

Another Victim Of Sharon's Fascism: The Israeli Economy

by Michele Steinberg

"Israel's Economy In 2001 Contracted For The First Time In 48 Years," and "Economic Growth In Israel Hits Lowest Level Since 1953," were the ominous headlines in Israeli newspapers such as *Ha'aretz*, and in international press on the eve of the new year. Though Argentina and Japan took the major headlines internationally, as the worst cases of the global financial-economic collapse, Israel's economic disaster has global implications. This nation, under the fascist regime of Prime Minister Ariel Sharon, is a trigger for Zbigniew Brzezinski's and the financier oligarchy's "clash of civilizations" religious war.

On Dec. 31, the Israeli Central Bureau of Statistics announced that the Israeli Gross Domestic Product per capita fell 2.9% in 2001, showing negative growth for the first time since Israel's negative growth of 1.4% back in 1953. The collapse has been rapid, since the GDP in 2000 reportedly grew by 6.4%. One day earlier, Sharon's government had been forced to withdraw its austerity budget from the Knesset (parliament), knowing that it was unable to secure a majority vote. According to *Ha'aretz*, some 82 Knesset members were opposed to the budget, which had already been slashed by about \$1.4 billion in the face of a year-long war. While Israeli Defense Forces' (IDF) spending for the occupation of Palestinian areas had amounted to billions of dollars beyond the 2001 budget, social welfare programs were being cut to the bone. At present, one in five Israeli families lives in poverty, as does one out of every four Israeli children.

One event signalling the mood of unrest against Sharon occurred on Dec. 26, when more than 300 people in the southern city of Ashdod protested against the economic crisis wracking Israel, by blocking a major intersection, and shouting: "Argentina! Argentina!" referring to the Argentine moratorium on its payment of foreign debt. But, Sharon, who is deaf to any language but war, announced two days later that

he has hired Prof. Jacob Frenkel to lead a "professional team" to advise him on the economy. Frenkel, the former head of the Israeli Central Bank, was one of the last advisers to the Argentine government of President Fernando de la Rúa, which collapsed under his, and other liberal free-trade policies. Frenkel's appointment has observers wondering if Israel will be the next Argentina. One thing is certain: Sharon's policies are driving the country to destruction, in the context of the global economic collapse.

EIR's Warning

EIR warned, in its Dec. 21, 2001 issue, that the Israeli "Emperor had no clothes," and that Sharon was presiding over an economic disaster. *EIR* author Dean Andromidas analyzed the Israeli economic collapse—usually a forbidden subject in the U.S. and European media—linking it to Sharon's war-drive against the Palestinian people, and his brutal impoverishment of the Palestinian economy, including a deliberate policy of closures and sieges against the Palestinian towns and cities, bulldozing buildings and orchards, and blockading roads and borders. "Israel's own economy is undergoing its worst crisis in 20 years, with no recovery in sight," wrote Andromidas. "Well on the way to collapse, the economy could prove the Achilles' heel of Sharon and his generals." The article pointed out that Israel is an economy like no other, because, although it is ranked *first* among nations in per-capita income, it receives the most economic aid of any country in the world, and also receives billions of dollars in charitable contributions from the Diaspora.

The only solution for Israel, said *EIR*, is "peace through development" along the lines of Lyndon LaRouche's Oasis Plan for the region, which could not only forestall war, but could become a focal point to develop the region's water resources, and build a system of regional infrastructure that

could turn the Middle East into a “land-bridge” between Eurasia and Africa.

The events of Jan. 1, 2002 more than confirmed the *EIR* forecast. Not only was Sharon unable to get the members of the various parties in his coalition government to agree to his austerity budget, but on the same day, in a fit of rage, Sharon blocked a peace initiative—this time floated by Israeli President Moshe Katsav, a member of Sharon’s own Likud party.

The consequences of both events could be a debacle for Israel, and for the world.

Peace Or Depression

Economically, argued the lead editorial in *Ha’aretz* (“A State Without A Budget”), “it is difficult to exaggerate the damage” that will come as a result of this, aside from “the disgrace for a country that has pretensions to be properly run.” While the government can legally continue to operate under a rule that permits spending to continue under the terms of the previous year’s budget, *Ha’aretz* said, “in the current situation . . . the economy will not improve in 2002. Indeed, it will get worse.” With unemployment already at 9.3% (not including the Palestinian occupied territories) and threatening to reach 10%, *Ha’aretz* noted that “none of the planned investments in infrastructure aimed at accelerating growth and creating new jobs will be available, and it will be impossible to make the necessary cuts in the defense budget.” And because of a gangster-like process of “private members’ bills” for private projects, there will be a “cancerous process . . . in which the deficit will grow.” Under the provision for private members’ bills, projects for hundreds of millions of dollars were passed in Knesset votes, without any financial resources to pay for them.

Ha’aretz says that the budget issue is “a disgraceful failure for the government. Prime Minister Ariel Sharon failed to provide . . . determined economic leadership that he claims to be providing in matters of security.”

But, as everyone knows, in the ten months under the Sharon government, Israel has achieved neither peace nor security, as Sharon rushed to destroy every peace effort with a reign of terror against the Palestinians—and against his own cabinet. According to one senior Israeli military commentator, the situation in Israeli is, “in a word, bad; in two words, very bad. And in three words, very, very bad.” He reported that it is clear that it is Sharon and his generals who are making all the decisions, not the government. As have many others, this source pointed to the way Sharon dismissed the cease-fire initiative proposed by President Katsav, as indicative of the scorn Sharon displays against anyone who dares to oppose his hard-line policies.

Indeed, this move against the Israeli President should turn Sharon into the pariah he deserves to be. Katsav had proposed to address the Palestinian Parliament, an initiative which was suggested to Katsav by former Knesset member Abel Wahab Darawshe, an Israeli Arab, and which had the support of Palestinian Authority President Yasser Arafat and the Egyptian



Shekel continues nosedive; no central bank intervention seen

By Tal Muscal and Zev Stub

January 3rd, 19:30--The shekel continued its nosedive today, when it was fixed at a new all-time low of NIS 4.473 against the US dollar, a 0.81 percent depreciation from Wednesday's representative rate.

Against the newly circulated euro, the shekel fell a further 1.03%, with the representative rate vis-a-vis the 12-nation European Union currency fixed

Israel is not Argentina

By Jonathan Lipow

January 3rd, 17:30--In a recent analysis, Dr. Alona Offerbacher, the deputy director of the Monetary Department at the Bank of Israel argued that Israel must continue to follow contractionary macroeconomic policies in order to dampen domestic demand.

According to him, exports have dropped sharply as a result of global economic conditions, and if Israel doesn't reign in local demand for goods

Israel's New Year's headlines made clear that the economic crisis is the Achilles' heel of Sharon's fascist regime. Economic protesters were chanting "Argentina! Argentina!" in the Israeli city of Ashdod.

government. Katsav is no “peacenik,” but his embracing the initiative proposed to him by Darawshe and by two prominent Israeli intellectuals, Yossi Ginat and Eyal Erlich, would have opened a new chapter in a peace process by arranging a cease-fire between Israel and the Palestinians, invoking what is called, in Arabic, “*hudna*”: That is, a truce for one year which would allow negotiations between Israel and Palestine to begin again with renewed vigor.

Katsav was surprised not only by the fact that Sharon vetoed the idea and called it “a dangerous initiative,” but also by the harsh way Sharon made the decision, announcing it without even consulting him. Katsav retorted, calling Sharon’s attitude “unworthy,” and said that the initiative “merits serious consideration.”

Expose Sharon's Murders

This is not the first peace feeler that Sharon and his warmongers have quashed, and Israeli institutions from the center, left, and, now, even within the Likud itself, are beginning to turn on the Prime Minister, who has created the worst economic situation in 50 years. While overtly blocking peace, Sharon’s government has also secretly poured billions of dollars into the war effort to destroy the Oslo Accords, and millions more into the illegal right-wing settlements in the Occupied Territories that all international agreements, including the Mitchell Plan, say must be dismantled.

In fact, every obstacle to peace negotiations since late November—when U.S. Secretary of State Colin Powell announced that the American policy is to seek an “Israeli state” and a “Palestinian state” co-existing in peace—has come from Sharon.

On Dec. 4, when Sharon, at a cabinet meeting, provocatively declared the Palestinian Authority a “terrorist-supporting entity,” the Labor Party Cabinet ministers left the meeting, and nearly quit the ruling coalition. It has been increasingly clear since then that Sharon has only one solution for Arafat—the “final solution,” i.e., Arafat’s assassination. According to high-level Mideast and U.S. intelligence sources, that danger continues. This, despite the fact that Sharon’s demand that European nations and the United States cut off all contact with Arafat was rebuffed; and, indeed, despite the fact that protests *against* Sharon are mounting, as it is clear that *he* is the obstacle to peace.

On Dec. 24, Christmas Eve, Sharon became the target of more protests, when he had the IDF put Arafat under house arrest in Arafat’s West Bank headquarters in Ramallah, denying him the right to attend the midnight mass in Bethlehem at the Church of the Nativity. Appeals to Sharon from Pope John Paul II, European heads of state, the United States, and even President Katsav, fell on deaf ears. When top Christian leaders, including the Pope’s emissary, came to see Arafat in Ramallah instead, Sharon had the clerics searched on their way out.

Meron Benvenisti, in *Ha’aretz* on Dec. 27, explained the rationale behind Sharon’s ban on Arafat’s traditional attendance at Christmas mass—it would have been an admission of Palestinian sovereignty under an age-old custom, codified into the Oslo Accords. The Church of the Nativity reserves the first seat in the front row for a secular ruler—in the past, it was occupied by the Ottomans, British, Jordanians, or Israelis, and, since 1995, by Arafat. Benvenisti says, “Maybe they [Sharon et al.] think it would be best if the chair remained empty. Or maybe Israel will dispatch its tanks, rip out the chairs entirely, and save itself the embarrassment.”

Sharon’s ability to get away with murder—labelled “anti-terrorism”—must be brought to an end. One encouraging sign came on Dec. 26, when Israel’s Supreme Court ruled that former Shin Beth domestic intelligence officer Ehud Yatom, one of Sharon’s closest associates, is *unfit* to hold the office of adviser on terrorism to the Prime Minister. Yatom had been involved in a war-crimes scandal known as the “Bus 300” affair, where two Palestinian prisoners were killed while in his custody. Yatom was never prosecuted because of a pardon from then-President Chaim Herzog. The court ruling against Yatom was applauded by pro-peace leader Yossi Sarid, who is demanding a full release of the Yatom file.

At the same time, the Israeli Bar Association passed a resolution making a legal finding, that Israeli soldiers who participated in “preventive assassinations” could be tried for war crimes.

Anti-LaRouche Press Attacks Test Poland

by Our Special Correspondent

American Presidential pre-candidate Lyndon LaRouche warned Poland in a May 2001 visit, in which he met deputies from the Sejm (national parliament), that bankruptcy reorganization of the world financial system, and for individual national financial systems, was the only realistic way out of economic breakdown crisis. Eight months later, Poland finds itself on the verge of state bankruptcy, given its deficit of 90 billion zloty (over \$20 billion), the bankruptcy of its national electricity company, and so forth. The government and central bank are locked in policy battles. The country is searching for some way out that does not lead to social chaos.

“The collapse of Comecon [the socialist countries’ trading bloc] should have become the signal for a great reconstruction effort in all of Eurasia,” LaRouche said in May; “traffic, waterways, energy production, development corridors. When I, in a Berlin speech in 1988, first proposed this, I thought of the Polish railway industry, as one of the big potentials, which would enable Poland, to carry this economic development into all of Eurasia. Poland is a frontier area of this Eurasian development.”

LaRouche’s full speech was printed in the Polish weekly *Mysl Polska*. Apparently, after this, some people in the Anglo-American establishment, and their Polish offspring, lost their nerve over LaRouche’s visit. Zbigniew Brzezinski, Henry Kissinger, and their circles regard Poland as their “protectorate,” which, as a member of NATO and the European Union (EU), is obliged to assist the United States in unconditional solidarity. This includes having Poland play a geopolitical role as a buffer between Russia and Western Europe, as well as preventing Poland from breaking ranks with globalization, monetarism, and free trade.

This background explains the new and intense campaign of slanders against the Schiller Institute and LaRouche in Poland. This campaign has again been triggered by radical peasant leader Andrzej Lepper, whose party, Samoobrona (“Self-Defense”), became the third-strongest party in the September elections, and Lepper himself briefly became Deputy Speaker in the Sejm.

Given the dramatic economic and social crisis in Poland, Lepper’s popularity is rising quickly. More than 20% unemployment, farms submitting to mass bankruptcy, and bitter poverty in the countryside: Under these conditions, his populist rhetoric against globalization, the EU, and the International Monetary Fund (IMF) gives him political credibility