Strikes mount as Israeli economy plunges into recession

Our correspondent
24 November 2001

On November 14, Israel’s Central Bureau of Statistics (CBS) announced a drop in the economy for the third-quarter, officially putting the country into a recession after two consecutive falls.

GDP has fallen by 3.8 percent over the second and third quarters. The contraction is the sharpest recorded in Israel since 1953. In contrast, 2000 was one of the best years on record for the Israeli economy. The decline is particularly acute in the tourism sector, which shrank by over 50 percent, in a year-on-year comparison, and in the high-tech sector, along with electronics, airplanes and pharmaceuticals, which experienced a 26 percent drop. Investment in the residential construction sector was down 17.6 percent. Chemicals, cars, electronic equipment and transportation vehicles saw production fall by six percent, combined traditional industries (mining, rubber, plastics, base metals and metal products) by three percent and other industries such as food, textile, clothing, leather and paper by 2.5 percent.

The third quarter saw a reduction in exports of goods and services of 13.3 percent annually, after a dive of 26.5 percent in the preceding quarter. Exports in the first nine months of the year are 12 percent down.

Industrial production in 2001 is expected to shrink by four percent compared to the previous year. The CBS also estimated that the number of salaried employees in the industrial sector will drop by 9,000, or 2.5 percent, and the number of hours worked by salaried employees in the sector will be 4.5 percent lower than in 2000.

On November 15, Likud Prime Minister Ariel Sharon told the annual conference of the Manufacturers Association of Israel that the country faced a “difficult period, a period of economic emergency.” He pledged not to raise taxes, but threatened to take action against laws containing billion-shekel concessions that have been passed in order to appease the ultra-orthodox and Zionist settler parties, on which Sharon’s coalition depends and which form the extreme right within the Israeli establishment.

Sharon risked their displeasure when he warned, that the government would be forced to take some very unpopular decisions. “I won’t hesitate to demand that the *Knesset* [parliament] put off for an additional year all private bill proposals that have been approved in the past two years and instead invest all the money in infrastructure,” he said. Parliamentarians and ministers should set aside sectional considerations in favour of solidarity and national responsibility, he urged.

As well as calling for economic restraint from his coalition partners, Sharon levelled fire against the working class, calling on thousands of public service employees to stop their ongoing strikes. He stressed the need for the government, employers and the Histadrut labour federation to unite in order to “bring the ship to shore safely.”

Strikes by University lecturers, Labor and Social Affairs Ministry employees, firefighters, National Insurance Institute workers, Customs and VAT employees and at Tel Aviv’s Ben-Gurion International Airport have recently taken place or are continuing.

Sharon’s speech was met with a hostile reception from coalition partners Shas, United Torah Judaism and One Nation, who threatened a walkout.

Among the laws Sharon would like to put on hold are those supporting large families and three bills in support of Negev communities. The cost of implementing these laws is an estimated NIS 1.25 billion ($296m) a year.

Shas chairman and Interior Minister Eli Yishai said his party, would “not allow the weak segments of society to be made a punching bag in the difficult economic situation we are in”. *Knesset* Finance Committee head, Yaakov Litzman (UTJ) said, “we are not suckers and we will not let Sharon annul private legislation.”

Last week the Finance Ministry, the Bank of Israel, the

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Histadrut labour federation and the employers' organisations held a meeting in order to draw up a common agreement on how to deal with the worsening economic situation.

But implementing such an agreement is fraught with difficulties. Finance Minister Silvan Shalom cannot give more to the beleaguered factories than he already is, and he cannot guarantee immunity from dismissals for public service workers, as they are demanding. Neither can the Manufacturers' Association President Oded Tyrah pledge not to lay off workers when the slowdown in the economy worsens.

The Israeli government has indicated that it wants the trade unions to take up a ministerial post, in order to curb the demands of the working class and bring the current strikes to an end. But the ability of Histadrut chairman Amir Peretz to influence the working class has been seriously undermined by the growing tensions. Manufacturers' Association President Oded Tyrah recently declared, "the government should send an army force to stop the strikes," and it would be a remarkable feat for Peretz to present him as a partner in saving the economy.

The Bank of Israel is committed to a programme of economic liberalism. Bank Governor David Klein wants the minimum wage to be updated once a year in accordance with the rise in the Cost of Living, and not via linkage to increases in the average wage. He is also asking the Treasury to cancel the currency fluctuation bands and to lift the restrictions on the issue of short-term debt certificates.

The liberal newspaper *Haaretz*, wrote in its November 15 editorial, "Prime Minister Ariel Sharon and [Finance Minister] Shalom are authorised and obligated to stand up and face the strikers from the various sectors—who enjoy employment and guaranteed wages—and to declare that at this difficult time there is no place for pay hikes. To illustrate the seriousness of the situation, Sharon and Shalom should bring about the revocation of the populist laws that are a drain on the budget, such as the Negev Law [tax breaks for Negev residents and industries] and the Fifth Child Law [increased benefits for large families]. The public will understand."

The Israeli ruling elite is seeking to whip up antagonisms between private and public sector workers, by claiming that the latter enjoy a privileged existence.

In his article "Labor sanctions in a fool's paradise", the political commentator Avraham Tal wrote, "these [public sector] workers are not candidates for any layoffs, nor can the workforce to which they belong be downsized. Moreover, the Histadrut labor federation and the various labor unions are conducting negotiations with the government—the employer of these workers—over an across-the-board salary increase". He adds, "The gap between public sector employees and the workers (including the ones laid-off) of the private sector is already very wide. Nonetheless, the public sector employees are doing their best to widen the gap even further so that they can enjoy the best of both worlds in 2002: job security and a handsome wage hike."

Tal goes on to complain, "The government has so far made no attempt to utilize the administrative and legal means at its disposal to put an end to the irresponsible behaviour of its employees." He knows very well that the policy of privatisation and sackings in the name of "increasing efficiency" is commonplace these days, and that the onset of a world recession will necessitate job cuts among all sections of workers. The number of public sector jobs has been decreasing since the 1990s. Most Israeli workers are not organised in any trade union and most have no pension. Both public and private sector workers have been suffering from the almost continuous collapse of the welfare state services since the 1980s. More than half of Israeli workers receive a monthly salary of under $4.10 an hour. The number of part-time and temporary contract workers has been increasing since the end of the 1990s.

Ever since it came into existence in 1948, the main part of Israel's annual budget has been directed to "security needs", i.e. to the occupation of Palestinian lands and the oppression of its people. The settlements have been increased consistently since the 1970s, paid for out of workers' pockets. As the economy plunges into recession, working people, both Palestinian and Israeli, are paying for the Zionist aspirations of the Israeli ruling elite.

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