

# Israel: Labour Party backs Kadima's austerity budget

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The Israeli Labour Party voted for the new coalition government's austerity budget in parliament on Wednesday. Labour's support for the bill sent a clear signal that it is prepared to do everything it can to prop up the coalition led by Prime Minister Ehud Olmert's Kadima Party, including supporting measures that further erode the living standards of the workers, youth, students and pensioners who voted for it.

Led by former national trade union chief Amir Peretz, Labour's collaboration with Kadima is essential for Israeli big business to continue its offensive against workers' living standards.

Kadima, the party founded by former Likud prime minister Ariel Sharon, had been widely expected to dominate the vote in the general election held March 28 and secure up to one third of all seats in the Israeli parliament, the Knesset. The party was hailed by the media as the "new centre" and even the party of peace because of Sharon's pledge to withdraw from the Gaza Strip and parts of the West Bank, thereby unilaterally settling Israel's borders.

Sharon's plan was a means of grabbing much of the West Bank, including its most fertile land and the whole of Jerusalem. Nevertheless, with Likud left as a rump dominated by far-right and settler elements, and Labour and *Peace Now* either echoing or adopting Sharon's policy, the new party was expected to capitalise on a widespread desire for "peace plus security" and sweep to power.

But its decisive victory failed to materialise. Despite the media's attempt to focus positively on Olmert's "convergence" plan to annex and expand the illegal West Bank settlements behind the separation wall, the election results represented a repudiation of the right-wing social and economic policies promoted by Sharon and his finance minister, Benjamin Netanyahu.

Labour was the main beneficiary of this opposition,

surpassing all expectations after campaigning on social issues such as raising the minimum wage and welfare spending. The Pensioners Party, which a fortnight before the election was polling less than 2 percent, secured seven parliamentary seats by attracting a protest vote not only from pensioners and the elderly, but also from significant numbers of young people disgusted with the major parties. Shas, whose base is the predominantly working class and poor ultra-orthodox Sephardim (Middle Eastern Jews), promised to reverse the massive cuts in welfare spending and family payments implemented under previous governments.

Nonetheless, Labour, Shas and the Pensioners Party all agreed to join the Kadima-led government, despite Olmert's avowed determination to expand the pro-business measures implemented by the preceding Likud administrations.

The four-party coalition formed accounts for 67 of the 120 members of the Knesset, including Kadima's 29 representatives, Labour's 19, Shas's 12 and the Pensioners Party's 7. To bring everyone on board, Olmert created 25 ministerial posts, one of the largest cabinets in Israeli history, with Labour granted 7 ministries, including the defence portfolio under Peretz.

The austerity budget presented to the Knesset for the first of three readings was identical to that prepared last October by Netanyahu. While the final draft of the budget will include Kadima's concessions to its coalition partners—such as an increase in the minimum wage and a suspension of some welfare payment cuts—the "free market" orientation remains central.

This has been widely recognised internationally. On May 5, US investment bank Morgan Stanley issued an assessment of foreign investors' prospects in Israel, entitled "Israel: Almost Perfect." The report noted: "Though there might be some increase in 'social' spending, the new government is likely to remain broadly

committed to fiscal prudence and structural reforms.”

Initially, three Labour delegates, Nadia Hilou, Yoram Marciano and Shelly Yachimovich, and Pensioners Party Knesset member Moshe Sharoni had said they would vote against the bill. “We cannot continue to sit here, in our posts in the Knesset, and do nothing over the fact that more and more children do not have enough to eat,” Hilou declared.

Under Israeli law, the parliament must approve the budget within 45 days of the formation of a new government, or new elections must be held. After the coalition members’ threats, the first presentation of the bill before the Knesset was postponed for two days until May 10.

The first reading of the budget was then approved by a vote of 62-47 after the Labour leadership hauled its tiny group of rebels over the coals. Peretz publicly denounced the dissenters’ threats as “stupid.” In the end, Hilou supported the budget, while Yachimovich and Marciano, together with Agriculture Minister Shalom Simhon and Ami Ayalon, merely abstained.

Labour faction chairman Ephraim Sneh has stated that the four dissident Labour Knesset members will be punished, notwithstanding the purely symbolic character of their opposition. Yachimovich explained that while she did not support the budget, she had no intention of “shortening the government’s days.”

Peretz and Labour are playing a no less important role in facilitating Kadima’s offensive against the Palestinians. To justify his support for Kadima’s domestic agenda, Peretz claimed that the government was making concessions in the Occupied Territories. As *Haaretz* noted, “To convince his colleagues that he was making a difference, [Peretz] extolled his first 48 hours as defence minister.”

To this end, Peretz drew attention to his permitting 13,000 Palestinians to enter Israel on temporary work permits, and his order for an evacuation of a small number of settlers in the West Bank city of Hebron.

But Peretz’s most notable act as defence minister was his approval of an Israeli air force operation on May 5 that resulted in the assassination of five militants aligned with the Popular Resistance Committees in Gaza City. “The missile strike scattered body parts and left pools of blood in a field just metres away from the home of Mourtaz Dourghmush, the top militant commander in the resistance committees,” *Haaretz* reported. Hundreds of gunmen later led a funeral procession and threatened revenge attacks.

Following the victory of Hamas in the Palestinian legislative elections last January, the Israeli government has stepped up its attacks in the Occupied Territories. Scores of militants have been assassinated, and hundreds of missiles and mortar shells have been fired into Gaza, killing civilians, including children.

The Israeli government continues to withhold Palestinian tax and customs revenues, worth an estimated \$50-\$60 million each month, gutting basic social services and leaving the Palestinian Authority on the verge of collapse. On May 7, the World Bank released a report that described as “too rosy” its earlier prediction that over the course of 2006 average Palestinian income would decrease by 30 percent and poverty would increase from 44 to 67 percent.

There are no guarantees that even the limited pullout from the West Bank promised by Kadima will take place. Olmert has stressed that in the 50 to 60 percent of the territory not scheduled to be annexed, “The operational range of the security forces will not be limited, and will be in accordance with the security reality with which we have to deal.”

He also reneged on a pledge made before the election not to work with parties that opposed withdrawal from the West Bank and Gaza, when he permitted Shas to join the government. Another potential partner is the far-right Yisrael Beiteinu (Israel Our Home), which won 11 seats, campaigning on an openly racist policy of expelling Arab-Israelis. Yisrael Beiteinu’s talks with Kadima broke down only after the attorney general advised the prime minister that the racist party’s leader, Avigdor Lieberman, could not be appointed internal security minister because he is under investigation for “irregularities” in the party’s accounts.

Speaking in the Knesset on May 4, Lieberman demanded the execution of the Arab parliamentarians who have met with Hamas members of the Palestinian legislative assembly.



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