Plan.'" The *Post* reported: "Sharon said the Arab states would increase their strength if Peres succeeded in convincing the major industrial powers to provide massive economic aid to the region, as the United States had granted Europe under the original Marshall Plan during World War Two." The *Post* then quoted Sharon, questioning Peres "scornfully": "Just for the sake of some public relations gimmick, are Peres 'scornfully': 'Just for the sake of some public relations gimmick, are you prepared to weaken the State of Israel? What possible benefit do you see in building up the power of the Arabs? What reason can you have for suggesting massive aid to Saudi Arabia and Syria.'"

According to one Israeli source, Sharon has, since that date, repeated his attack on the Peres Marshall Plan on at least one occasion, and intends, in the words of this source, "to make the Marshall Plan issue into a national campaign against Peres."

Sharon's bluster has brought to the surface the fundamental, underlying factional issue that has beset Israel for years, but is rarely seen in public. There is one school of Israeli thought, represented by Sharon and others, which holds that chaos and economic breakdown in the Arab world, and the fundamentalism and irrationalism that these bring, are, in and of themselves, a good for Israel. This is the strategic school, that wants Israel to become a "little Venice" in the Mideast-Mediterranean region, in strategic accord with the Soviets to kick the United States out of the area. The contrary school—the "visionary realists," as one source calls them—believes the opposite: that Israel cannot make a deal with the devil, and that the breakdown of the Arab world, and the ensuing reduction of American influence, is the fundamental strategic threat facing the Jewish State. Peres and others of this way of thinking have gone on the offensive in response

to the terrible economic collapse in the Arab world and in Israel.

A Peres adviser summed up the strategic debate in these terms: "The name 'Marshall Plan' has been adopted, because in the period after the Second World War, the United States was faced with two possibilities toward Europe: either to rebuild it, or to keep Germany, in particular, permanently backward. The first idea was the Marshall Plan, the second idea, the Morgenthau Plan. By his initiative, Peres is choosing the option of economic development as a response to the crisis, rather than keeping the Arabs in permanent backwardness."

The 'double bombs'

The political drama in Israel was all the greater because the week of April 7 was the week of the Israeli Labor Party's national convention, which followed immediately on the heels of the convention of the Histadrut national labor confederation.

This gave Peres the opportunity to bring his policies before the Party's delegate forum, representing party wards all over the country. By the evening of April 10, he had been given what one insider called "an overwhelming mandate by the convention to do whatever he wants."

It was in the context of this mandate that Peres's decision to directly address the Palestinians in his speech, saying, "We recognize you as a people," heated up Israel's political temperature. The word "people," in English, is the literal translation of the formulation that Peres used in Hebrew, but some insiders in Israel interpreted it as having "an emotional connotation here, more like what 'nation' conveys in English."

The Israel correspondent for France's *Le Figaro* newspaper, René Bauduc, reported on April 10 that Peres's speech had created "an earthquake in the Israeli political establishment," a "sensation." An Israeli insider told *EIR* April 11: "It's a radical change in policy. Fifteen years ago, also before a Labor Party convention, then-Prime Minister Golda Meir had said, 'There is no Palestinian people,' and had very scornfully said, 'I am a Palestinian.' Practically speaking, what Peres is doing, is starting to prepare the road for negotiations, in the end, with the Palestine Liberation Organization, in some form or other. That's what it's going to be. The Israelis are preparing to deal with the Palestinians as such, rather than through intermediaries."

In his April 9 speech, Peres linked the recognition of the Palestinian people to a general settlement in the region. Addressing himself to hypothetical Palestinian interlocutors, Peres said, "We don't have the intention of resolving our conflict by force or intimidation. You cannot convince us by terror, and we cannot convince you by war." He added, "We have to stop the possibility that the Middle East becomes like Lebanon. . . . We are saying that we are ready to begin a direct dialogue. We are ready to discuss with other Arab countries. We want peace."

One veteran observer of the Israeli scene told *EIR* on April 10: "Nobody expected Peres to launch these double bombs. First, he surprised everybody, earlier in the week, by demanding that Modai resign. Then, he surprised both his own party and the Israeli right wing, with this statement on the Palestinians. I'm sure his own defense minister, [Yitzhak] Rabin, is not prepared to go along with this."

Indeed, *EIR* has learned, Rabin is seething over Peres's "provocation," and over other issues. In past years, Rabin has been known to ally with the Sharon gang, and with Henry Kissinger's crowd in the U.S. State Department, to sabotage momentum toward a Middle East peace.

Early elections?

During the evening of April 11, a temporary, but fragile, ceasefire was arranged between Peres and Modai. One option being discussed is that Modai will agree to become a minister without portfolio, while Likud Vice-Premier Yitzhak Shamir, or even Peres himself, will assume the post of finance minister. Then, after six months, when Peres is scheduled to hand over the premiership to Shamir, as per current coalition arrangements, Peres would become finance minister, and Modai would become foreign minister.

In fact, nothing has really been resolved. During the week of April 7, the Likud component of the government—Sharon, Shamir, and others—insisted that they would not accept Modai's forced resignation, and would themselves resign en masse and collapse the government, if Peres pushed ahead with his insistence that Modai resign. There is much bluff in such threats, for the following reasons.

Peres must give up the government in any case in October. A new Likud government would, assuredly, overturn his entire political-economic package, including his "Marshall Plan" idea and his offer to the Palestinians, especially in view of the increase in Ariel Sharon's factional power within the predominant Herut bloc of the Likud Party since the mid-March convention of the Herut in Israel. Should the rotation occur in October, it is not impossible that Sharon himself could emerge as premier, even during the early months of 1987.

Although collapsing the government now would have its political risks for Peres, *not* collapsing the government and going for early elections has greater risks. The *Wall Street Journal's* April 9 editorial called for the Reagan administration to ally with Modai, against Peres and his "socialist" policies, and even to cut back on aid if Peres stayed in power.

This terror among the banker-IMF crowd at the prospect of early elections in Israel that could give Peres a "mandate of his own," as the *Journal* put it, is justified. In the eyes of one European strategist who has long experience in the Middle East: "Peres's Marshall Plan is a really good issue to get this coalition arrangement off his back. He was popular before, and he's more popular now. If I were him, I would risk going for elections."