

Israel: social crisis underlies collapse of Likud-Labour coalition

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Behind the collapse of Ariel Sharon's twenty-month-old national unity government is a stark social and economic polarisation within Israel. The withdrawal of the Labour Party from government paves the way for escalating class conflicts as Sharon attempts to stitch together a new coalition based on an even narrower right-wing social base.

The Labour-Likud coalition collapsed October 30 when the six Labour Party ministers, led by party leader and Defence Minister Benjamin Ben-Eliezer, walked out in protest over Sharon's funding of Zionist settlements in the West Bank. Sharon had refused to transfer some \$147 million from the West Bank settlements to social welfare programmes within Israel, despite mounting economic hardships for Israeli workers.

Sharon's austerity package, introduced at the behest of big business, called for Israel's largest ever budget cuts. The thrust of the budget was to place the full burden of Israel's war against the Palestinians, which is costing \$2 billion a year and compounding the country's worst ever economic crisis, on the backs of the most vulnerable members of society.

Without the support of Labour's 25 parliamentary delegates, Sharon's government can count on only 55 votes in the 120-seat legislature. Sharon was only able to survive a November 4 vote of no-confidence and avoid calling a new election because the ultra-nationalist bloc, the National Union-Yisrael Beitenu Party, which Sharon hopes to bring into his government, abstained.

While hostilities between Israelis and Palestinians have dominated the headlines for the last two years, little attention has been paid by the international media to the increasingly explosive economic and social situation within Israel.

The economy that was growing at 6 percent a year just three years ago is now contracting. The high-tech industry, once the engine of Israel's growth, has taken a battering as a result of the bursting of the dot.com bubble.

Foreign investment has fallen by two thirds and revenues from tourism have halved, undermining Israel's currency, the shekel. Inflation is now at 8 percent. Unemployment has risen to 10.5 percent and is expected to reach 12 percent in 2003. The Central Bureau of Statistics has forecast a 2.9 percent fall in per capita gross domestic product.

So parlous are Israel's finances that two weeks ago Sharon himself flew to London, without telling any of his ministers, to try to prevent Fitch, the ratings agency, from downgrading Israel's credit. Such a development would threaten Israel's ability to finance its debt. This is what underlies Sharon's plea for the US to provide loan guarantees of \$10 billion and his determination to impose the austerity budget that investors are demanding.

The budget, which cuts spending for 2003 by 2 percent, slashes benefits to the unemployed, pensioners and single-parent families, under conditions where at least 20 percent of the population depend upon some form of social assistance. It includes measures aimed at deporting 50,000 immigrant workers from Romania, China and the Philippines, who work in the construction, nursing and personal care industries for less than the minimum wage. Taken together, these provisions are aimed at forcing

Israeli workers into low-wage jobs.

The government has also refused to restore cost-of-living allowances to compensate for inflation.

Last month, the budget proposals and falling wages led to strikes by public service workers that affected garbage collection, kindergartens and hospitals. The Histadrut trade union federation has threatened to expand the industrial action to the state-owned trading enterprises. Protestors from diverse social groups have held rallies and meetings to oppose the budget.

But business and the capital markets are demanding that the government implement the budget at once without any concessions. Oded Tyrah, head of Israel's Manufacturing Association, said any delay in passing the budget "would create chaos in the economy, a financial crisis and a lowering of Israel's credit rating."

While cutting social insurance and welfare programmes, the budget maintains the flow of funds to the Zionist settlements and the ultra-Orthodox Israelis whose support is crucial for the survival of a Likud-led government. The settlements are a hugely divisive issue. A recent opinion poll showed that nearly four out of five Israelis would dismantle most of them as part of a peace deal with the Palestinians, and one in three wants this to start immediately, both for political and economic reasons. Yet the new budget allocated \$270 million to the settlements.

In reality, the 200 settlements—illegal under international law and little short of fortresses—get all kinds of extra cash: transfers, tax benefits and allocations for roads, transport, house building and security. Most of these infusions of money are anything but transparent.

According to an Israeli Interior Ministry audit cited in the British *Guardian* newspaper, the settlements receive grants up to four times greater than those given to Israel's poorest towns. In some cases, as at Megillot, a settlement in the northern Dead Sea area, this year's per capita subsidy was £2,000, a 20 percent increase over last year, while Lod, one of Israel's poorest towns, received £211 per person.

Mossi Raz, a member of parliament from the left-wing Meretz Party, said that while almost every other area of public expenditure had been cut, the settlements were virtually immune. "The cuts almost didn't touch them," he said. "On the contrary, in many areas the amounts increased."

This massive disparity in funding, and the fact that these subsidies are largely hidden from public scrutiny, have provoked huge public anger. According to a recent poll, 63 percent of Israelis believe that the amount spent on the settlements is "unjustified." The leader of the Meretz Party, Yossi Sarid, has described it as "the greatest social scandal in Israel."

But while the funding for settlements was the ostensible reason for the Labour Party quitting the Likud-Labour coalition, other considerations were involved in party leader Benjamin Ben-Eliezer's decision: internal Labour politics and the fear that he was losing control of the party.

On November 19, Ben-Eliezer faces a leadership contest and, according to opinion polls, he trails behind both former general Amron Mitzna, mayor of Haifa, and Haim Ramon, a member of parliament. Both were from the beginning opposed to Labour's participation in Sharon's hard-

line government. Ben-Eliezer, as defence minister, is seen as virtually indistinguishable from Sharon, and as such has little political credibility. Mitzna is in favour of opening immediate and unconditional peace talks with the Palestinians.

Ben-Eliezer evidently calculated that the decision to quit the coalition over the issues of the settlements and cuts in social programs would boost his popularity in the party. At the same time, it would torpedo any chance of Sharon leading a stable government, paving the way for the even more hawkish former prime minister, Benjamin Netanyahu, to succeed in a Likud Party leadership contest against Sharon.

Since under Israel's constitution the prime minister is directly elected, each party holds a primary election to vote for its leader before the general election. The victory of Netanyahu over Sharon as Likud leader, Ben-Eliezer calculates, would generate huge hostility and boost Labour's chances in a general election that must be held by next November.

Sharon is determined to hang on to power by working out a deal with the small right-wing and nationalist parties, although success is by no means assured. While elections must be held by November of 2003, Sharon is anxious to postpone them for as long as possible. He is doing his best to ensure that the US "war on terrorism" widens to include Iran, Syria and Hezbollah in Lebanon. In that event, he believes, a US victory would bring key strategic advantages, including the installation of regimes subservient to the US and the disarming of Israel's neighbours, thereby vindicating his policies and assuring his own re-election.

The ultra-orthodox Shas party and the National Union-Yisrael Beitenu bloc have said they will vote for the budget. But any deal with them will necessarily entail further concessions to the Zionist settlers, including an escalation in the war against the Palestinians, and more social spending for their political bases in two further votes on the budget that must be held before the end of 2002.

The National Union-Yisrael Beitenu bloc, made up of Moledet, successor to the settler and virulently anti-Palestinian Kach movement, Tekuma and Beitenu Yisrael, has seven seats in the Knesset (parliament). Its founder, Abraham Lieberman, was infrastructure minister in the government, but pulled out in March in protest over Sharon's lifting of the siege of Yassir Arafat's compound in Ramallah.

He had resigned in October 2001 when Sharon pulled out of Hebron, but rejoined the government after the assassination of the ultra-right-wing zealot, Moledet leader Rehavam Ze'evi. Lieberman was always opposed to the Oslo Accords and any compromise with the Palestinians.

The ultra-nationalists reject a new US peace proposal that aims to create an independent Palestinian state by the end of 2003. This faction is demanding ethnic cleansing: the so-called "transfer," i.e., expulsion, of Palestinians from the West Bank and Gaza, and the annexation of the Occupied Territories.

Eliezer Cohen, another member of the National Union-Yisrael Beitenu bloc, said his party would demand military operations "four or five times bigger" than those launched by Sharon thus far. "Either they agree to our terms and we are in, or there will elections around March or April," he said.

Thus, the price for Lieberman's support—he is an ally of Netanyahu and in favour of early elections—is an ever more aggressive stance against the Palestinians that must derail any prospect of peace, and a corresponding increase in social and political domestic strife. At best, such an alliance would give Sharon a very slim majority of two or three votes in the Knesset.

Even more importantly, these small parties, upon whom the survival of governments depend given Israel's system of proportional representation and its bitterly divided political scene, would be able to hold the Sharon government to ransom, precipitating an election on issues of their own choosing. Indeed, Sharon's predecessors, Labour Prime Minister Ehud Barak and Likud Prime Minister Benjamin Netanyahu, were forced to

resign when their fragile coalitions fell apart.

Sharon has already appointed former armed forces chief of staff Shaul Mofaz as minister of defence to replace Ben-Eliezer. It was under Mofaz's hard-line leadership that the army adopted the policy of targeted assassinations of Palestinian militants and leaders. He has advocated exiling Palestinian leader Yassir Arafat. Earlier in the year, he accused the Palestinian leadership of "being infected from head to toe" with terror.

Sharon has also invited his arch rival within the Likud Party, Netanyahu, to join his government as foreign affairs minister. Netanyahu, unenthusiastic about supporting Sharon and jeopardising his own chances of becoming premier again, but reluctant to be seen as torpedoing a Likud government in crisis, said he would accept the offer, but made his acceptance conditional upon Sharon calling an early election, a condition that Sharon has rejected.

Any new coalition that Sharon can put together without his former Labour partners will therefore be based on an extreme and very narrow right-wing layer. It will strip Sharon of his thin veil of respectability abroad and "social inclusiveness" at home. Whether the elections take place early in the New Year or next autumn, as Sharon would prefer, the US's tentative plans to restart negotiations between Israel and the Palestinians have, in effect, been derailed. In any event, they were largely meant to be a side show, providing some cover for Arab regimes supporting a US war against Iraq.

The collapse of Sharon's coalition took the Bush administration by surprise. Ari Fleischer, the White House spokesman, had nothing to say. "The United States views the events in Israel as part of Israel's internal democratic process, and we have no comment beyond that," he told the US media.

Irrespective of Ben-Eliezer's subjective reasons for organising the walkout from the cabinet, the fact that he left Sharon's government and chose to do so on social questions is significant. It points to the enormous sharpening of class tensions within Israel.

As coalition partners with Likud, the Labour leaders sought to stifle opposition to the government's policy. They claimed to be exerting a moderating influence on the Sharon government by arguing against the expansion of the settlements in the West Bank and Gaza, which nevertheless continued to expand and which, under Ben-Eliezer's command, the army defended.

Until recently, the Labour leaders insisted that "security," a euphemism for war against the Palestinians, demanded economic sacrifice on the part of the working class. That position has become less and less tenable as unemployment, inflation and social cuts have continued to mount.

At the same time, Sharon's military adventures have failed to produce the promised ends of peace and security. Rather, they have led to the loss of hundreds of Israeli lives, particularly among young people. The brutal subjugation of the Palestinians has prompted hundreds of senior army reservists to refuse to serve in the Occupied Territories.

On November 2, the largest ever peace demonstrations took place. More than 100,000 people attended rallies in Rabin Square, Tel Aviv, and Jerusalem to mark the seventh anniversary of the assassination of Yitzhak Rabin, who was killed by an ultra-nationalist opposed to any compromise with the Palestinians.

The Labour leaders are organically incapable of leading a serious struggle against Sharon and the right-wing nationalists, with whom they have only tactical differences. But the conditions are now emerging to re-orientate the Israeli working class on a new perspective opposed to Zionist nationalism: one that sets out to unite Israeli and Palestinian workers and youth on an anti-imperialist and socialist basis.



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