

# Israel's Government: What Chance for Peace?

by Dean Andromidas

Israeli Prime Minister Ehud Olmert presented his new government to the Knesset (parliament) on May 4. The new coalition will include Olmert's own Kadima Party, with Labor as senior partner, along with the religious Shas Party and the Pensioners Party. In a surprise appointment, the crucial portfolio of Defense Minister has gone to Labor Party chairman and peace advocate Amir Peretz. Characterized as "center-left," the new government is fueling speculation that its so-called "convergence" plan will lead to further withdrawals from the West Bank, which could open the doors to restarting the peace process.

Commenting on Olmert's new government, a senior Israeli political source said that there was little chance for a peace process as long as there is no change in policy in Washington. The source said the convergence plan is only a re-warmed version of former Prime Minister Ariel Sharon's "disengagement" policy. In reality, it is the policy of U.S. President George W. Bush and Vice President Dick Cheney, whose aim was not to have a peace process, but to facilitate the Administration's broader, disastrous regional policies. Every thinking Israeli knows that the convergence plan is not a peace plan, but a plan that will only continue the conflict.

The fact that the Bush Administration is taking a super-hard line against the new Hamas-led Palestinian National Authority (PNA), while offering no hope for a true peace initiative, promises to destabilize the region even further.

A strong supporter of the Labor Party, the source said that Peretz has come into the government with two crucial policy planks. The first is to implement his social agenda, which includes reversing the most grievous of the brutal austerity and radical free-market policies implemented under former Finance Minister Benjamin Netanyahu, and raising the minimum wage. The second is a negotiated settlement with the Palestinians. Peretz will have a tough time implementing both policies.

Although Peretz hoped to win the post of Finance Minister in the new government, which would have been key to implementing his agenda, he was prevented by tremendous opposition from the entire Israeli neo-liberal establishment. Still, as Defense Minister, an extremely important portfolio, he can influence the budget by working to cut defense allocations.

The naming of Yuli Tamir, a Peretz loyalist, as Education Minister, will serve to further Peretz's social agenda, since Tamir is committed to de-privatizing education. Another La-



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*Israeli Prime Minister Ehud Olmert's Cabinet spans a coalition of people with widely differing policies; but what happens in Washington is ultimately decisive.*

bor Party member, Benjamin Ben Elieser, whose base of political support is in the trade unions of the ports and state-owned electricity authority, has been named Infrastructure Minister. He will not be eager to carry out privatization at the expense of the workers.

As the spokesman within the government for a negotiated settlement, rather than Olmert's unilateralism, Peretz will be fighting an uphill battle, as long as the Bush Administration maintains its insane policies.

One political observer pointed out that it is the Israeli military which is responsible for the Occupied Territories and for contact with the Palestinians, so, as Defense Minister Peretz can ease the climate in the territories considerably by reducing the number checkpoints and other restrictions. But what will happen after the next terror attack, or when there is pressure for a strike against Iran? Will Peretz be transformed from a dove to a hawk, or will he be sidelined?

Despite the difficulties ahead, one of his supporters told *EIR* that Peretz has shifted the Labor Party from a neo-liberal party into the first social-democratic party in Israel. Almost two-thirds of its votes in the last election came from first-time Labor voters. Peretz must now quickly consolidate his position, because the party institutions, like the central committee, still represent the neo-liberal old guard of the party. These people dislike Peretz because he is not "one of them."

The source concluded that while Peretz faces a difficult challenge, it would be a mistake to underestimate him. The main point, he stressed, is that, "until Bush is replaced nothing will happen on the peace front."

## **A Potential Humanitarian Catastrophe**

The likelihood of a humanitarian catastrophe in the Palestinian Territories, caused by the cutoff of financial aid to the PNA, in reaction to the election victory of Hamas, is now the greatest threat to peace. Both the United States and the European Union continue to block financial transfers to the PNA.

The Bush Administration's claim that it is only blocking aid to the Hamas-led PNA, and will allow aid to be extended through alternative channels, is an outright lie. According to the Israeli daily *Ha'aretz* May 4 ("U.S. Thwarting Donor States' Bids To Send Funds to the Palestinians"), Elliott Abrams, deputy National Security Advisor and a top neo-con in the White House, is leading a campaign to sabotage any efforts by the European Union and Arab states to transfer funds through alternate channels. For example, the Arab countries attempted to transfer PNA employees' salaries directly into their personal bank accounts. Abrams then pressured the Arab Bank, which holds the bank accounts of over 30,000 PNA employees, to refuse to allow the transfers. Threats of sanctions also deterred other private Arab banks. Abrams also sabotaged an attempt to channel EU and Arab League aid through the independent Holst Fund, which is managed by the World Bank.

According to *Ha'aretz*, a senior Western diplomat accused Abrams of "recklessly trying to engineer the collapse of the PNA's systems," on the dangerous assumption that this would lead to the collapse of the Hamas government.

*Ha'aretz* further reported that it was this campaign by Abrams and the Bush Administration which led to the resignation May 1 of James Wolfensohn as special envoy of the "Quartet" of Middle East mediators, comprised of the U.S., the United Nations, the European Union, and Russia.

But the breakdown of the Quartet had caused Wolfensohn to announce his intention to resign, even before the Hamas victory in the January 2006 elections. Wolfensohn told a U.S. Senate Foreign Relations Committee hearing in March, that the Quartet "envoy" position had become meaningless, because in declaring that there was no "partner" to negotiate with, it was clear that Ariel Sharon's Israel, with U.S. backing, had no intention of following the "Road Map." In that hearing, Wolfensohn made a final plea to the U.S. Senators to prevent Washington from taking radical moves in cutting off funds to the elected Palestinian government. When his request failed, Wolfensohn opted out.

In a special report drafted by Wolfensohn, he called into question the credibility of the Quartet itself. He declared that if the international community fails to address the Israeli-Palestinian crisis without delay, there will be severe consequences for the whole region, and for world peace.

Questioning the idea of cutting all aid to the PNA as a means of pressuring Hamas, Wolfensohn said, "Neither the UN nor the NGOs have the capacity to fulfill these roles. . . . It would surprise me if one could win by getting all kids out of school or starving the Palestinians. And I don't think anyone in the Quartet believes that to be the policy. I think that's a losing gambit.

"We must ask ourselves whether humanitarian aid is enough to bring us to the desired goal—a two-state solution—as the Road Map says," Wolfensohn concluded in his report. He said the policy of cutting aid to the Hamas-led government



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*Deputy Prime Minister Shimon Peres (left) and Defense Minister Amir Peretz. Peres split from Peretz's Labor Party earlier this year, joining Kadima. What room Peretz will have for maneuver now, remains to be seen.*

must be dealt with, and that a way must be found "that will allow us to work in the framework of the law and the policy, while continuing to support building a democratic and responsible administration, that can act to realize the dream of peace and security for the two peoples."

Wolfensohn noted that if Israel continued to refuse the transfer of taxes it collects on goods entering the Palestinian National Authority through its territory, as well as continuing the restrictions it imposes on Palestinian trade and labor, the GDP of the Palestinians will collapse another 27%. He predicted that by 2008, 74% of the Palestinians will be living below the poverty line, and unemployment will reach 47%.

Wolfensohn scored Israel for its systematic violation of commitments regarding Gaza crossing points and freedom of movement in the West Bank for the economic damage being done to the Palestinians.

In a joint press conference with visiting Palestinian President Abu Mazen (Mahmoud Abbas) on April 28, French President Jacques Chirac called for the setting up a special fund for the Palestinian National Authority. Chirac suggested that the fund be managed by the World Bank, so that the PNA can pay the salaries of its 165,000 employees. The World Bank said it was capable of doing this but has not yet been requested to do so. Chirac said that France would bring up the question at talks on May 9 at the United Nations with representatives of the Quartet.

Chirac said France believes that aid "must be maintained for humanitarian reasons, as well as for political reasons. And it will push for this continuance within the international community and the European Union."

Abu Mazen told the press conference, "If we don't reach a solution, it will be catastrophic. The situation is very grave, complex, and sensitive."