

# Sharon Slashes Budget, Wages War on Israel's Poor

by Dean Andromidas

Israel's Prime Minister Ariel Sharon has declared war on his own nation's poor, in order to finance his war against the Palestinians. On July 31, after a 13-hour debate, the Cabinet passed a budget for 2003 that calls for 8.7 billion shekels (NIS) in cuts (nearly \$2 billion), mostly from social programs. Sharon, who said the Cabinet had "showed the highest level of national responsibility," made sure that there would be no cuts in subsidies given to the Jewish settlements and settlers in the occupied territories.

The policy led to the resignation of one Cabinet minister, and the possibility that a government crisis will lead to early elections is being mooted. Some are forecasting a "social earthquake."

The cuts will hit National Insurance benefits, including an across-the-board cut in pensions, unemployment benefits, and income support. The announcement of cuts was preceded by a propaganda campaign demonizing Israel's unemployed as lazy freeloaders. Unemployment has officially reached 11%, the highest rate since the founding of the state in 1948. The situation is directly attributable to Sharon's refusal to negotiate a peace agreement with the Palestinians.

The most dramatic cuts will be in income support, which is given to those unable to work for medical reasons, or whose salaries fall way below the poverty line. Some 158,000 people, nearly 5% of the Israeli working population, receive this benefit. Ten thousand people will be cut from the rolls, and the rest will have their benefits cut by 25%. They will also have to pay municipal taxes, which they did not previously, and suffer other cuts in their benefits. One commentator wrote in the daily *Ha'aretz* on July 31, that this will "result in sending these families to look for scraps of food in refuse bins."

The government claims it wants Israelis to take jobs in the construction and agriculture sectors, which have hitherto

been dominated by foreign workers because they pay criminally low wages. For instance, Sharon recently signed orders calling for the deportation of 50,000 illegal workers—mostly Palestinians with Jordanian passports, who are staying with relatives in the Israeli Arab community. But the next day, he signed permits to allow 4,000 Thai workers to enter the country (Sharon, who owns a farm, employs only Thai workers there). Israeli television showed the slave-like conditions these Thais live in, and *Ha'aretz* called it a "slave market." The construction industry uses cheap Romanian labor. It is well known that the construction and real estate tycoons are big financial supporters of Sharon and his Likud party.

Another NIS 1 billion will be cut from education, following a NIS 550 million cut in the 2002 education budget. The cuts will eliminate 100,000 teaching hours, on top of the 20,000 cut in 2002. Teachers will be laid off, and various fees will be increased, all of which hits the poorest the hardest.

Another NIS 1.4 billion will come from cuts in all the government ministries.

## Defense and Settlements Untouched

A country of no more than 6 million, Israel has the fourth-largest military in the world, which accounts for nearly 20% of its budget. It is also subsidized by \$3 billion in U.S. military aid annually. As one Israeli military source pointed out, under the Israeli system, there is no legislative oversight of the Ministry of Defense. In most countries, the defense budget is submitted to the legislature for detailed review and approval. Not so in Israel. The Defense Ministry, in effect, simply submits a request for a total sum. In an emergency, like the current Intifada, any extra expenses are financed off-budget.

The official cut of NIS 3 billion in the defense budget is insignificant. Bank of Israel Governor David Klein had called



*Just as Ariel Sharon blew up peace talks with the Palestinians again, with his July 23 air strike on Gaza, including killing women and children in this building, he began to face internal economic disintegration in Israel itself, and the first serious resignations from his government as a result.*

for a NIS 10 billion cut in defense, telling Sharon that if he refuses to end the conflict with the Palestinians, the Israeli economy will face a collapse worse than Argentina's.

The other sector not to be cut will be the settlements, which receive billions of shekels that are virtually unaccounted for. The opposition Meretz Party has zeroed in on this fact, and issued a proposed alternative budget. Meretz Chairman Yossi Sarid said, "The government's budget is another nail in the coffin of Israel as a welfare state. Instead of a state that promotes justice and welfare for all, it is now becoming a state of profits and charity." He warned that a "social earthquake is coming."

Meretz member of Knesset (parliament) Ran Cohen detailed his party's alternative, which calls for NIS 11.9 billion in cuts, but an increase of investments of NIS 3.4 billion in human and physical infrastructure. This would include NIS 2 billion for railroad and water development projects; NIS 1.4 billion for education; and massive public housing programs to be financed by NIS 1 billion in the public housing companies' bank deposits.

The cuts that Meretz proposes would come from the following areas: eliminating 12 ministers from the bloated 30-member Cabinet. Eight of these ministers don't even have portfolios, but they do have offices, staffs, cars, and drivers that cost the government over 20 million shekels. The large number of ministers is Sharon's patronage to all the parties that joined his Likud-led coalition government. Cohen stressed, "An inflated government with 30 ministers does not have the moral right to cut anything, until it cuts itself."

## **Economy Careening Downward**

All economic indicators point to continuing collapse. Unemployment stands at 11% and is expected to reach 12% by the end of the year. Inflation is 9% and expected to reach 12-15% by the end of the year. The free fall of the shekel a few weeks ago, was stopped only after the Bank of Israel increased interest rates by an incredible 4.5 percentage points. Israel's unemployment, interest, and inflation rates are among the highest in any industrialized economy.

Gross Domestic Product per capita tumbled by 6% in 2001 and 2002, from \$17,892 in 2000, to \$17,189 in 2001, and is projected to collapse to \$16,640 by the end of 2002.

Israel's trade deficit for June alone reached \$900 million, which is based on \$2.9 billion in imports and \$2 billion in exports. By the end of the year, a deficit of at least \$4.4 billion is expected, an 18.9% increase over last year.

The hardest-hit sectors continue to be tourism and the high-tech sector. Hotel occupancy drags along at no more than 10%. Start-up of high-tech companies has virtually ceased,

while major telecommunications companies such as Comverse have announced massive layoffs.

The banking sector is suffering a tremendous increase in doubtful loans, especially in their exposure to the high-tech and hotel sectors. The amount of these problem loans is so high, that banks are unable to continue lending because they have to set aside increased capital reserves to comply with loan-loss provisions demanded by the Bank of Israel.

Tal Mahari, of Toren Insurance Agencies, which specializes in insurance for banks, told *Ha'aretz* (July 30) that certain international companies categorically refuse to insure both Israeli bank directors and the banks themselves. Those that do continue to sell insurance to Israeli banks and bankers, have raised premiums and deductibles.

## **Social Revolution Could Bring Sharon Down**

Just on the eve of the budget debate, Cabinet Minister David Levy, leader of the Gesher Party, handed Sharon his letter of resignation, citing the proposed budget cuts. Levy wrote: "The program currently being presented with your blessings expresses a lack of awareness of the depth of the hardship suffered by hundreds of thousands of families in Israel, sentencing them to abject poverty, and loss of human and civil dignity. There is not only an obvious injustice in this program, and not only insensitivity, but also a lack of foresight concerning the inescapably destructive results."

Levy, whose Gesher Party has two Knesset seats, is reputed for his opportunism and his right-wing views; nonetheless he knows that Sharon's policy is unsustainable and will

end up collapsing his government. He also knows that the big issue in the next election will not be saving the settlements, but the economic collapse.

Levy's warnings began to materialize the next day, when the Cabinet passed the budget with a slim majority of 14-12, with the ministers for both the Labor Party and the ultra-Orthodox religious Shas party voting against it. The Likud, the National Religious Party, the Center Party, and the ethnic Russian Yisrael B'Aliyah voted in favor. The Shas party was so enraged, that its spiritual leader, Rabbi Ovadia Yosef, told Israeli Radio, "We made him [Sharon]. He is ungrateful and has no path. Those who made him Prime Minister will make him chief of the garbage pails."

The vote has sparked debate over possible early elections. Histadrut labor federation head Amir Peretz, a Knesset member, blasted "these kinds of austerity measures," telling Israeli Radio, "The time has come to hold early elections."

Despite the loud noise being made by both Shas and the Labor Party about the budget, Sharon's government will not fall before November, since the Knesset does not debate the

budget until they return in October. Furthermore, Labor Party Chairman and Defense Minister Benjamin Ben-Eliezer, who has been rubber-stamping Sharon's most brutal security policies, said that he will not pull Labor out of the government before his party holds its leadership convention in November.

The biggest reason why the government will not fall before November, is the upcoming war against Iraq. Sharon, as well as Ben-Eliezer and Labor Party Foreign Minister Shimon Peres, are committed to participating in it. Even if the government were to fall in November, Sharon would remain the head of a caretaker government during the three months allotted to electioneering.

The only hope in the next elections could come from attempts under way to form a new social democratic party. Meretz, along with the ethnic Russian Democratic Choice Party and a faction of the Labor Party led by Yossi Beilin, recently held discussions to establish such a party. They are expected to call for a national convention in the next months. With the demise of the Labor Party, such a party could become the second largest party in Israel.

## The Cease-Fire Sharon Bombed

Instead of mass funerals for six-month-old Palestinian babies, American students studying at Hebrew University, and Israeli housewives, there could be peace negotiations under way. On July 23, a hard-fought month of initiatives for a cease-fire, by the European Union, Russia, and the United Nations, was drowned in blood, when Israeli Prime Minister Ariel Sharon's aerial bombing of a block of apartment buildings in the Gaza strip killed 17 people, including four infants and seven small children, and wounded more than 150 others. The ostensible purpose of the bombing was to kill a Hamas commander, Salah Shehadeh.

Hamas's inevitable revenge terrorist attack, laid at Sharon's door in advance by leading Israelis still pushing for peace, came on July 31 at Hebrew University. It killed five American citizens and two Israelis, wounding at least 97 others. Just ten days earlier, Hamas had been—according to its spiritual leader, Sheikh Ahmed Yassin—ready to negotiate a Fatah-proposed cease-fire and end of terrorist attacks. This had been widely reported in Israeli newspapers.

It is no secret that Hamas has been built up by Ariel Sharon. Radicals in Sharon's cabinet who want to assassinate Arafat, say that they *want* Hamas in power in Palestine. By the July 23 Gaza bombing, Sharon prevented the

organization from ceasing terrorism.

This week, Labor Party Knesset member Haim Ramon, Chairman of the Defense and Foreign Policy Committee, submitted into the Knesset record the proposal for a unilateral cease-fire by the Tanzim Palestinian militia of Fatah, received before the Gaza bombing. It said that Israel "must cease strangling our cities, killing our youths, taking our land for your settlements, ripping up our orchards, humiliating our women and children, detaining our young men in your squalid camps and demonizing those we choose to lead us. . . . Your occupation is illegitimate and we will resist it—your soldiers are occupiers and will be treated as such." But "Whether you stop these practices, or not, we will not shift our declaration. The rivers of blood that have so embittered our peoples will be stanchd. The suicide bombings will be brought to an end. By us. Now."

The statement warned Israelis "there are those in our society who will attempt to undermine and deter our efforts." And pointing directly to Sharon: "So too, there are those in your society and even at the very top of your government who may attempt to provoke us. They will try to underestimate this declaration. . . . These people are our enemies, they must also be yours. They are the enemies of peace."

After the Hebrew University massacre clearly resulting from Sharon's 2,000-pound bomb escalation, his cohorts in the "Wolfowitz cabal" inside the Bush Administration are clamoring for the United States to wipe out Yasser Arafat and the Palestinian Authority.

—Michele Steinberg