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## Israel and the Middle East News Update

*Tuesday, July 11*

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# News Excerpts

July 11, 2017

## Reuters

### **Suspects Remanded in Israel-Germany Submarine Deal Probe**

Three suspects were remanded in custody and a fourth ordered held under house arrest on Monday after Israeli police questioned six people on suspicion of corruption in a \$2 billion deal to buy submarines and patrol craft from Germany. The 2016 deal has been under public scrutiny since it emerged that Prime Minister Netanyahu's personal lawyer also represented the local agent of the German conglomerate ThyssenKrupp set to build the vessels. The six, who were questioned under caution on suspicion of bribery, fraud and tax offences, include public officials, police spokeswoman Luba Samri said. No further details were immediately available. German authorities also are looking into the deal. See also, ["After interrogation, police remand 3 suspects in submarine probe" \(Times of Israel\)](#)

## New York Times

### **Labor Party Tries a New Leader: Gabbay, Self-Made Millionaire**

Avi Gabbay, a relative novice in Israeli politics, spent his early years in an asbestos hut in a transit camp, one of eight children of Moroccan immigrants, then became a millionaire. On Monday, he also became the chairman of the center-left Labor Party, beating Amir Peretz, a Moroccan-born party veteran, in a runoff. Mr. Gabbay's victory is not likely to pose an imminent threat to Prime Minister Benjamin Netanyahu of the conservative Likud Party, now serving his third consecutive term in office. The Labor Party has not won a general election in 18 years. Currently leading the parliamentary opposition, the party has been polling third after Likud and the centrist Yesh Atid party in recent months. See also, ["Labor hails Gabbay victory as 'a new hope" \(Times of Israel\)](#)

## I24 News

### **Minister supports Annexing WB Settlements into Jerusalem**

Israel's intelligence minister proposed on Monday annexing five West Bank settlements into the Jerusalem municipality, Yisrael Katz is advocating that West Bank settlers in the five towns be able to vote in Jerusalem municipal elections. The minister also proposed removing around 100,000 Palestinians from the city's population. Most of the international community considers the status of Jerusalem to be undefined, waiting until final status negotiations between Israel and the Palestinians to determine the city's status. Israel argues that the city is its undivided capital. See also, ["Likud minister backs absorbing settlements into Jerusalem" \(TOI\)](#)

## AP

### **Israeli Minister Seeks Train Across Mideast**

A senior Israeli Cabinet minister is pushing a plan to build a region-wide train network that he says could link Israel and the Palestinians to much of the Arab world. Yisrael Katz, the minister of transportation and intelligence, told foreign reporters Monday that Israel already is pushing forward with plans to extend an existing train line to the Jordanian border and into the West Bank. The projects would give Jordan and the Palestinians greater access to Israel's Haifa port. Katz showed a map of a hoped-for rail network stretching through Jordan and Saudi Arabia to the Gulf. See also, ["In new vid, Israeli minister promotes Gaza island plan" \(i24 News\)](#)

## **Israel Transfers Authority for Electrical Substation to Pal'**

Israel transferred responsibility for a new electrical substation outside the West Bank city of Jenin to the Palestinian Authority on Monday. This is the first-time Israel has given the PA ownership of electricity infrastructure. The Jenin substation won't produce its own electricity; all the power will continue to come from Israel. But under the agreement signed Monday, the PA will have authority for operating and maintaining the plant, as well as over distribution of the electricity. The Israel Electric Corporation said it is building three other substations in the WB, in Tarqumiya, Nablus and Ramallah; all will be operational within months. Israel and the PA are now negotiating a transfer of responsibility for these stations as well. The European Union, which helped build the substations, is also involved in the talks. See also, ["Israel, Palestinians reach power deal for northern West Bank" \(Boston Globe\)](#)

## **Israel Backs Hungary, Says Financier Soros is a Threat**

Israel's foreign ministry says a call by its ambassador to Hungary for an end to the billboard campaign against George Soros was not meant to "delegitimize" criticism of the Hungarian-American billionaire. Soros, a Hungarian-born Jew who has spent a large part of his fortune funding pro-democracy and human rights groups, has repeatedly been targeted by Hungary's right-wing government, in particular over his support for more open immigration. In the latest case, Prime Minister Viktor Orban has backed a campaign in which Soros is singled out as an enemy of the state. "Let's not allow Soros to have the last laugh" say billboards next to a picture of the 86-year-old investor, a campaign that Jewish groups and others say foments anti-Semitism. See also, ["Mr. Netanyahu, don't go to Hungary!" \(Yair Lapid, TOI Blog\)](#)

## **Rivlin Commemorates 11th Anniversary of Lebanon War**

The memorial ceremony marking the 11th anniversary of the Second Lebanon War took place on Monday evening at the National Memorial Hall for Israel's Fallen Soldiers on Mount Herzl, making it the first time that the memorial ceremony was held at the site, which was inaugurated on the last Memorial Day. Among the guests were bereaved families, President Reuven Rivlin, Deputy Speaker of the Knesset MK Bezalel Smotrich, MK Tzipi Livni (Hatnuah), Supreme Court Justice Yoram Danziger and Deputy Minister of Defense Eli Ben-Dahan. In his speech at the ceremony, President Rivlin said that "in this war, too, Israeli civil society was revealed in full force. Our soldiers displayed tremendous courage and determination, with endless devotion to their friends on the ground and with an endless commitment to the family, home, and community they left behind.

## **Trump's Special Envoy Greenblatt Prays at Western Wall**

Donald Trump's special representative for international negotiations stopped by the Western Wall on Monday night before taking meetings with Israeli and Palestinian officials. Jason Greenblatt, a Jewish American who served as one of Trump's lawyers for many years, is currently leading the president's effort to jumpstart Mideast peace talks. He prayed for "peace for all" at the holy site, as well as for the families he met with earlier in the day who have missing sons believed to be in Hamas captivity. Trump became the first sitting president to visit the site in May.

## **With Avi Gabbay's Election, Israel's Labor Party Proves There's Life Before Death**

*Like Trump and Macron, Gabbay overtook his party's 'old guard' and could upset Israel's entire political balance. Should Netanyahu be concerned?*

By Yossi Verter, political commentator at Ha'aretz

- The Labor Party proved on Monday that there is life before death. The party, which has been down for the count for a long time, has woken up and, with the last of its strength, given itself a vital tank of oxygen, at least in the near term.
- Its election of a nonchalant businessman with unbelievable aspirations as its chairman was excellent political drama, an earthquake measuring seven on the Gabbay scale. It has the potential – though no certainty – of reshuffling the deck of the center-left camp, undermining the consensus that has reigned here for the last two years and sending shockwaves through the entire political system. In some scenarios, these waves could even reach the ruling Likud party. But in the current circumstances, it's hard to say that Gabbay's election is bad news for Prime Minister Benjamin Netanyahu. Right now, he has much bigger worries.
- Gabbay's election reflected Labor members' frustration over the fact that their party has become a doormat, a byword for scorn and mockery. Their despair led them to choose the most unreasonable, most ludicrous, most daring and subversive option. Never before has such a thing happened in this party: A relative unknown, who joined its ranks just a few months ago, managed, over the course of two rounds, to defeat several candidates who are Labor's flesh and blood, its bone and sinew.
- In the United States, Donald Trump did something similar. In France, Emmanuel Macron went even further: He established a party in no time and went on to capture first the presidency and then parliament. Gabbay's election was possible only because of the electoral and public nadir to which Labor has fallen. The party needed a jolt of electricity, and that's what it got. The old guard's sweeping mobilization against Gabbay and in favor of his rival, Amir Peretz, also seems to have caused a healthy counter-reaction among the voters.
- The day after the first round of voting, Peretz rushed to be photographed alongside the chairman of the Histadrut labor federation, Avi Nissenkorn, who had enlisted the entire Histadrut organization to help Peretz's campaign. The smug Nissenkorn and his people believed this would tip the scales. They celebrated and boasted prematurely. It turns out that not all Labor members in the Histadrut felt obliged to follow the orders of a chairman whose own method of getting elected is still under investigation.
- Signs of Monday's upset in the Labor Party were already evident on the night of July 4, last Tuesday, when the results of the first round were announced. Peretz came in first, but he beat Gabbay by only five percentage points – around 2,000 votes. That was a huge achievement for Gabbay and reason for Peretz to worry: Despite his long experience of competing in party contests and support not just from the Histadrut, but also from a long list of prominent Knesset

members and many mayors, he didn't manage to rout the green, somewhat naïve tyro who lacked all those advantages.

- The second round proved something else: The party that never gives anyone a second chance once again refused to give a former party leader a second chance (granted, Yitzhak Rabin and Ehud Barak managed to stage comebacks, but they were both former prime ministers). The fact that the defeated incumbent, Isaac Herzog, and another defeated candidate, MK Erel Margalit both backed Peretz gave off a sour smell of affront and anger at the brazen newcomer who dared to crash their party. Even torture couldn't extract a good word about Peretz from either Herzog or Margalit. Yet they closed ranks with him to build a wall against the rising star, only to see it collapse under the weight of the masses. The old boys received an unequivocal message from the voters: Wake up, your time has passed.
- In contrast, MK Shelly Yacimovich, who unsurprisingly backed Gabbay against their shared rival, Peretz, is entitled to bask in sweet victory, whose taste she had long since forgotten. She can certainly take some of the credit for his achievement. The vast majority of her activists and volunteers joined Gabbay's campaign back in the first round, and even more so in the second.
- It will be interesting to see what happens now in the Knesset. Herzog is expected to resign as opposition leader, and indeed ought to do so after backing Peretz. Since Gabbay, not being an MK, can't take over the job himself, Yacimovich is the natural candidate to do so.
- Who else was celebrating on Monday? Ehud Barak, who had publicly backed Gabbay from the very start of the race. Barak longs to return to political life. Given Gabbay's complete lack of experience in national security and diplomacy, adding Barak to his leadership team could benefit both of them, in the right circumstances.
- And who was gnashing his teeth? Finance Minister Moshe Kahlon. The Kulanu party chairman – who felt betrayed, with some justice, by his partner Gabbay in establishing that party, who quit the cabinet to protest Avigdor Lieberman's appointment as defense minister – had expected Gabbay to lose, to be brought down by his disloyalty. But this was always more wishful thinking than sober political analysis. It turns out that loyalty is for the weak.
- Gabbay said during his campaign that he was the only candidate capable of bringing Kulanu voters over to Labor. That has yet to be proven, but Kahlon now finds himself in an uncomfortable position. This political development could actually strengthen his weak ties with Netanyahu.
- The same goes for Yair Lapid. Before the new Labor chairman can take on Likud, he must first return most of the voters – 10 to 12 Knesset seats' worth – who abandoned Labor for Lapid's Yesh Atid party. This is the first critical hurdle that Gabbay must pass before he can start fantasizing about replacing the government.
- The polls in the coming days and weeks will provide an indication of the future. If the voters don't return, and quickly, Gabbay will start circulating among his new party colleagues with a target on his back. They won't hesitate to seal his fate, and they won't wait long to do it.

**SUMMARY:** The second round proved something else: The party that never gives anyone a second chance once again refused to give a former party leader a second chance (granted, Yitzhak Rabin and Ehud Barak managed to stage comebacks, but they were both former prime ministers). The fact that the defeated incumbent, Isaac Herzog, and another defeated candidate, MK Erel Margalit both backed Peretz gave off a sour smell of affront and anger at the brazen newcomer who dared to crash their party. Even torture couldn't extract a good word about Peretz from either Herzog or Margalit. Yet they closed ranks with him to build a wall against the rising star, only to see it collapse under the weight of the masses. The old boys received an unequivocal message from the voters: Wake up, your time has passed.

## **Naval Vessels Affair: This Money has a Scent**

By Ben Caspit, Columnist at Ma'ariv

- This is not the submarine affair. A more apt name would be the naval vessels affair or even the Navy affair. It all began with a front-page headline story in *Ma'ariv* informing the public that Israel was signing a memorandum to purchase three additional submarines for the Navy, without the security establishment's knowledge or support. Raviv Drucker then dropped a hydrogen bomb when he reported that the lawyer who represented the Israeli mediator in the deal was none other than David Shimron. Everything developed from that point, and it is now clear that the purchase of the four patrol boats (from the same German shipyard) and the decision to cancel the international tender under pressure from David Shimron and with Netanyahu's involvement are the real story. As is the same ridiculous shopping list that the Navy produced after Shimron and Ganor showed up on the scene, including anti-submarine ships that no one needed, and the privatization of the shipyards (which is inconceivable).
- Ignore for a moment the criminal allegations, the bribe payments, the needless deals that cost billions, the tenders that were cancelled and the shipyards that were almost privatized. There is one question that every Israeli citizen ought to be asking him or herself: is it possible that Prime Minister Binyamin Netanyahu didn't know about Attorney David Shimron's involvement? In other words, Netanyahu, who promoted the purchase of three submarines Israel didn't need and who worked to cancel an international tender for the purchase of four patrol boats, didn't know that the closest person to him in the entire world, his personal attorney, his cousin and most intimate secret-bearer, was involved in those deals from the other end and was stirring the pot and mediating?
- It has now become evident that a lot of people in Netanyahu's circle knew about Shimron's involvement—except Bibi, of course. For example, Shlomi Fogel, the owner of the Israel Shipyards, who met with Shimron and Mickey Ganor in talks with ThyssenKrupp (according to Drucker's report), obviously knew about that very well. So Fogel, who is a close friend of Netanyahu, knew. But Bibi didn't. Only the prime minister didn't have the slightest inkling. Blessed are the believers.
- The police are going to have to prove that he knew. If his knowledge can be proved, his guilt will become clear. Netanyahu's knowledge about Shimron's involvement in those deals would constitute a flagrant conflict of interest, a clear breach of trust and far more than that. That said, let's not forget that in the Gilad Sharon and the Greek island affair the entire country knew that Ariel Sharon knew that his son was being paid millions of shekels by the contractor Dudi Appel just to surf the web. So what? The attorney general at the time, Meni Mazuz, didn't know and the case was closed. But there is one thing that we can say with certainty: this case isn't going to be closed without Netanyahu first being questioned. Period.
- We should not rule out the possibility that the statement that was made early on [by the State Attorney's Office] that "Netanyahu isn't a suspect in the affair," was made in order to lower the suspects' guard. We should not rule out the possibility that the police have done a lot of wiretapping over the past few months. The assessment is that the police are going to work hard to get someone to turn state's witness. The top candidates are Avriel Bar Yosef and Mickey

Ganor. At the next stage it will be David Shimron. Whoever flips first. The issues that are currently being investigated include the question as to why Netanyahu appointed Avriel Bar Yosef, who is suspected of being the principal mover and shaker in this story, as the director of the National Security Council after formerly being vehemently opposed to that same appointment? Who persuaded Netanyahu to announce Bar Yosef's appointment? Was David Shimron involved in this case as well?

- I don't belong to the group of people who like to criticize MK Erel Margalit. One can certainly criticize his style and his botched attempt to clip a political coupon from all this, but while everyone else was clicking their tongue Margalit was out there working and looking for material. The very fact that he, a member of some of the most sensitive forums in the Foreign Affairs and Defense Committee, including the Acquisitions Committee, raised a ruckus in those closed-door meetings and presented Avi Dichter with all of the facts and figures that stink to high heaven, ought to earn him a medal. He invested a lot of time, effort and money in his search in Germany and elsewhere in Europe. He did so persistently and tirelessly. It's okay to say a kind word about someone from time to time.
- The same goes for the former defense minister, Moshe Yaalon. I'm not sure that Netanyahu replaced Yaalon with Lieberman because of the submarines or the patrol boats. I am sure that Yaalon was telling the truth when he described the enormous pressure that Netanyahu applied on the entire establishment regarding the submarines, the patrol boats and other issues related to this stink. "I don't need a police investigation to know that the prime minister is involved," said Yaalon yesterday in closed-door conversations. "As far as I'm concerned, from a public standpoint he's finished. I know what went on there. I know where he intervened. I can see the puzzle." Yaalon found out about the plan to buy three additional submarines and stopped that. He then found out about the unbelievable idea of taking the maintenance contract for those submarines away from Naval Shipyards and giving it to the German shipyards. "Bibi is going to have to explain all that, not me," said Yaalon. Netanyahu is going to have to explain all that to the police soon enough as well.
- The most amusing part of this affair was reported by Tal Schneider yesterday. Schneider reported that Mickey Ganor, the "new" mediator who was brought in after Shaik Bareket was ousted from his post by the commander of the Navy, Eliezer Marom, is moving out of his villa in Caesarea and is looking to live elsewhere. Just a reminder: Netanyahu lives on that same street in Caesarea. His next-door neighbor on one side is Ganor and his next-door neighbor on the other side is David Shimron. Maybe the police should read the minutes of the neighborhood committee meetings.

**SUMMARY:** Ignore for a moment the criminal allegations, the bribe payments, the needless deals that cost billions, the tenders that were cancelled and the shipyards that were almost privatized. There is one question that every Israeli citizen ought to be asking him or herself: is it possible that Prime Minister Binyamin Netanyahu didn't know about Attorney David Shimron's involvement? In other words, Netanyahu, who promoted the purchase of three submarines Israel didn't need and who worked to cancel an international tender for the purchase of four patrol boats, didn't know that the closest person to him in the entire world, his personal attorney, his cousin and most intimate secret-bearer, was involved in those deals from the other end and was stirring the pot and mediating? It has now become evident that a lot of people in Netanyahu's circle knew about Shimron's involvement—except Bibi, of course.