

By David Mandel

JERUSALEM

**T**HE WEEK AFTER THE MOST IN-  
decisive election in Israel's  
history, the country's par-  
liamentary system is being  
pulled by strong forces to-  
ward a probable major realignment.

Most of the electorate was polarized  
around the two major blocs. But gains  
were registered by parties on their fringes,  
to Labor's left and the Likud's right,  
while the center parties, which thrive on  
bargaining with both sides, all did worse  
than they had hoped. Yet because of the  
stalemate, these parties have more lever-  
age than ever before. This seems likely to  
force, a little later if not immediately, a  
government involving at least part of  
both large rival groups.

The opposition Labor-led alignment  
emerged with the largest number of seats.  
But the initial celebrating took place  
among the ruling Likud bloc, which fin-  
ished only three seats behind, 44 to 41.  
Pre-vote polls had predicted a gap be-  
tween 10 and 20 seats (they are allocated  
proportionately).

Likud morale was further bolstered by  
the fact that five of the seven seats it lost  
compared to its 1971 total were gained by  
parties even further to the right, includ-  
ing the racist Meir Kahane, whose appeal  
to the lumpen element in depressed neigh-  
borhoods and towns attracted an embar-  
rassing 26,000 votes, 1.3 percent of the  
total. Together the Likud and other solid-  
ly anti-Labor parties control 49 out of  
120 seats, and at least seven more mem-  
bers of parliament (MPs) would clearly  
prefer to go with the right. While the  
total represents a slight drop from three  
years ago, there was clearly no significant  
erosion in the right's majority among Is-  
rael's Jewish population, despite wide-  
spread dissatisfaction with the conduct of  
its economic and foreign policies.

The three seats lost by Labor to closely  
allied parties on its dovish flank, which  
doubled their representation to six, and a  
new, more radical party—Progressive  
List for Peace—won enough Arab votes  
for two additional places in Parliament.  
Together with the Communist-led Demo-  
cratic Front for Peace and Equality  
(DFPE), which held on to its forum, this  
grants Labor a "cushion" of six more  
solid anti-Likud votes, though the two  
left parties are considered too outside the  
pale to actually join the government. The  
anti-Likud total is thus 56, exactly the  
same as the pro-Likud total.

That leaves eight newly elected MPs in  
the center who could go either way. Of-  
fers of policy concessions and high cab-  
inet seats real and rumored were thus the  
subject of bids by both major blocs to  
maneuver majorities for themselves dur-  
ing the post-election week.

Contradictory rumors were flying as  
the negotiations picked up steam once the  
final results were announced, and five of

## Likud and Labor may both split to yield a more secular center.

the eight pivotal politicians seemed to be  
leaning slightly toward Labor, which  
might bring in a few more. Shimon Peres,  
therefore, might soon be able to form a  
weak coalition that would have to avoid  
offending a host of contradictory inter-  
ests: religious nationalists only slightly  
less committed than the Likud to massive  
settlements in the occupied territories;  
anti-clerical doves who hoped before the  
election to be Labor's sole coalition part-  
ner; the Likud's former finance minister,  
who campaigned on a platform of severe  
austerity and who has now reportedly  
been offered his old job by Labor; the  
DFPE and progressives on the left, who  
would not blindly support a government  
that differed little from the Likud; and in  
a crucial position, with three seats, for-  
mer Likud Defense Minister Ezer Weiz-  
man and company, seeking a route back  
to the corridors of power.



Der Spiegel

such "national unity" did poorly; Weiz-  
man entered the race with hopes of a  
much better showing: the National Reli-  
gious Party came out with only four seats  
as opposed to six in 1981 and 12 in 1977:  
and Tami, which precipitated the election  
and hoped to enlarge its three-member  
faction by winning the ethnic, North Af-  
rican Jewish vote, ended up with only one  
MP.

But during the campaign's final week,  
Yitzhak Shamir and the Likud skillfully  
raised the slogan of national unity as part  
of their last-ditch effort to put Labor on  
the defensive. And the strategy worked.  
Peres, confident of a large victory, dis-  
missed the possibility as not serious, which  
it wasn't. But about 80,000 disenchanted  
former Likud voters who had told the poll-  
sters that they would probably vote for  
Labor this time, changed their minds at  
the last minute, afraid of a one-sided re-  
sult and enticed by "unity." These voters'

## ISRAEL

# Voters' stalemate sets stage for major bloc shifts



Der Spiegel

But Likud prospects look at least as  
dismal. The right end of the spectrum is  
deeply estranged from Weizman because  
of his relatively dovish turn over the last  
several years. And a Likud-based coal-  
ition would have to include as well four  
different religious parties, all of which  
are after similar spoils.

### National unity?

A likely outcome appears to be that each  
large party will be able to keep the other  
from building a majority. This is espe-  
cially true because all eight men in the  
middle insist that their first choice would  
be "national unity" government involv-  
ing both Labor and Likud.

The idea is not new: Likud ministers  
sat in a Labor-led government from 1967  
to 1970, but as distinctly junior partners,  
and during a period of euphoria and eco-  
nomic boom following the Six-day War.  
In the recent election the proposal played  
a crucial role that has been overlooked by  
most analysts.

The small parties that promise to seek

five seats made a world of difference.

Thus, while a government involving at  
least parts of both Labor and Likud may  
well emerge, the idea has serious prob-  
lems. For one thing both parties insist on  
heading it. While Labor points to its larg-  
er vote total as a mandate for the task,  
the Likud claims that more of the small  
parties prefer it.

On the other hand, if the small center  
parties hold out too long, the two major  
parties could conceivably agree to rotate  
the premiership and leave them out in the  
cold. This would horrify the religious  
parties most of all, because one thing that  
most of the Labor Party and Likud MPs  
could easily agree on would be a drastic  
reduction on theocratic restrictions on  
recreation and personal life.

Despite their look-alike gains during  
the campaign, there are real issues that  
separate Labor and the Likud. Most of  
Labor's leaders and constituents are gen-  
uinely alarmed at the prospect of long-  
term rule over a hostile population of 1.5  
million in the West Bank and Gaza strip,

IN THESE TIMES AUGUST 8-21, 1984 11  
while the Likud is committed to holding  
the territories and eventually incorporat-  
ing them into Israel.

Yet the Likud does not really have an  
answer on how this could be accomplish-  
ed without either sacrificing the state's  
Jewish character or creating a South Af-  
rica. The dilemma partly explains the rise  
of the ultra-right Kahane—who is only  
slightly less fanatic than Tehiya (five  
seats) and Morasha, one of the religious  
parties (two seats)—as well as the popu-  
larity of Likud figures like Ariel Sharon.  
Kahane explicitly, and the others impli-  
citly, point to a solution of "emigration"  
—unlikely ever to be voluntary. Kahane  
explains the apartheid options: "Dem-  
ocracy and Judaism are not compatible."

While such ideas did attract an alarm-  
ing number of votes, they are by no means  
shared by all Likud supporters. Most of  
the bloc's Liberal Party component could  
swallow Labor's outlook on the territor-  
ies, if offered the right cabinet seats. Even  
in post-Menachem Begin's Herut (the  
Likud's major faction), some leaders and  
many young followers are far less com-  
mitted to the traditional greater-Israel  
view than the old guard. A Likud now  
unable to rule as it has for the past seven  
years and without its former patriarch  
could easily break up under the strain of  
parliamentary deadlocks. Part of it might  
then join a Labor-led government while  
trying to regroup with Weizman and oth-  
er forces of the moderate right.

If this happens, several of the most  
dovish Labor MPs together with its old  
Yitzhak Shamir's (above) call for national  
unity pulled his trailing Likud coalition  
to within three seats of Labor, led by  
Shimon Peres (below).

left Zionist partner Mapam (six seats on  
the joint slate) might feel less constrained  
from splitting the other large bloc as  
well. Peres could still remain premier be-  
cause the Likud would have split first,  
and a new sizable bloc of the moderate  
left could be formed together with the  
three MP citizen rights movement. A  
Labor fissure could even be a relatively  
friendly one: for years many party activ-  
ists, both hawks and doves, have suggest-  
ed that their total electoral appeal might  
be greater if they ran separately and then  
cooperated in coalition building. This  
never happened for fear that the Likud  
might then become even larger and con-  
solidate its rule.

In any case, a more rational realign-  
ment of the secular center that might be  
able to stand up to the religious bloc  
might result. And if prodded enough  
domestically and by the outside world,  
such a center government could reject  
once and for all the ultra-right's delu-  
sions of empire and halt the danger of  
fascism.



# GO DIRECTLY TO JAIL

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By Don Michak

**G**EORGE C. DAVIS WAS A GUY who made things happen for a tiny marine construction company, the Frigitemp Corporation. In a few quick years, Davis and his friends turned Frigitemp from a small-time refrigeration plant in the Bronx into a major defense subcontractor with operations in several states and millions of dollars in billings. Davis and his buddies got rich producing liquified natural gas tankers, nuclear attack submarines and destroyer/escort ships. But Frigitemp was forced into bankruptcy in late 1978.

Two weeks ago a federal jury convicted Davis and three others of conspiracy, racketeering and fraud. They had gotten Frigitemp contracts by bribing senior executives at one of the nation's largest defense companies. A federal prosecutor called the boys from Frigitemp "a gang of crooks and thieves." Independent investigators have linked the firm's questionable financial practices with at least one other major military contractor.

Two other men supposed to be tried with Davis were top officials at the General Dynamics Corporation shipyards in Massachusetts and Connecticut. Neither appeared in court. James H. Gilliland, a former chief engineer and assistant to the general manager at the corporation's Electric Boat Division, skipped the country sometime after being indicted in September 1983. He was later arrested in Britain and jailed for failure to list certain assets for the tax authorities, but early this year an English magistrate reportedly refused to extradite him. Federal officials now say they have no idea where Gilliland is. He was last seen in London.

The biggest fish caught in the Frigitemp net appears to be Gilliland's boss at Electric Boat, P. Takis Veliotis. Veliotis was a director of General Dynamics and executive vice-president of the shipbuilding division. Like Gilliland, he fled about the time a grand jury handed down the indictment naming him as a bribe taker. While Davis sweated in a lower Manhattan courtroom, Veliotis was reported to be cruising the Mediterranean in his air-conditioned 87-foot yacht.

Reporters flocked to the Davis trial, but the real story rests with Veliotis somewhere off the Greek coast. The indomitable Greek has been at the center of the government's kickback case from the beginning and has steadfastly maintained his innocence. His attorney in Athens says Veliotis believes that General Dynamics executives at headquarters in St.

Louis have fabricated the case against him to prevent him from testifying in a federal investigation of massive fraud and cost overruns on the Navy's Trident and Los Angeles class nuclear submarines.

"If I tell everything I know," Veliotis told a Greek journalist in January, "They will all go to jail. Now they throw mud at me because I am their target. However, beware of my attack."

In March the former General Dynamics executive met secretly with congressional investigators dispatched to Greece by Sen. William Proxmire (D-WI). As chairman of the Joint Economics Committee, Proxmire had conducted hearings on the corporation's cost overruns several times in the past. (The senator convened another hearing July 23 on Veliotis' charges.)

Proxmire says Veliotis has offered to tell exactly how General Dynamics defrauded the Navy of more than \$800 million, and that he appears to have documents to prove his charges. In a recent speech to the Senate, Proxmire said that Veliotis believes General Dynamics deliberately underbid on its nuclear submarine contracts, only to file excessive and phony claims later to recover its losses. Veliotis implicated high officials at the corporation and is prepared to "name names as well as places and times of meetings, the substance of conversations and actions that were taken," Proxmire said.

Reagan vulnerable.

Veliotis is a prosecutor's dream: an insider angry enough to tell all. He is also capable of doing severe damage to the Rea-



gan administration—which closed the case against the shipbuilder under questionable circumstances—and to the Pentagon's way of doing business. An examination of the case against General Dynamics reveals not only that the Justice Department botched its original investigation, but also that the Pentagon's weapons procurement system gave the corporation every opportunity to take advantage of American taxpayers. The record shows the government placed General Dynamics on the dole without so much as a onceover. Poor people have had more trouble getting a month's food stamp allotment than General Dynamics had milking millions from the Navy.

The story of how the nation's number-one defense contractor reaped more than \$600 million in cash from the Navy is one of converting a fixed-price contract into a cost-plus contract. The firm's Electric Boat Division was the only builder of nuclear attack submarines for the Navy in the early '70s. It had agreed to build 18 SSN-688s. As production began it was soon apparent that costs would be much higher than the company's bid. Although its contracts with the Navy stated the corporation would have to absorb cost overruns, a cost escalation clause allowed the company to recover certain costs related to inflation and other unforeseen causes. Caught between the end of the Vietnam war weapons-system buildup and the Nixon recession, General Dynamics was soon counting up overruns and charging the Navy with delays and expensive design changes. The Navy countered with charges of poor management, an undisciplined workforce and general contractor inefficiencies.

In February 1975, General Dynamics made \$231.5 million in claims on its first contract for seven submarines. The Navy's claims review board—composed mostly of military officers because the Nixon administration abolished a tough civilian review unit in 1972—agreed to pay the company \$97 million, or less than half the amount demanded. But the board said it fully expected General Dynamics to return with a claim on its second contract for the remaining 11 submarines.

Soon afterward, Electric Boat officials offered to settle claims for both contracts for another \$53 million, according to retired Admiral Hyman Rickover, often called "the father of the nuclear Navy." General Dynamics wanted the cash quickly to escape bank pressure. But Rickover says the Navy turned down the company because it had not officially submitted a second claim.

By now the claims issue was a political

hot potato in Washington, where three other shipbuilders were pressing the Navy for more than \$1.5 billion. The warlike atmosphere surrounding the General Dynamics negotiations led Deputy Defense Secretary William F. Clements to offer an extraordinary compromise. Citing a controversial law that permits the Navy Secretary to modify existing defense contracts, he offered \$178 million to General Dynamics under Public Law 85-804. The statute is essentially a welfare program for defense contractors. It allows special payments to companies in so much financial trouble that they may not be able to meet military contract obligations.

Clements said that Electric Boat stood to lose about \$135 million in the submarine contracts, and that his proposal would give the company a profit of about \$20 million. Clements' suggestion was greeted with hoots and hollers. Adm. Rickover publicly questioned why a political appointee in the Ford administration wanted to pay General Dynamics \$120 million more than the last offer its lawyers had made the government. A senior member of the House Armed Services Committee called the proposal "a sweet-



heart arrangement with the contractors."

By December 1976 General Dynamics had revised its total claims upward to \$544 million on both contracts. Even the Navy's review board had a hard time swallowing the new figures—about half the original construction price of the subs. But the corporation mounted a massive lobbying campaign, pressing its case before congressional panels, court-