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Israeli State

Globalised Israel: The Rules Have Changed

- IV Online magazine - 2011 - IV440 - September 2011 -

Publication date: Tuesday 20 September 2011

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We have reproduced here substantial extracts from the translation of an article, " Post Zionist Israel : The Rules Have Changed ", from No 106 of the review *Challenge*, November-December 2007. The article itself was adapted from a paper discussed at the annual seminar of the Organization for Democratic Action, October 2007. This review, *Challenge*, together with *Al Sabar* (in Arabic) and *Etgar* (in Hebrew), is part of a Jewish-Arab network in response to the Israeli-Palestinian conflict.

During the past thirty years, but especially in the last decade, Israel has undergone major economic change. Ownership of the economy has shifted from the State and the Histadrut (the General Federation of Labor) into private hands.

Until the 1980's, the state sector—headed for decades by the Labor Party—controlled every economic nook and cranny. As of 2007 its place has been taken by eighteen families with enormous wealth and influence. This change coincides with a broader process, in which the country has been sucked up into capitalist globalization. Israeli capital has become part of global capital. The national character, once the country's *raison d'être*, in many respects has vanished.

The economic change has deeply affected the society, its politics and even its armed forces. Huge gaps have opened, undermining Jewish solidarity (a necessary condition of Zionism). Poverty is no longer just a problem of the unemployed. Many who have jobs cannot make ends meet. The Histadrut has been emasculated, organized labor eroded.

Kadima, the ruling party, epitomizes post-Zionist Israel. Its leader, Prime Minister Ehud Olmert, is a man without a guiding idea, a manager who adapts his country to the shifting needs of the global market. He must cope, however, with the backward tow of the old guard. While seeking to intermesh with the West, Israel continues its atavistic Occupation of the West Bank and Gaza. It is torn between a colonialist yesteryear and the drive of capital to maximize growth. It is torn, in other words, between the refugee camps of Nablus and the cafés of Tel Aviv. With no leadership to resolve these oppositions and close social gaps, Israel today is just plain stuck.

The country's Left expects *America* to broker peace, despite its repeated failures to do so in the last quarter century. In contrast Hezbollah and Hamas see Israel's troubles as signs of imminent collapse. Their view is short-sighted. Israel is an integral part of global capitalism, to which it is bound "for richer, for poorer, in sickness and in health." The sicknesses are new in kind. Our strategy must be new as well, if we refuse to accept the suffering of the working poor, in Palestine or Israel, as a *fait accompli*.

1. Privatization and reduction of the role of the state

After 1948, when Israel was established on the ruins of the Palestinian homeland, its regime was centralized. The government and Histadrut ruled through the Mapai Party (later called Labor). In their book, *The Global Political Economy of Israel* (London: Pluto Press, 2002—published gratis on the web in pdf), Jonathan Nitzan and Shimshon Bichler interpret the centrality of Zionist institutions in the proto-Zionist economy, especially the Jewish Agency and the Histadrut, as compensation for the weakness of capital at that time. This weakness was evident in an

underdeveloped market, a lack of credit and a limited private sector.

"The package deal between them was simple," write Nitzan and Bichler. "The Histadrut...gained the exclusive right to import, organise and discipline the labour force, whereas the Jewish Agency...was responsible for raising the foreign capital needed to put it to work.

"Much of Israel's hyped rhetoric of 'statism', 'socialism' and 'nationalism' originated during those years. Yet behind the ideological commotion, there was another, much more important process: *the formation of an Israeli ruling class*" (p. 18).

Later (p. 96) the authors expand on the last point: "The MAPAI government controlled the process of capital formation, allocated credit, determined prices, set exchange rates, regulated foreign trade and directed industrial development. However, this very process also set in motion its own negation, so to speak, by planting the seeds from which dominant capital was subsequently to emerge. In this sense, the state acted as a cocoon for differential accumulation. The budding corporate conglomerates were initially employed as national 'agents' for various Zionist projects. Eventually, though, their increasing autonomy helped them not only shed off their statist shell, but also change the very nature of the state from which they had evolved."

The Israeli economy's center of gravity shifted from the public to the private sector, in tandem with the international shift to globalization. The power of the country's ruling class depended, historically, on its ability to read the global map, allying with powers that were on the rise. This was one reason why the social order was modeled at first on the welfare state, the dominant mode among western nations after World War II.

In the early 1980's, however, after the postwar boom had run its course in the developed nations and the ills endemic to capitalism had reappeared, US President Ronald Reagan and British PM Margaret Thatcher set about eliminating the welfare state, shifting toward privatization. Israel—where the costs of the Lebanon War and the settlements had sparked triple-digit inflation—was among the first to dance to the new tune. The Stabilization Plan of 1985 did more than just control prices. It cut all restraints on financial trading. It eased conditions for foreign investment and opened the way for Israeli capitalists to invest abroad.

"Protective tariffs were reduced. The first and most important change was the country's increasing exposure to the vagaries of the world economy. Import duties, which averaged 13 per cent in the 1970s, dropped to 1 per cent in the 1990s, while import penetration, expressed as a share of GDP, rose from 37 per cent to more than 50 per cent over the same period. Local producers, faced with these mounting pressures, were forced to shape up or give up" (Bichler and Nitzan, p. 274). Most of Israel's traditional industries suffered major damage. This was especially so for textiles. It is estimated that 25,000 textile workers (half the total) lost their jobs in the early 90's.

The merger with the global market led also to cutbacks in the public sector. Privatization, in the 1990's, became the code word for the future. An outstanding example may be seen in the kibbutzim. These used to be models of solidarity and equality, serving—in Israeli propaganda—as the symbol of a new society, a secular "light to the nations." Many today have been privatized. Others have undergone a process of wage differentiation. The kibbutz idea is history. (See Uri Ram, *The Globalization of Israel: McWorld in Tel Aviv, Jihad in Jerusalem*, Routledge, 2007.)

The Stabilization Plan of 1985 opened the way for the development of Israel's financial market. The Tel Aviv stock exchange expanded. Israeli companies began mobilizing capital on Wall Street, where their value rose by leaps and bounds. In 1992, the value of the 38 Israeli companies on the American exchange amounted to \$6 billion. Within three years their number had increased to 60, valued at \$10-15 billion (Gershon Shafir and Yoav Peled, *Being Israeli: The Dynamics of Multiple Citizenship*, Cambridge University Press, 2002).

The plan also brought a reduction in taxes on companies and employers. Their contribution to the budget fell drastically. The average corporate tax dropped from 61% in 1986 to 36% in 2000. The participation of employers in the funding of workers' National Insurance went from 15.6% of wages in 1986 to 4.93% in the year 2000. The parallel tax paid by employers to help fund employees' health insurance was totally cancelled in 1997; instead, an extra charge was made for medical visits (Shafir and Peled, pp. 341-56).

Eighteen ruling families

Privatization has been, as said, a major factor in Israel's mesh with the global economy. In the last twenty years, control has been concentrated in a few families. The move was justified as a way of saving the economy from waste and corruption, which would ruin Israel's chances in the global economic arena. Privatization, we were told, would make Israel attractive to foreign investors. This would create jobs, and public services would become more efficient. What happened, in fact, was that capital went from public to private hands, while the little guy remained out.

Business Data Israel (BDI), a data-analysis group, has investigated the phenomenon. It lists the eighteen ruling families, the Ofers, Arisons and so on. Their total incomes came to 77% of the national budget for 2006. BDI estimates that this total is half the national industrial output. At the end of 2005, these eighteen families reaped 32% of the profits made by the country's 500 biggest companies. Their incomes amounted to 198 billion shekels (about \$50 billion). The report concludes: "The processes of privatization in recent years, including privatization of the banks, of Bezek (communications), El Al and Zim (shipping), not only failed to reduce the centralization of the economy, but even increased it" (Ynet, February 13, 2006 *Hebrew*. See also Nitzan and Bichler, p. 87.) The situation is similar for the banks. The three largest—Hapoalim, Leumi and Discount—preside over 80% of the banking market and rake in 70% of its profits. Hapoalim is controlled by the Arisons, Discount by the Bronfmans, and Leumi is a candidate for privatization next year.

Peace as a bridge to the global economy

The Oslo Accords, which Israel signed with Yasser Arafat in 1993, and the Arava Agreement, which it signed with Jordan in 1994, were seen by many as the symptom of a transformation. According to this view, Israel's ruling class had opted to exchange war and occupation for peace and economic cooperation. Where peace is concerned, this prognosis is unfulfilled, but clearly there has been an economic surge.

The Oslo and Arava agreements coincided at first with an enormous Israeli effort to tighten economic ties with the Gulf states and the Maghreb, mainly through economic conferences (1994-1996). The big breakthrough, however, occurred outside the Arab sphere. Nitzan and Bichler (p. 337) describe how the multinationals discovered the Israeli market in the post-Oslo era and began, one by one, to open branches here and create partnerships. Among them were Kimberly Clark, Nestlé, Unilever, Procter & Gamble, McDonald's, Burger King, British Gas, Volkswagen and Generali. World banks also opened branches, including Citigroup, Lehman Brothers, HSBC, Bank of America and Chase Manhattan. The world's communications giants followed suit.

Why did these companies choose to invest in Israel? One reason was that the privatization extravaganza offered them tempting deals at bargain prices. The optimism over the Israeli potential can be compared with the appetite they exhibited toward East European markets after the collapse of the Soviet regime. The Israeli government, seeing itself as too centralized, wanted to shed assets in the hope of gaining a place in the global economy. To foreign investors, here was a once-in-a-lifetime chance to pick up those assets for peanuts. The Israeli companies and their government showed great flexibility, sloughing off the national connection and ignoring the need to create jobs.

Fusion with the global order

Stef Wertheimer and his son Eitan are a parade example. For three decades Stef was considered a pioneer of Israeli industry: he established the Tefen industrial area in the north of Israel, as part of a plan called "the Judaization of Galilee." In May 2006, however, the Wertheimers sold 80% of their company, ISCAR Metalworking, for \$4 billion to Berkshire Hathaway, a financial concern headed by Warren Buffett. At the signing, Buffett promised not to harm Israeli production. Nevertheless, the sale is a mortal blow to the concept of a *national* economy. The core of control over Israel's leading industrial concern has here passed from owners who once had a strong commitment to the Zionist project to an American businessman who has nothing in common with it, whose financial empire "the second biggest in the world" is run without feelings or ideology. None of this stopped the Wertheimers.

[https://www.internationalviewpoint.org/IMG/jpg/buffet_350.jpg]

Left to right: Eitan Wertheimer, Warren Buffett, PM Ehud Olmert. Photo by Avi Ohayon, courtesy of Israel Government Press Office.

Another example of the change undergone by Israeli companies is the sale of Tnuva, an agricultural cooperative, to Apax Partners Worldwide LLP, a British buyout firm (*Jerusalem Post*, Nov. 21, 2006). Established in the 1930's, Tnuva was among the most important cooperatives in the proto-Zionist economy. It dominated the milk, egg, chicken and vegetable industries. It was a central factor in breaking Arab agriculture and labor. Recently 51% of Tnuva was sold to Apax for \$1.025 billion. The company then opened a plant for dairy products in Romania, and it now casts longing glances toward Russia.

The cooperation with multinationals is evident, above all, in high tech. During the 1990's many "startup" companies were founded in Israel. These are small clusters of computer engineers and programmers who discover this or that new technique, which they develop in a direction that will attract investors. The idea is to find a big American buyer. In the casino of new technologies for sale, there have been several dizzying Israeli successes: the acquisition of Nicecom by 3COM for \$53 million, of Scorpio by U.S. Robotics for \$80 million, and of Orbotech by Applied Materials for \$285 million (*Haaretz*, November 28, 1997). AOL bought Mirabilis for \$407 million, Intel bought DSPC for \$1.6 billion, and Lucent bought Chromatis for \$4.5 billion (Nitzan and Bichler, pp. 343-44). In November this year, *Yediot Aharonot* celebrated "10 years of exits," summing up American acquisitions of Israeli companies in the last decade. The amount paid by American companies totaled \$42 billion ("They Made it," *Yediot Aharonot*, November 13, 2007).

These deals filled the pockets of a few young Israelis (graduates of the army's computer department or Soviet immigrants), but they did not pull the rest of the economy along. Comverse, Amdocs and Check Point "Israel's three largest high-tech companies" employed 13,000 at the end of the 90's. Their value on the NASDAQ exchange was \$50 billion (77% of the total value of all companies represented on the Tel Aviv stock exchange). But these three firms are registered and located in New York, and most of their major stockholders are non-Israelis. A big question mark, in short, hangs over the "Israeliness" of these companies (Nitzan and Bichler, pp. 344-45).

Israeli capital goes abroad

While Israel has opened itself to foreign capital, its own has flown to foreign lands. In addition to the high-tech companies mentioned above, billions have been invested elsewhere in real estate, construction, energy, water purification, agricultural technology and more. These investments are concentrated in Turkey, Eastern Europe, the US and the Far East. In many cases, Israeli firms form partnerships with local or multinational companies.

Strauss, an Israeli company, provides an example. It began as a family dairy farm in Galilee back in 1936. By 1995 it was able to buy Achla, which makes salads. Two years later Strauss bought half the stock of Yotvata dairies. In 2004 it merged with Elite, which makes coffee and candy. The combined company is valued at nearly \$1 billion. According to a survey by Dunn and Bradstreet, Strauss in the last decade has become active in dozens of countries, with production centers in eleven. It has partnerships with food giants such as the French Danone, the Dutch Unilever,

and the American Pepsi Cola. Its activities abroad bring in 40% of its income. It is a leading factor in coffee in Central and Eastern Europe. It dominates the second largest coffee firm in Brazil. It has also bought Sabra, which produces salads for the US market. It controls Max Brenner, the chocolate company. Strauss has traveled a long road, becoming a global firm interwoven with multinationals, and as such it serves as a model for other Israeli companies.

2. The crumbling of the old party regime

The salient feature of the new regime in Israel is the weakening of the two traditional parties, Labor and Likud, and the emergence of Kadima. In the 2006 elections, Labor won 19 seats and the Likud only 12 in the 120-seat Knesset. Kadima, on the other hand—*sans* history, ideology or shape—won 29 and formed the government.

The Labor Party consumed from within

The new Israeli bourgeoisie, having emerged from the state's cocoon, ended the monopoly of Mapai (Labor). In 1977 the representatives of this new class established a party called Dash, whose leaders included Stef Wertheimer and archaeologist Yigal Yadin. Dash got support from the economic elite. On winning 15 seats, it joined the Likud coalition. For the first time in its history, Labor was sent to the opposition.

Some 17 years later, Labor suffered an equally disastrous blow from within. It had always controlled the Histadrut, which in turn controlled Israel's largest and securest health fund. In order to have health insurance, Israelis had to join the Histadrut and pay dues there. This connection provided Labor with a guaranteed source of electoral strength and income. As of 1994, the union had 1.8 million members. In that year, however, two young Laborites—Haim Ramon and Amir Peretz—broke with their party and formed a new list for the leadership of the Histadrut. Their idea was to cast aside the federation's old-fashioned image. Surprisingly, their venture succeeded. On assuming control, they agreed to separate the health fund from union membership. The latter plummeted to half a million by the year 2000, with a corresponding drop in income.

Why should Labor members undermine their own party? Labor was then divided into two camps, one under PM Yitzhak Rabin and the other under Shimon Peres. The Rabin camp represented the new bourgeoisie, to which the mandatory connection between the union and the health fund seemed antiquated, insular, and undemocratic—in a word, un-western. Moreover, the Histadrut was a power base for the rival Peres. The weakening of the Histadrut may have been intended as a service to Rabin. In any case, the new bourgeoisie got its way. Neither the Histadrut nor the Labor Party has ever recovered.

When Amir Peretz returned to Labor in 2005 and again surprised everyone by winning the leadership, a devastating split occurred: long-time party leader Shimon Peres quit, with his supporters, and joined Kadima.

The split in the Likud and the rise of Kadima

The vision of Greater Israel, the ideological basis of Herut/Likud, dissolved with the election of Binyamin Netanyahu as Prime Minister in 1996. There was already, at that time, a consensus in the Israeli business community concerning the importance of peace as a precondition for economic development. This led the Netanyahu government to continue the Oslo process, thereby tacitly conceding that the Likud's old concepts were obsolete. The party's conflict remained latent for a decade, until Sharon decided to disengage from Gaza.

Regarded as the father of the settlements, Sharon had been the Likud's supreme hawk. Toward the end of the

second Intifada, however, he had come around to the conviction, given the lack of a Palestinian peace partner, that Israel would be well advised to withdraw from Gaza and dismantle the settlements there. He signaled to the public his readiness to sacrifice things that were holy to him. He had found something holier—the favor of Israel's business community and its new middle class.

A few months after disengagement, Sharon decided to establish Kadima, bringing with him key figures from Likud and Labor. His new party attracted large numbers from the middle class.

Under Ehud Olmert, who took the reins after Sharon's massive stroke, Kadima is a combination of the pragmatists in both Likud and Labor. Its main concern is to adapt Israel to the new global order. Without Sharon's charisma, however, it cannot fill the gap in leadership. This is no mere fluke. The new party epitomizes post-Zionist Israel: maximum political flexibility and lack of social principle. The sole purpose is to perpetuate the status quo for the good of the middle class, which wants a land—in Olmert's words—that's fun to live in" (*Haaretz* March 10, 2006).

3. The army adapts to the new rules

The military was and remains a fundamental pillar of Israel. Generals were the society's leaders, soldiers its most respected group. The globalized regime of the last two decades has shaken this institution, affecting its organization, demographic composition and influence.

The "people's army" exists no longer

Many research papers conclude that Israel's army is no longer a people's army, and that the country has thereby lost a core of cohesion and strength. The researchers also agree that the changes are unstoppable. The fact is that many Israeli youth are no longer ready to devote long years to military service.

In his book, "From People's Army to an Army of the Peripheries" (Carmel Press [Hebrew], 2007), Dr. Yagil Levy defines the main reasons for the change. First and foremost: the army has failed time after time to win a decisive victory on the battlefield — *la* 1967 (this so-called "Six Day War" has become the standard of victory). The second reason has to do with the political and class changes described above, which have replaced Zionist-nationalist values with ambition for personal success, measured in money.

The 1967 war, according to Levy, was a watershed. The subsequent economic boom created for the first time a broad middle class that had no appetite for self-sacrifice. "The new materialism," Levy writes on p. 54, "...undermined several deeply anchored values of the centralized, collective state, in favor of a new hierarchy of values, essentially individualistic. Paradoxically, then, militarism 'inflated' materialism to a record high... Thus the group that reaped the military spoils—the Ashkenazi, secular middle class—showed a diminishing readiness to bear their costs."

Under the rules of the new economic regime, in tune with the demands of global capital, the army has also been forced to examine its expenses using economic criteria. As a result there has been a decline in calls to reserve duty, which is a very expensive item. Till 1985 Israelis put in 10 million days of reserve duty per year. By 2001 the number had diminished to 3.8 million (Levy, p. 69).

The army's new composition

There has also been a change in the composition of the officer staff and the ranks of command. For more than thirty years the Ashkenazi elite, hailing from the coast and the kibbutzim, held a central position. Today, in the elite units, we see more and more people from the periphery, to whom army service offers a degree of social mobility. A look at the class and ethnic affiliations of the officer staff and the elite units in the last two decades shows an increase in the proportion of Mizrahis (Orientals), settlers, Soviet immigrants and Ethiopians.

Levy compares the casualties from the first Lebanon War (1982) with those from the Intifada of 2000. He finds that the formerly marginal groups today pay the highest price. Of the 120 Israeli soldiers killed in the recent Lebanon conflict, for example, three were from Tel Aviv. GHQ Commander Eleazar Stern criticized the Tel Avivians after the war, accusing them of not bearing their share (Levy, p. 153).

Draft dodging

In 2007, the IDF commanders decided to publish data on mobilization. These showed that a fourth of the youth reaching 18 avoid the army altogether. Half are released on grounds of yeshiva study, a smaller group because of criminal background, and the rest for medical or psychological reasons. In response, Chief of Staff Gabi Ashkenazi announced that Israelis must "return the blush of shame to the cheeks of the draft dodgers."

There is a general feeling, however, that because the army has lost its social standing, this campaign for mobilization is bound to fail. Moreover, the published figures are by no means new. The website of New Profile, which helps conscientious objectors, reported four years ago that in addition to 20% who are never drafted, another 20% do not complete their service ([New Profile](#)).

In sum, war weariness, the desire for normality, and the growth of groups opposing the Occupation—together with the new bourgeoisie's desire to merge with the global economy—have led to a decline of the military's influence in political and social life.

4. The Tel Aviv "bubble" and Zionist dogmas

The image of the new Israel becomes clear when we look at the Tel Aviv skyline, which has filled in the last two decades with skyscrapers and luxury apartments. The world's leading banks and multinationals have opened offices. Restaurants have sprouted up. Cafés and night clubs are everywhere. The emporium is as western as a city can get. Elsewhere in Israel, however, poverty deepens. The elderly poor, the cripples, the unemployed and the ill are not to be found on the new Israeli agenda. The distance between Tel Aviv and the periphery has never been greater.

The gap between rich and poor is a feature of current reality. From a society once marked by a high degree of equality, Israel is today among the least equal countries in the West. The masses of the poor are to be found, as ever, among the Arabs and the ultra-orthodox, but not only there. Today's poverty afflicts 20% of the population. Among the poor (i.e., people with less than half the median income) are 162,000 families in which at least one member is employed (*Yediot Aharonot* September 4, 2007).

Israel's new period of free-market capitalism has witnessed a turnabout in labor relations. The economy earlier had an extremely high rate of unionization (85%), ensuring employment security, a fair wage, and social benefits including pension plans. Today labor rights are trampled. During the last 15 years, Israel has permitted the importation of more than 300,000 foreign workers under near-slavery conditions. Personnel companies mushroomed. Contractors appeared by the hundreds, exploiting the foreigners with government approval (see "Breaking of

Organized Labor in Israel," [Challenge 98](#)).

The rise in Israeli living standards has been dramatic. The per capita GDP climbed from \$5585 in 1980 to more than \$20,000 today. But the fruits of this growth remain at the top of the tree. The managers of the companies on Israel's stock exchange today earn 21 times the average salary.

Disengagement, McWorld and the Jewish Jihad

In *The Globalization of Israel*, noted above, Uri Ram defines the contrast between Israel's two social poles as that between the middle class, which seeks to join the West, and the peripheries, which live in a mental world that is nationalistic and messianic. It is the contrast, he writes, between McWorld in Tel Aviv and Jihad in Jerusalem.

The confrontation of these two extremes came out during the disengagement from Gaza. Despite the worry that the operation would lead to civil strife in Israel, the McWorld attitude had the upper hand. The army that evicted settlers preserved, nonetheless, its unity, and except for a few right-wing refusers, soldiers followed orders. Sharon won widespread approval, which he transformed into political capital on establishing Kadima.

A new kind of war in Lebanon

The new Israel, fused with the global economy, made war on Lebanon in the summer of 2006. The war was conducted in a way that suited its character. The international consensus around Israel's actions becomes understandable when we remember the enormous involvement of Israeli capital with the ruling centers of the global economy. For Israel did not act unilaterally in this war. At every step it took account of its foreign investors.

Despite the conventional wisdom, according to which the Olmert government failed in Lebanon, the fact is that one year later Olmert has managed to create the broadest coalition Israel has seen in seventeen years. Militarily, he considers the war a tactical victory. In recent studies, military analysts confirm the fruits that Israel reaped. First, Hezbollah has been distanced from the border. Second, relations with the Sunni Arab countries (Saudi Arabia, Egypt and Jordan) have improved. Third, the movement to isolate Iran has gained momentum, and Israel's ties with Western Europe have strengthened.

To be sure, many castigated the government for abandoning the poor of Galilee to enemy fire. But the criticism did not translate into a political force that could bring about change. In the eyes of those with political clout, the more important point was that the economy had continued to function during the war. While the Galileans huddled in shelters if they had them (the Galilee Arabs did not), deals were signed for millions, the stock market rose, and the Tel Avivians sipped café au lait.

The government's conduct after the war, especially its decision *not* to alter the budget for 2007, expressed its resolve to demonstrate business as usual. This meant departing from certain promises—namely, to repair the damage done to the weak by Netanyahu during his stint as Finance Minister. Amir Peretz had led the Labor Party into Olmert's coalition on the strength of these promises. After the war, without a blink, the same government—including Labor—increased the defense budget at the expense of social programs, keeping a tight rein on budgetary discipline. The act showed foreign investors that Israel's government was stable and strong.

5. Conclusion: The need for a realistic strategy of change

Globalised Israel: The Rules Have Changed

Israel's crisis reflects its borderline position between the developed West and the Islamic world. This contrasts with the situation of Europe and the US. Tel Aviv is only 32 miles from Nablus.

Given this proximity, the country suffers from a split personality. It adopts a western life-style while still pouring money and lives into the Zionist project. It seeks to present an enlightened face while shutting Palestinians behind walls and checkpoints.

Those who fail to read the new reality devise programs and slogans that are no longer relevant. This is the case with Hamas, which claimed, at the start of the Intifada in 2000, that suicide bombers would bring the Zionist entity to its knees within five years. Likewise, Hassan Nasrallah, leader of Hezbollah, recently compared Israel's strength to that of a spider web.

The assessments are strategically wrong. True, they identify the cracks that have appeared in Israel's foundations and the loss of faith in its leadership. They correctly read, as well, the general Arab frustration with American imperialism, a frustration that attracts new members to Hamas and Hezbollah.

But the Islamic alternative offers no down-to-earth hope for the poor. Moreover, these parties fail to comprehend that Israel is far from collapsing, for it has accumulated power through its merger with western capitalism. They fail to see that Israel serves as a successful platform for its own broad middle class. The Lebanon War of 2006 reflected a crucial difference between Israel and Hezbollah. It showed that Israel operates according to a strategy; it puts economic stability first; it forges alliances with Arab as well as western states; and it works with both to isolate Hezbollah and Iran. The war showed that Hezbollah, on the contrary, acted without a clear strategy, basing its acts on false assumptions without a political horizon.

Given Israel's integration into the global capitalist system, we may also doubt whether calls for a boycott are realistic. To be effective, a boycott would have to be directed not just against Israel but against the whole *team* of countries with which it is enmeshed, including the US, Britain, Germany and Japan. Who would remain to do the boycotting?

As for the Israeli Left, it continues to "with the Kadima-Labor government" to seek salvation in Washington. This Left has no solution for the poverty afflicting much of its society. It has no political alternative to the one that Olmert is pushing.

If we want to fight effectively, not isolating our struggle from reality, a different approach is needed. We know that certain alternatives to capitalism have proved to be harmful and destructive. The challenge is to put forth a progressive alternative. If we read the new reality correctly, as we have tried to do here, we shall be better prepared for the difficult period that is to come

In view of these developments, our party, the Organization for Democratic Action (ODA-Da'am), has had to adapt its program to the new realities. Israeli society is suffering from the same problems as its western counterparts. To bring change we must organize a new social base, composed of all those Israelis and Arabs who have been marginalized by gloves-off capitalism.

ODA places the interest of the workers before the national interest. It puts forward a program for returning negotiating power to the workers. It builds new bridges between Jewish and Arab activists who share the idea of a socialist egalitarian society. Its internationalist perspective gains relevance at a time when the Israeli bourgeoisie has forfeited patriotism, choosing to exploit labor at the cost of Zionist solidarity.

The original article is [here](#).