

# Israel: Sharon pushes through austerity budget

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Israel's prime minister Ariel Sharon's political gamble of firing ministers and deputy ministers from Shas and United Torah Judaism has paid-off, by the government's emergency economic austerity programme passing on its second reading. It had first met with defeat by a vote of 47-44 due to a no vote by the two ultra-Orthodox parties.

In total, Sharon dismissed four Shas ministers and five deputy ministers from Shas and United Torah Judaism. The fifth Shas minister, who is not a member of parliament, said he would resign in solidarity. The action took place on May 21, after the economic bill was defeated the previous evening. But the sackings will not come in to effect until midnight on May 22, which still allows Sharon to hope for a climb down on the part of the two ultra-Orthodox parties.

Shas chairman Eli Yishai said, "If the prime minister is open to negotiations we will negotiate." But Knesset spokesman Giora Pordes insisted that no changes would be made to the bill. Shas was not in attendance for the second reading.

Expelling the two parties will cut Sharon's majority to just 60 seats out of a total of 120. A single additional defection could mean losing a vote of no confidence, leading to early elections. Shas, with 17 seats, is the third-largest party in the parliament after Labour, with 23 seats, and Sharon's Likud with 19. United Torah Judaism has five seats.

Sharon hopes to secure a larger majority by bringing the nominally liberal party Shinui (Change), which holds six seats, into his "coalition of national unity". Shinui was built upon a secular platform and has told Sharon that it will join his government only after the ultra-Orthodox parties quit. He is also seeking to bring back the far-right National Religious Party into the fold, which represents the interests of Jewish settlers in

the West Bank and Gaza Strip.

The earlier defeat of the economic programme stunned the government, as it had seemed assured of a majority only moments before the vote. Several Knesset members from the Labour Party abstained from the vote—despite the faction's decision earlier that day to support the bill in first reading. Shas and United Torah Judaism had both said they would not support the plan unless a planned 24 percent cut in child allowances for families that do not serve in the army was removed. While Labour said it would not support the plan unless this item was left in. Other senior ministers, including Likud members, also made a show of opposing the budget.

Sharon's economic plan is easily the most austere devised since the days of Benjamin Netanyahu's government. The \$US2.7 billion emergency economic package is aimed at reducing a growing deficit caused by higher defence spending during the 19-month-old Palestinian uprising and a general lowering of tax revenues due to the downturn in the Israeli economy.

The austerity package of tax increases and welfare cuts is designed to pay for Israel's continued military operations against the Palestinians, but the economy is in dire straits. The plan calls for widening the budget deficit to 3.9 percent of GDP from the present three percent. The government warned that the deficit could grow to six percent and affect Israel's credit rating if it was not adopted.

It includes, six billion shekel (\$US1.25 billion) in spending cuts, three billion shekel (\$US625 million) in tax rises, a wage freeze in the public sector and four percent cuts in social security payments. Almost one billion NIS will be cut from children's allowances. The allowance will be even lower for Arab children and will be reduced for each additional child. Sharon's plan to

deal with the mass unemployment is based upon the Wisconsin Plan: a system of workfare pioneered in the United States which will “encourage people to work and not to get money from the state”, as senior government’s officials said. More than 200,000 people in Israel have no job, and only some of them can get a monthly income from the state, which is less than the minimum salary.

Sharon’s plan will make the conditions for receiving unemployment benefits more restrictive. Today, one must have worked six months in order to get six months of benefits from the state after having been fired. The new plan wants to increase the number of months that a worker needs to have been in permanent employment from six to 12.

In addition, many benefits granted to the most deprived layers will be reduced. For example, single-parent families will receive a maximum of \$US127 housing benefit, instead of the present \$US248 per month.

Only Israeli citizens who serve in the Israeli Defence Forces (IDF) will get full state benefits, a proviso that will hit Arab families (Israel doesn’t allow Palestinian Arabs to serve as IDF soldiers) and the Jewish Orthodox community, which is exempt from military service. Both these groups are amongst the poorest in Israel, and Shas and United Torah Judaism have both posed as defenders of the poor in order to safeguard their religious-based constituency.

The governmental crisis for Sharon has underlined once again Likud’s political reliance on Labour. Not merely the passing of the economic plan, but the very survival of Sharon’s government depends on Labour’s support. Without Labour, Sharon would not be able to wage his war against the Palestinians or implement his anti-working class economic agenda. Time and again Foreign Minister Shimon Peres, Defence Minister Benjamin Ben-Eliezer and other senior politicians from the Labour have pledged their loyalty to Sharon’s government in defiance of calls within the party to quit. The daily *Ma’ariv* newspaper praised Sharon and denounced Shas for having “dared torpedo the economic plan that is vital to save the Israeli economy.” Its commentator, Shalom Yerushalmi, then went on to point out, “Sharon is back to relying on the rickety crutch known as the Labour Party, a coalition partner that gave him only half its votes yesterday [in

the first reading of the bill]”.

Yediot Aharonot, in contrast, attacked the government for its “bitter failure (and disgrace)” for having actually increased the budget deficit and for having no real unity of purpose other than waging war against the Palestinians.



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