

# Israeli Prime Minister Olmert resigns

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Israeli Prime Minister Ehud Olmert has announced that he will resign as leader of the ruling Kadima party in September. His announcement follows mounting allegations of corruption.

Olmert has been dogged by corruption scandals since he came to power in 2006. The Israeli police are currently investigating six separate cases involving him. He has previously said that he would not stand down until charged. His decision to resign reflects new and more damaging allegations that emerged when New York businessman Moshe, or Morris, Talansky was questioned in an Israeli court.

According to the *Jerusalem Post*, a source close to Olmert told State Comptroller Micha Lindenstrauss about Olmert's financial dealings with Talansky and provided documentary evidence of the transactions some months ago. The state comptroller's office, which was already investigating other allegations against Olmert, began its own investigation and alerted the police.

The most serious allegation is that Olmert received hundreds of thousands of dollars in gifts and loans from Talansky. Talansky alleged that he gave \$150,000 to Olmert to finance political campaigns. He claimed not to know what the money was used for, but hinted that some of it was used to fund Olmert's extravagant lifestyle.

Talansky claims to have lent Olmert money on three occasions to pay for personal trips. There was a loan of \$25,000, which was never repaid, to pay for a family holiday in Italy and Greece; \$4,717.49 to pay for a stay at the Washington Ritz Carlton; and \$15,000 expenses for another trip to the United States.

Following information from Talansky, the police then widened their investigation to include allegations that Olmert committed fraud while he was mayor of Jerusalem.

"According to the suspicions," a police spokesman said, "during his tenure as Jerusalem mayor and trade and industry minister, Olmert would seek duplicate funding for his trips abroad from public bodies, including from the state, with each of them requested to fund the same trip."

The police are said to be investigating the allegation that "considerable sums" from this double billing remained in a special account, which was then used to fund private travel abroad for Olmert and his family. This case has become known as "Olmert Tours."

Records kept by Shula Zaken, Olmert's personal secretary and aide for the last 30 years, are said to refer to Talansky's financial dealings with Olmert under the name, "The Laundry Man." Zaken is also under investigation for allegedly abusing her position to influence tax officials.

Talansky was questioned when he visited Israel earlier this year for Passover. The Israeli authorities initially tried to prevent the press reporting Talansky's name or nationality. But when the *New York Times* published his name in May it became impossible to keep the lid on the story.

Talansky's testimony has allowed the Israeli authorities to put pressure on Olmert's lawyer Uri Messer and Zaken. Olmert has claimed that Messer and Zaken were responsible for handling Talansky's donations. Messer claims that Zaken alone handled the money, which was kept in envelopes in her office.

Zaken has so far not cooperated with the investigations, but it is expected that both Messer and Zaken will be offered the opportunity to turn state's evidence against Olmert. The police have now questioned Olmert four times.

In a separate case, the police are investigating appointments Olmert made while he was the minister for trade and industry. It is alleged that he appointed political associates to government bodies, including the Medium and Small Enterprises Authority. It is also alleged that Olmert arranged investment opportunities for friends while he was industry minister and may have granted special funding for a factory with which a former business partner was associated.

Still ongoing is the "Cremieux Street affair." Olmert is alleged to have paid \$325,000 below the market value for a property in Cremieux Street. The National Fraud Unit questioned Zaken for four hours about the purchase of this \$1.2 million apartment. It has been suggested that Olmert speeded up the bureaucratic procedure for the developers while he was acting prime minister and received a discount in return.

One investigation has come to an end without charges. It was alleged that when he was finance minister, Olmert had tried to influence the sale of the state's controlling share in Bank Leumi to the advantage of a friend. The police dropped this case last November, saying that they did not have sufficient evidence to bring charges.

Olmert's political career goes back to the 1970s. In 1993 he became mayor of Jerusalem. Some of the corruption allegations date back to his decade in this office. He appears to have met Talansky during his campaign to become mayor. He worked closely with Ariel Sharon in the Likud party, and left Likud with Sharon in 2005 to form Kadima. When Sharon suffered a stroke in 2006, Olmert took over as leader.

Olmert has been a lame duck since Israel's defeat at the hands of Hezbollah in 2006 after the Israeli army invaded Lebanon. An official inquiry criticised him for launching the invasion of Lebanon and his conduct of the war. The recent exchange of prisoners for the bodies of Israeli soldiers was an added humiliation.

Recent polls showed Olmert with an approval rating of only 14 percent and three out of five Israelis thought he should resign. Half of those polled considered him corrupt.

But Olmert is not alone. Israeli political life is notoriously corrupt and few leading politicians could withstand a close scrutiny of their financial affairs. Olmert's dealings have become a public embarrassment, but they are symptomatic of the practices of the entire ruling elite. The way in which his case has blown up reveals the very sharp tensions that exist among this tiny layer, which is completely

isolated from the mass of the population who have long since become alienated from official public life.

Olmert has been able to survive the debacle in Lebanon as long as he has because he had a certain political value both to the Israeli political elite and in Washington.

Like Sharon, he has always had a hawkish attitude toward the Palestinians. It was he who, as Sharon's spokesman, declared that Israel was prepared to assassinate former PLO Chairman Yasser Arafat. But as prime minister he was associated with the call for a settlement with the Palestinians and Israel's neighbours, especially Syria.

This suited the interests of Washington very well. It enabled the Bush administration to give the impression that a peace process was under way. This was important for the US's allies in Europe and in winning support for the US amongst the Arab regimes—especially in the aftermath of the Iraq invasion.

While negotiations proceeded, it was possible to continue the process of creating a greater Israel by extending Jewish settlements, building a wall to isolate the Palestinians and launching military attacks on Palestinian civilians.

Olmert has stressed that he will continue negotiations with Syria as long as he remains prime minister. This has been seen by some in the media as a prospect of peace. Writing in the *Guardian*, Rachel Shabi suggested that Olmert could now go “hell for leather” for an agreement with the Syrians and the Palestinians. She quoted Haaretz columnist Akiva Eldar stating, “But now he doesn't have to worry about consolidating his power as prime minister, he has a clear interest to do it, the mandate to do it and nothing to lose.”

“For Olmert,” Shabi concludes, “success would still depend on the willingness of Labour and Kadima allies to stand by him and effectively enable him to leave a legacy that might make Israelis—and Palestinians—forgive the rest. But by this analysis, Palestinian and Syrian partners on these parallel peace tracks should race with Olmert to get final status agreements on paper in the few remaining weeks of his premiership. It's a small, rickety and bullet-ridden window, but in a few months it might well be replaced by an impenetrable concrete wall.”

Olmert does indeed seem to be racing toward an agreement with the Syrians. According to a *Maariv* report on Friday, the two sides are close to a deal. Syria and Israel would end the state of war between them, establishing normal diplomatic relations. On its part Israel would demilitarize the Golan Heights, while Syria would reduce the number of its troops stationed between the Golan Heights and Damascus.

However, far from a peace move, implicit in the deal would be a Syrian agreement to end its close relationship with Iran, which Jerusalem and Washington have in their sights. Olmert made it clear to the Syrians that they had to choose between the “Iranian grip” and their partnership in the “axis of evil,” and, as he put it, rejoining the “family of nations” in pursuit of peace and “economic development.”

Syria entered into talks after Israel bombed what they claimed was a nuclear site in Syria. Reaching an agreement with Israel offers the regime of Bashar Assad the opportunity of repairing relations with the US and Europe, especially France. Assad was welcomed to President Nicolas Sarkozy's Mediterranean Forum meeting in July.

The purpose of the talks is to detach Syria from its alliance with Iran and to isolate Iran diplomatically in advance of a possible assault by Israel with US backing, or at the very least to place maximum pressure on Tehran to accept US hegemony in the region.

There is no doubt, however, that Olmert's resignation is indicative of and will also herald a further shift to the right in official Israeli politics.

The candidates competing to replace Olmert as leader of Kadima both have strong right-wing credentials. Foreign Minister Tzipi Livni is currently the favourite to succeed Olmert. She is presented as a candidate untainted by corruption and has called on the coalition to “restore the public's faith in Israeli politics.” A former Mossad agent, she has stressed her role in Olmert's security cabinet.

On the Monday before Olmert resigned Livni staged a very public row with him in the Knesset in full view of the cameras. She accused him of giving too many concessions to Syria. Her display was necessary to consolidate her position against her main rival for leadership, Transport Minister Shaul Mofaz.

Livni has led the talks with the Palestinians and favours a two-state solution to the Palestinian question. Until her public row with Olmert, she was regarded as backing his negotiations with Syria.

Mofaz, who has taken a much harder line on the Golan Heights and Jerusalem, is a former chief of staff and defence minister. He is reputed to have told West Bank army commanders in 2001 that he wanted “10 slain Palestinians” in each territorial brigade area. According to the book *Boomerang* by journalists Ofer Shelah and Raviv Drucker, a senior officer pointed out at the time that Mofaz's directive would amount to 70 Palestinians being killed each day.

On Thursday Mofaz warned the US not to soften its stance towards Iran after US diplomats met with Iranian officials. He met with Vice President Dick Cheney and Secretary of State Condoleezza Rice to protest the meeting. A spokeswoman for Mofaz said that he was “voicing Israel's strong concerns.”

In June this year Mofaz said it was “inevitable” that Israel would attack a nuclear Iran.

Essentially the competition between Livni and Mofaz is about who can present themselves as the best war leader. But whoever wins the leadership contest, they must put together another coalition. The fragile Kadima party created by Sharon by winning the backing of a section of the Labor Party may not even survive a leadership contest.

Power may pass directly into the hands of Benjamin Netanyahu, leader of Likud. He was prime minister from 1996 to 1999 and served as finance minister under Sharon. He resigned from Sharon's government in protest over the withdrawal from Gaza. Netanyahu has called for an immediate election. It is even possible that Mofaz might attempt to form a coalition with Netanyahu in return for the defence portfolio.



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