

Israel: Netanyahu to impose austerity policies

David Cohen
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The newly appointed Israeli finance minister, Binyamin Netanyahu, is going to deal with the most serious slump in the country's economy ever by imposing draconian cuts and other austerity measures.

Netanyahu is Prime Minister Ariel Sharon's main rival in the Likud party and was Israel's prime minister during the years 1996-1999. He joined Sharon's government as its foreign minister after Labour's Shimon Peres left the office following the breakdown of the Likud-Labour coalition. He has now been appointed by Sharon to carry through the most unpopular programme of economic measures in Israel's troubled history.

The daily financial newspaper *Globes* reported, "Netanyahu plans to submit a new economic plan as part of a package deal. The plan will centre on a massive sale of government companies through the Tel Aviv Stock Exchange (TASE) and capital market... The plan calls for the privatisation of all government infrastructure companies to the public through the TASE within three years, by 2005."

Globes added, "The plan also includes a comprehensive pension and capital market reform. Netanyahu wants to see institutional investors—insurance companies and pension funds—become more active in the capital market and buy the shares of the government companies floated on the market." It concluded, "Other companies that will be offered for sale on the TASE are, Israel Aircraft Industry, Israel Electric Corporation (IEC), and Mekorot National Water Company, the last probably in 2004. IEC will probably be floated in the second half of 2003, after the company carries out structural changes."

Netanyahu leads the most right-wing nationalist camp in Likud and has previously criticised Sharon for not carrying through economic restructuring with sufficient vigour. He intends to remedy this situation through collaboration with the Zionist labour federation,

Histadrut, in order to stifle resistance in the working class. Netanyahu said he aims to create a "cross-class-collaboration" economic policy involving the government, Histadrut and the Coordinating Bureau of Economic Organisations, which represents private-sector employers.

Ha'aretz daily newspaper reports that Netanyahu has already introduced one innovation, a minister without portfolio, Meir Sheerit, in the finance ministry. Netanyahu said the extra minister is essential because of the sheer scope of the tasks the ministry is coping with. Sheerit was appointed deputy speaker of the Knesset in 1996, chairman of the Likud coalition in July 1997, and served as finance minister from February to June 1999. Whilst championing vaguely populist measures, such as an amended public housing law that enables tenants of public housing to purchase their apartments at reduced prices, he is a firm supporter of Netanyahu's hardline free market economic policies.

After his nomination Netanyahu and Sheerit held their first meeting with the treasury's senior staff, at which each department head presented the issues to be worked on. Netanyahu also met with Histadrut Chairman Amir Peretz and the head of the Coordinating Bureau of Economic Organisations, Oded Tyrah. He is expected to hold additional meetings with both men in the coming days.

Peretz, a demagogue and self-promoter, was responsible for the famous compromise with Israel's Hapoalim Bank when the Histadrut convinced the bank's owner, the millionaire Sheri Arison, to reduce the number of fired workers from 900 to 798. Peretz told Netanyahu that the Histadrut will oppose any layoffs in the near future and proposed that the economy's problems be solved by levying a NIS 10 billion (\$US2.06 billion) "compulsory loan" on taxpayers and using the money to create jobs—thus

making working people pay for the financial crisis by another route. The previous government did nothing to spur growth; it merely cut the budget and kept the deficit under control, charged Peretz.

The government deficit for February reached NIS 2.8 billion, NIS 300 million higher than predicted. January's deficit stood at NIS 2.66 billion, according to data released by the Finance Ministry. At the same time, the government's February revenue from taxes decreased by nine percent to NIS 11.5 billion, compared to the same month last year.



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