

Netanyahu Wins, But Likud Party Wounded

Prime Minister Benjamin Netanyahu emerged the bruised winner of Israel's election on Tuesday, with his hawkish bloc unexpectedly losing ground to resurgent center-left challengers, exit polls showed.

They suggested the Israeli leader's Likud party, yoked with the ultra-nationalist Yisrael Beiteinu group, would still be the biggest bloc in the 120-member assembly with 31 seats, 11 fewer than the 42 they held in the previous parliament.

If the exit polls compiled by three Israeli television channels prove correct, Netanyahu would be on course to secure a third term in office, perhaps leading a hardline coalition that would promote Jewish settlement on occupied land.

But his weakened showing in an election he himself called earlier than necessary could complicate the struggle to forge an alliance with a stable majority in parliament.

The projections showed right-wing parties with a combined strength of 61-62 seats against 58-59 for the center-left.

"According to the exit poll results, it is clear that Israel's citizens have decided that they want me to continue in the job of prime minister of Israel and to form as broad a government as possible," Netanyahu wrote on his Facebook page.

But the mood was subdued at his Likud party's election headquarters, with only a couple of hundred party activists and supporters in a venue that could house thousands.

The 63-year-old Israeli leader promised during his election campaign to focus on tackling Iran's nuclear ambitions if he won, shunting Palestinian peacemaking well down the agenda

despite Western concern to keep the quest for a solution alive.

After a lackluster campaign, Israelis voted in droves on a sunny winter day, registering the highest projected turnout since 1999 when Netanyahu, serving his first term as prime minister, was defeated by then-Labour Party leader Ehud Barak.

The strong turnout buoyed center-left parties which had pinned their hopes on energizing an army of undecided voters against Netanyahu and his nationalist-religious allies.

The centrist Yesh Atid (There is a Future) party, led by former television talk show host Yair Lapid, came second with 18 or 19 seats, exit polls showed—a stunning result for a newcomer to politics in a field of 32 contending parties.

Lapid won support amongst middle-class, secular voters by promising to resolve a growing housing shortage, abolish military draft exemptions for Jewish seminary students and seek an overhaul of the failing education system.

The once dominant Labour party led by Shelly Yachimovich was projected to take third place with 17 seats.

A stream of opinion polls before the election had predicted an easy win for Netanyahu. The final opinion polls on Friday showed his Likud-Beitenu group still on top, but losing some ground to the Jewish Home party, which opposes a Palestinian state and advocates annexing chunks of the occupied West Bank.

The exit polls projected 12 seats for Jewish Home.

Coalition Building

Full election results are due by Wednesday morning and official ones will be announced on January 30. After that, President Shimon Peres is likely to ask Netanyahu, as leader of the biggest bloc in parliament, to try to form a government.

The former commando has traditionally looked to religious, conservative parties for backing and is widely expected to seek out self-made millionaire Naftali Bennett, who heads the Jewish Home party and stole much of the limelight during the campaign.

Political sources said before the election that Netanyahu might approach center-left parties in an effort to broaden his coalition and present a more moderate face to worried allies.

British Foreign Secretary William Hague warned Israel on Tuesday it was losing international support, saying prospects for a two-state solution to the Israeli-Palestinian conflict were almost dead because of expanding Jewish settlements.

peace talks broke down in 2010 amid mutual acrimony. Since then Israel has accelerated construction in the West Bank and east Jerusalem—land the Palestinians want for their future state—much to the anger of Western partners.

Tuesday's vote is the first in Israel since Arab uprisings swept the region two years ago, reshaping the Middle East.

Netanyahu has said the turbulence, which has brought Islamist governments to power in several countries long ruled by secularist autocrats, including neighboring Egypt, shows the importance of strengthening national security.

He views Iran's nuclear program as a mortal threat to the Jewish state and has vowed not to let Tehran enrich enough uranium to make a single nuclear bomb – a threshold Israeli experts say could arrive as early as mid-2013.

Iran denies it is planning to build the bomb, and says Israel, widely believed to have the only nuclear arsenal in the Middle East, is the biggest threat to the region.

The issue barely registered during the election campaign, with a poll in Haaretz newspaper on Friday saying 47 percent of

Israelis thought social and economic issues were the most pressing concern, against just 10 percent who cited Iran.

One of the first problems to face the next government, which is unlikely to take power before the middle of next month at the earliest, is the stuttering economy.

Data last week showed the budget deficit rose to 4.2 percent of gross domestic product in 2012, double the original estimate, meaning spending cuts and tax hikes look certain.