

Israeli Economy Crashing, While Sharon Drives for War

by Dean Andromidas

As Israeli Prime Minister Ariel Sharon struggles to put together a new government, the fight for a policy alternative is unfolding. The economy is in a tailspin, and Sharon and his generals are stepping up their war crimes against the Palestinian Authority.

In the Jan. 28 elections, Sharon's Likud party won an unprecedented 38 parliamentary seats, while the Labor Party lost heavily, winning only 19 seats out of the 120-seat Knesset. Sharon continues to press for a "unity government" with the Labor Party, so that he can continue the same brutal policies he had carried out under the last unity government, in which the Labor Party, under a different leadership, provided him with a diplomatic-political figleaf. That government collapsed on Oct. 30, 2002. A unity government is also demanded by the war party in Washington, which sent their messengers to Israel shortly before the elections. These messengers, mega-billionaires Michael Steinhardt and Marc Rich, maintain a direct line to the war party in the Bush Administration through Rich's attorney, Lewis Libby, who is Vice President Dick Cheney's chief of staff (see profile, in this issue). Both met with Jerusalem Mayor Ehud Olmert, one of Sharon's top cronies, and with the Labor Party's Shimon Peres, who had been Sharon's Foreign Minister.

A unity government would prevent the Labor Party, led by Amram Mitzna, from reviving the peace policies of slain Prime Minister Yitzhak Rabin. Mitzna campaigned for Israeli withdrawal from the Palestinian territories and reopening negotiations with the Palestinians.

On Feb. 3, in his first meeting with Prime Minister Sharon, Chairman Mitzna once again rebuffed Sharon's offer for a unity government. At a press conference afterward, Mitzna said he was "shocked" by Sharon's views, and revealed that Sharon had spent much of the meeting lecturing him on the importance of the Israeli settlements in the West Bank and

Gaza Strip. "I heard a lecture on the strategic importance of [Gaza settlements] Netzarim and Kfar Darom and the deep importance of Hebron to the Jewish people, and I came out even more worried than when I went into the meeting." These are the settlements which Mitzna has committed himself to dismantling, as part of a policy of evacuating the Gaza Strip and much of the West Bank. "After I met with the Prime Minister alone, I immediately understood that there's nothing in common between the Likud's view and ours."

While the large majority of the Labor Party leadership voiced full support for Mitzna's view, Peres continued his call for leaving the door open to coalition negotiations, during a meeting of Labor Party members of the Knesset (MKs). MK Avraham Burg pled with Peres to refrain from such statements, because, "You are embarrassing us all."

On Israel's popular "Politika" talk show a few days later, Peres affirmed that "U.S. businessmen" (referring to Steinhardt and Rich) had telephoned Labor Party leaders to pressure them to join a national unity government. He said that a "unity government" was the only way to deal with the collapse of the economy.

Support for Mitzna's position came from a welcome source in the United States: Henry Siegman, former head of the American Jewish Congress and now a senior fellow at the New York Council on Foreign Relations. In a commentary appearing in the *International Herald Tribune* on Feb. 5, Siegman supported Mitzna's determination to stay out of a government with Sharon, as the only way to revive the left and the peace camp. "Israel's left will survive as a political force," he wrote, "only if Mitzna retains the stubborn integrity he has shown so far and offers his countrymen a clear alternative to Sharon's reliance on decisive military force that will supposedly crush the Palestinians and lead to their abject surrender, a policy goal that Sharon and his

military chief of staff have unashamedly proclaimed.”

Siegmán warned that “the United States, which uniquely has the capacity to get the parties to end the impasse, is unwilling to use its domestic political capital to knock some sense into the belligerents, a situation that may well persist for the next six years.”

Siegmán concluded that only way to end the crisis is through “actions by an Israeli leader willing to speak the truth,” as Mitzna did throughout his campaign.

“And the truth is that if Israel does not return essentially to its pre-1967 borders and facilitate the emergence of a viable and successful Palestinian state, the glorious Zionist enterprise that began more than a century ago will come to an end.”

Panic on the Economic Front

On Feb. 4, it was announced that the government deficit for January alone was 2.7 billion shekels (more than \$500 million), almost double the most pessimistic forecasts. By contrast, in January 2001 and 2002, Israel had fiscal surpluses of more than 1.5 billion shekels. The shift was caused by the collapse of tax revenues because of company closures, high unemployment, and the collapse of tourism and foreign investment. Durable goods imports collapsed 45% in January, which followed a 17% collapse for all of 2002. Imports of cars and electrical appliances collapsed by more than 50%. Even cigarette imports fell by 54%, in a country that is notorious for its chain smokers.

The Treasury announced that it intends to fire 60,000 public-sector workers—almost 10% of the workforce of 700,000. The move would increase the number of unemployed, which already numbers 300,000, by 20%. An 18% value-added tax will be slapped on fresh fruits and vegetables, in another devastating blow to Israel’s working class and the poor.

These measures are aimed at cutting 7-8 billion shekels from the budget, yet it was reported that the Defense Ministry is demanding an extra 5 billion shekels for the war on the Palestinians and to purchase new weapons systems.

It was also revealed that, throughout the election campaign, Sharon had his Finance Ministry’s Accountant General employ some “creative accounting,” by postponing 2002 tax refunds until 2003, in a desperate effort to keep the 2002 budget deficit at the target of 3.97% of Gross Domestic Product. At the same time, he trumpeted the “news” that the Bush Administration was considering a \$14 billion package of aid and loan guarantees to Israel, as if the money were already in the Bank of Israel. All this, to forestall the international credit-rating agencies from slashing Israel’s sovereign credit rating during the election period. One week after the election, it was announced that an unprecedented 3 billion shekels in tax refunds, more than double the usual amount, was handed out in January. Meanwhile Uncle Sam’s \$14 billion is on hold, pending a war against Iraq.

This news drove the shekel down against both the dollar and the euro, as panic set in. The Fitch rating agency said it

would downgrade Israel’s sovereign credit rating, if the deficit reached 6-7% of GDP. This seems very likely from the January figures. Earlier in January, the credit-rating agencies downgraded the government-owned Israel Electric Corporation, making it virtually impossible for the company to borrow on foreign capital markets.

Pointing to one of the true reasons for the economic crisis, Avraham Shochat of the Labor Party, a former finance minister, said that “none of the assumptions underlying the budget is coming true. The public does not trust the economic leadership. Without a policy that gives hope of an arrangement with the Palestinians, the economy will continue to slide and eventually a catastrophic economic collapse will force this government to make changes.”

New War Crimes

On Feb. 5, while U.S. Secretary of State Colin Powell presented the non-evidence of Iraq’s alleged violation of United Nations resolutions, Palestinian Cabinet minister Saeb Erekat told the *Jerusalem Post*, “At a time when the whole world is getting together to discuss Iraq, it is unfortunate that no one is focussing on the fact that there was an Israeli incursion in a Gaza refugee camp killing an old woman, that a Palestinian man was killed in Nablus, and the Israelis have demolished Palestinian homes in Hebron. This region needs a breeze of peace, not a wind of war.”

Throughout the election campaign, Sharon was proceed-

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ing to crush Palestinian resistance, using the same methods as the Nazis used to crush the resistance of the Jews in the Warsaw Ghetto (see *EIR*, March 22, 2002). Two days before his election victory, Sharon's generals ordered a massive incursion into the Gaza Strip. Within 48 hours, 24 Palestinians were killed and more than 100 wounded, and more than 100 buildings were destroyed, as 50 Israeli tanks lunged deep into a refugee camp. Among those killed was a seven-year-old boy. These deadly incursions, lasting only a few hours, are taking place every day. They have nothing to do with preventing terror attacks. On Jan. 30, Israeli bulldozers, backed by tanks, demolished the freshwater pumping station that supplies the Gaza city of Rafah with half its water. This is a war crime. On Feb. 5 the military demolished the home of an imprisoned Palestinian militant, killing his 65-year-old, partially deaf mother, who did not hear the orders for her to leave the building.

Within hours after the elections ended, Sharon ordered a month-long military operation in the West Bank city of Hebron, where Palestinians are being killed every day. The city's fruit and vegetable market was destroyed, while every day, more houses are being razed to protect the 400 fascist settlers who live in the middle of the city.

During January, 46 Palestinians were killed, including children, women, and old men. In December, 45 were killed. Those wounded number in the hundreds, if not thousands. These figures do not include those who die when ambulances are held up at roadblocks for up to six hours, and are unable to reach the wounded, or even the ill or those injured in accidents.

These operations are relentless and have turned the cities of the West Bank into half-destroyed ghettos, with conditions comparable to the early days of the Warsaw Ghetto. The Israelis have closed the universities. Every major city is besieged, while Israeli bulldozers have been busy building the high embankments that surround them. The majority of the population are unemployed, unable to work because of the closures. Palestinian farmers have been unable to work their fields, because gangs of settlers brutally attack them, while Israeli soldiers look on. While the swollen bellies of starving children are not yet to be seen, both Israeli and Palestinian media report that hunger and poverty, and deep psychological distress, can be seen in the eyes of more and more Palestinian children.

As the anticipation of a U.S.-led war against Iraq grows, so does the fear that Sharon will take that opportunity to "transfer" the Palestinians out of the territories. Both Jordan and Lebanon have reinforced their borders, and announced that they will not allow Palestinian refugees into their countries if Sharon tries to force them out of their homeland.

Many in Israel expect that whatever government Sharon organizes will not last its four-year term, and new elections could be only one or two years away. But can Israelis and Palestinians bear another two years of Sharon?