

Sharon Sinks Zinni, Will Economy Sink Him?

by Dean Andromidas

Israeli Prime Minister Ariel Sharon has once again succeeded in sinking an attempt by U.S. Middle East envoy Anthony Zinni, to implement a cease-fire and restart the Israeli-Palestinian diplomatic process. The orchestration of the Israeli capture of a ship allegedly transporting heavy weapons to the Gaza Strip, and a Hamas attack on an Israeli military post in Gaza, has been Sharon's excuse to put an end to any early implementation of the Mitchell report. Sharon and Israeli Defense Forces (IDF) chief Shaul Mofaz are continuing their war against the Palestinian Authority, and their determination to eliminate Palestinian President Yasser Arafat.

Nonetheless a major breach in Sharon's weak flank continues to widen: the collapse of the Israeli economy. In Israel, the fear of a dramatic Argentina-style economic crisis is beginning to overtake even the fear of a suicide bomber blowing himself up in a Tel Aviv shopping center. But can this reality shock stop a Middle East war?

Zinni Mission Sunk With A Ship?

Sharon's continuing sabotage of Zinni's peace mission in the Jan. 3-6 period was transparent. Shortly after Christmas, U.S. Secretary of State Colin Powell announced that Zinni would be returning to the region to continue his mediation efforts. Unofficially, it was revealed that he was to deliver the message that sufficient calm had been achieved to allow the Mitchell plan, and its freeze on Israeli settlements, to be implemented.

Hours before General Zinni's arrival, six Palestinians were killed, three alleged gunmen and three unarmed teenagers whose crime was to walk past an Israeli tank in a "crouching manner," considered to be menacing by the Israeli tank commander who ordered them shot. Zinni arrived; a Hamas member was assassinated in the West Bank village of Tel,

with Israeli tanks taking positions within the Palestinian-controlled village. Despite these provocations, there were no major attacks by the Palestinians. The previous three weeks had seen a 70% decrease in violence and no major attack or serious Israeli casualties. Yet Israeli military operations, closures and sieges of major West Bank towns had continued throughout this period.

Then followed immediately the "media carnival" after the capture of the ship, the *Karine A*, in the Red Sea, carrying 50 tons of weapons allegedly heading for the Palestinian Authority. This was used, as one Israeli commentator wrote, "to create a national hard-on" in the Israeli public, in support of Sharon's war policy. The rest of the world saw a ploy. U.S. State Department spokesman Richard Boucher, when asked about Sharon's allegations, said, "We don't know who hired it, or who was the recipient. . . ." Only after the Hamas attack on the Israeli military outpost on Jan. 9 did Colin Powell formally ask Arafat for an official explanation for the ship.

But despite the best efforts by IDF Chief of Staff Mofaz, on the very day that Sharon staged his "spectacular" seaside press conference inspecting the seized weapons, Zinni continued with his planned meetings with top Palestinians, including the Speaker of the Palestinian legislature, Ahmed Korei (also known as Abu Ala), and Saeb Erekat, a senior Palestinian National Authority figure, who has been a key figure in peace negotiations since the 1993 Oslo Accords.

The reports that Zinni "did not focus" on the *Karine A* case angered Sharon's insiders, who had hoped that the Americans would recall Zinni immediately. Instead, Zinni presented a detailed plan, and timetable, called the Dahaniyeh Plan, which had been worked out by Israeli Foreign Minister Shimon Peres and President Arafat more than three months ago, before Sharon banned Peres from further talks with Arafat.

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The Jerusalem Post reflects the anger among Prime Minister Ariel Sharon's circles, that the United States is continuing to pursue implementation of the Mitchell plan for Mideast peace, despite all obstacles.

The capture of the ship, which was being touted by General Mofaz as the most daring operation since the 1967 Arab-Israeli War and the 1976 freeing of Israeli hostages at Entebbe, Uganda, fell flat with the major international media.

A senior Israeli intelligence source said the obvious: "Why should it surprise anyone that the Palestinians are smuggling weapons, when the Israelis are hitting their people with F-16s, rockets, and tanks? They're simply trying to protect their people. It is sad, but with Sharon, what choice do they have?" Indeed in the last months Israel has been receiving the first of 50 new F-16 fighter-bombers it ordered last year from the United States.

Arafat himself said, "They are inventing a new issue every time. . . . I don't know why we should purchase weapons from outside, when the Israeli mafia has these weapons at a cheaper price."

In the end, Hamas, Sharon's ally in undermining Arafat's authority, had predictably come to Sharon's rescue, when two members of the Hamas military wing attacked an Israeli military outpost just outside the Gaza Strip. Senior Hamas leader Khaled Mishaal was quoted in the Israeli press, not only taking responsibility for the attack, but specifying that it was in retaliation for the capture of the *Karine A*.

Israelis See Themselves, In Argentina

On Jan. 3—the day General Zinni arrived in Israel—another event took place at the Hebrew University in Jerusalem: a symposium on the economic crisis in Argentina. Those gathered for the event were experts on Ibero-America, but the discussion was rapidly transformed from an academic discourse on events "over there" to the possibility of an Argentina-style financial crisis hitting Israel.

"Can it happen here?" symposium participant Prof. Luis Roniger, an anthropologist, asked. "The interest that the crisis in Argentina has raised in Israel is not connected to concern for Argentine Jews, but rather to the fact that every Israeli today is asking himself this very question." He pointed out

the similarities between the two societies: "a widening social gap, deepening poverty, rising unemployment, lack of growth, a state education system which is being destroyed, lack of confidence in leaders. In light of these phenomena, it is appropriate to ask whether we should prepare ourselves for similar developments."

Roniger was seconded by Prof. Ra'anan Rein, who said, "The message of events in Argentina reaches beyond its borders. What failed in Argentina is the very same economic recipe proposed by all economists and among us as well. The crisis there raises interest in Israel, because we are also victims of this neo-liberal obsession, according to which all privatization serves both the market and the economy." Another professor, Morris Teubal, pointed out, "In short, they [Argentina's government] were doing something similar to what Yaakov Frenkel was doing here."

Frenkel, who left the governorship of the Israeli Central Bank over a year ago, is now a president of Merrill Lynch International, and for the past two years was chief adviser to the notorious former Argentine Finance Minister Domingo Cavallo, right up until Argentina's collapse. Teubal's fears are justified by Sharon's recent announcement that Frenkel has become one of his chief economic advisers!

All the signs that Israel is ripe for an Argentina-style crisis are there. Figures released by Israel's Central Bureau of Statistics (CBS) confirmed that 2001 proved to be the worst year for the Israeli economy, with Gross Domestic Product contracting by 0.5%: the first time since 1953 that the Israeli economy did not register growth. Per-capita GDP fell 2.9%. Business output fell by 2.1%, led by a 10.5% drop in Israel's high-tech sector, which has been devastated by the collapse of international telecommunications and the "new economy." Exports of commodities and services fell by 13.1%, industrial exports by 6.7%. Diamond exports, one of the top export earners, collapsed by 13.4%. Unemployment has reached 9% officially.

Sharon's strong-arming of the governor of the Bank of Israel into a sudden lowering of interest rates by 2% in Decem-

ber, led to a de facto 8% devaluation of the shekel as Israeli investors moved out of shekel holdings into the dollar, to the tune of \$2.5 billion within only two weeks.

Sharon has yet to be able to get the 2002 budget through the Knesset, because of opposition to his cutting 6.5 billion shekels from social programs. These cuts are being made when 2.5 billion shekels have been added to the defense budget to pay for Sharon's war against Arafat. And billions of shekels earmarked for the settlements, including hefty tax breaks, have not been touched, but in fact expanded. This issue has even been publicly noted by U.S. Ambassador to Israel Daniel Kurtzer.

Two major coalition partners have yet to agree to support the budget. The ultra-Orthodox Shas party has stated that it will not allow freezing the so-called "Large Families Law," which subsidizes families with five or more children. And the Labor Party refuses to support the freezing of the Negev Law, which gives tax breaks to residents of the Negev desert, one of the poorest regions in Israel, unless benefits to the Jewish settlements in the West Bank and Gaza Strip are cut as well.

Year 2001 was not only the economy's worst year, but the budget deficit was three times higher than forecast. The 21.3 billion shekel budget deficit was equivalent to 4.5% of the Gross Domestic Product. The primary cause for the ballooning deficit was the collapse of tax revenues. Israeli Accountant General Nir Gilad told *Ha'aretz*, "The global economic crisis, the high-tech crisis, the recession in the Israeli economy, and the Intifada all had a severe effect on the government expenditure, beyond the targets set by the government. The huge . . . deficit is entirely the result of a fall in revenues." Gilad added that the fall in revenues considerably worsened in the second half of 2001, thus indicating that the trend is for the worse. This mirrors Argentina's recent collapse exactly.

Already it is reported that Foreign Minister Peres will ask the United States to postpone this year's \$500 million debt-service payment by Israel.

Israeli political observers doubt the government will fall over the budget, because normally "Israeli politicians will do anything to continue to be able to keep their chairs warm in the government cabinet." But these are not normal times. Perhaps in the end, it will not be President George Bush or any other politician who will stop Sharon. Professor Roniger's warning about Argentina, that "it could happen here," will come true. Israelis may take a lesson from Argentines and take to the streets to send their "political class to hell."

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Israeli Roots Of Hamas Are Being Exposed

by Dean Andromidas

Speaking in Jerusalem on Dec. 20, U.S. Ambassador to Israel Daniel Kurtzer made the connection between the growth of the Islamic fundamentalist groups Hamas and Islamic Jihad, and Israel's promotion of the Islamic movement as a counter to the Palestinian nationalist movement. Kurtzer's comments come very close to *EIR*'s own presentation of the evidence of Israel's instrumental role in establishing Hamas, and its ongoing control of that organization.

Kurtzer said that the growth of the Islamic movement in the Palestinian territories in recent decades—"with the tacit support of Israel"—was "not totally unrelated" to the emergence of Hamas and Islamic Jihad and their terrorist attacks against Israel. Kurtzer explained that during the 1980s, when the Islamic movement began to flourish in the West Bank and Gaza, "Israel perceived it to be better to have people turning toward religion rather than toward a nationalistic cause [the Palestine Liberation Organization]." It therefore did little to stop the flow of money to mosques and other religious institutions, rather than to schools.

According to the Dec. 21 Israeli daily *Ha'aretz*, Kurtzer made these extraordinary statements at a seminar on religion and politics sponsored by Oz V'Shalom-Netivot Shalom, a largely Anglo-American organization that promotes peace between Israelis and Palestinians. Rabbi Dr. Aharon Lichtenstein, the head of Har Etzion Yeshiva in Alon Shvut, who is an active advocate of a just regional peace, also spoke. Kurtzer said that as a result of the growth of Islam at the expense of education, there are now Palestinians who are "determined terrorists that use religious beliefs in a perverted way to appeal to the masses."

Kurtzer said that cultural and religious interaction is potentially a way to "build bridges." But instead, "the perverted use of religion in the region is today becoming one of the great challenges for the years ahead." He said that there is no "inherent component" in Islam that advocates violence. But one of the five principles of Islam, *jihad*—resistance—"in classic religious associations connotes religious belief and fervor, not violence." But extremists have distorted the meaning of *jihad*, so it now has a connotation of violence in the service of a religious purpose.

The Enemy Of My Enemy Is My Friend

This statement is extraordinary given the fact that Kurtzer is a very senior diplomat, having held the post of Ambassador