

# Israel: Privatisation drive follows government's austerity plan

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Israel's Finance Minister Binyamin Netanyahu has pledged to privatise the two major banks—Bank Leumi and Israel Discount Bank—within a year, as part of a mass sell-off of state assets.

Netanyahu was being hosted by investment bank Lehman Brothers in New York to celebrate the closure of Israel's \$750 million bond issue. After the meeting, Netanyahu announced with credit rating agency Moody's that he had won support for the government's austerity plan and there would be no downgrading of Israel's credit status.

Netanyahu stated that the government is preparing to privatise the banks, oil refineries, the state-owned phone company Bezeq and anything else that can be put on the auction block.

In interview with the *World Socialist Web Site*, one bank worker said, "This is the government's war against the Israeli workers, supported by the local capitalists and the imperialists. I participated in demonstrations against the war in Iraq because after the Americans occupy Iraq militarily they will come to occupy my country economically. In each case there are occupiers, there are victims, and there are dead people.

"Netanyahu decided to sell us to George Bush and no one in this state understands the essence of his decision. He wants to sacrifice all of us in order to realise Bush's vision for the Middle East. This is imperialist war on the Israeli workers!"

*Haaretz* daily reported Netanyahu boasting: "Two months ago, there were no candidates to buy the banks and now there are six candidates for each one. Just a year ago, we were told there was no chance to privatise national airline El Al, and we have proven that it can be done if there is a will... It is hard today to find a government more open to the idea of a free market

anywhere in emerging markets. The government is stable, and I believe this government will fulfill its entire four-year term of office and there will not be early elections. In four years, Israel will be a different place."

Netanyahu concluded by declaring that "smart money" is moving rapidly to Israel and demanded that Israeli companies must be bought by American capitalists, institutional investors and foreign companies. He described Israel as the biggest opportunity among emerging markets in the region.

Netanyahu claimed that economic growth is almost promised thanks to Israel's US-backed war on the Palestinians. He argued that the road toward a political arrangement with the Palestinians is all but paved and that the construction of the "separation fence" between Israel and the Occupied Territories will ensure a secure environment for investors.

In early June, workers, youth and activists of social organisations demonstrated in Ofakim City, one of Israel's poorest towns, against the austerity plan during a visit by Netanyahu. The protest was organised by the Histadrut trade union federation's Negev branch.

Shlomo, 28, participated in the demonstrations. He argued, "People here think that our enemies are the Arabs. Well, some arrangement with the Arabs is promised if we will genuinely seek peace and stop financing settlements [but] our real enemies are the tiny layer of Israeli capitalists and their representatives like Mr. Netanyahu who wants to grab our rights and money. Maybe peace with the Arabs will be gained, but the genuine war at home will start sooner or later."

Netanyahu said during an annual meeting of the Ben Gurion University board of trustees that the government aims to launch what he described as a "revolution" in the field of railways in the Negev. The

meeting was attended by Klaus Schwab, president of the World Economic Forum. Netanyahu's revolution consist of privatising Israel's railways and dismissing workers. The Histadrut has already agreed to mass redundancies in return for generous compensation for veteran workers.

US Federal Reserve Board Chairman Alan Greenspan told Netanyahu this week that Israel's economy was headed in the right direction. They met in Greenspan's office, not far from the White House, where Netanyahu explained the Israeli austerity plan and its reforms.

Commenting on Netanyahu's plans American magazine *Forbes* wrote: "By virtually all accounts... Benjamin (Bibi) Netanyahu wants to be Israel's prime minister again. But now he is finance minister—and facing Israel's worst economic crisis in two decades. Unemployment tops 10.8 percent. Output has shrunk over the last two years and is expected to decrease again this year. Tourism revenue has dropped 45 percent since the second Palestinian Intifada began. And government spending constitutes a whopping 55 percent of economic activity, giving the nation the largest public sector in the industrialised world. Netanyahu's proposal to cut its services and wages prompted the big labor union Histadrut to strike at schools and ports."

It added, "Now Netanyahu, 53, must prove his economic plan can move the nation from its welfare-state, socialist roots into a full-fledged capitalist system. This is a second chance for him: As prime minister from 1996 to 1999 he didn't get far with a similar domestic agenda. This time, however, he believes he has more political support for his free enterprise program."

The magazine concluded: "Netanyahu hopes to pull the nation out of the economic doldrums by cutting taxes from a top personal income rate of 50 percent over the next several years. He also wants to increase investment incentives and privatise government-owned industries like Bank Leumi, Israel Discount Bank and El Al. A successful privatisation could put \$2 billion into public coffers, potentially reducing the \$4.5 billion deficit (estimated 2003) and encouraging foreign investment... In a nation with a strong socialist tradition, academics are still arguing for a more planned economy. Powerful organised labor will resist further cuts in public sector jobs and wages. Nobody's

discovered a cure for religious hatred. Yet even among Netanyahu's political rivals there is agreement on the economic plan. For his part, Netanyahu believes the Tel Aviv market is now undervalued, but once economic liberalism occurs, growth will be fast."

Adva Center, an Israeli social policy research association, responded to Netanyahu's "Plan for the Recuperation of the Israeli Economy" by explaining that it "will be detrimental to the stability of the main employer of the middle class: the public service—including the central government, local governments, and the public education, health and social welfare systems."

It said: "The biggest losers are women: this is because nearly half of Israeli women who work outside the home are employed in the public service. Women constitute no less than two-thirds of public service employees... [It] will have a negative effect on the typical middle-class family, in which both spouses work. This effect will be reflected in salaries, pension arrangements, children's education and care for the elderly. The damage will be especially grave in view of the lack of alternative job openings due to the continuing recession. The proposed plan presents many of today's public service employees as redundant, as persons whose services we can do without."



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