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Why Israeli Women Should be Concerned about GATS

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Introduction

The World Trade Organization – WTO – is usually associated with trade agreements whose purpose is to open the borders of countries worldwide to the free flow of international trade in goods.

GATS – the General Agreement on Trade in Services - is less well known than trade agreements regulating the flow of goods between countries. This agreement was signed in 1994 under the auspices of the WTO. Subsequently, several rounds of negotiations have taken place in order to convince member countries to open more of their service sectors to international business.

In Israel, public debate on the implications of WTO agreements in general, and of GATS in particular, has barely begun. Such a debate is especially important in view of the fact that most of the literature interprets these agreements as involving irreversible obligations.

The purpose of the present paper is to contribute to such a debate. It was first prepared for the Conference "Israel, Free Trade and Globalization," held June 30, 2003 by Friends of the Earth-Middle East, in conjunction with Bar Ilan University, under the sponsorship of the Israel office of the Heinrich Boell Foundation.

The original paper, written in Hebrew, consisted of two parts: a discussion of the possible implications of GATS for the public services in Israel, by Shlomo Swirski, and a Hebrew translation of "A GATS Primer," by Maude Barlow, published by The Council of Canadians and available on the internet (www.canadians.org/campaigns/campaigns-tradepub-gats_primer.html).

This English version of the paper is an expanded version of the first part of the original paper.

GATS:

A Potential Threat to the Social Services – and Women – in Israel

On the surface of things, Israeli women have no reason for concern about the progress of the GATS negotiations currently taking place under the auspices of the World Trade Organization (WTO). For the time being, Israel has not included its public services – Education, Health, Social Welfare and the like – in the areas subject to international business competition. The Israeli government continues to retain sole responsibility for these services.

However, there are good reasons to be concerned about future developments.

GATS enables nations to determine which of their services they are willing to open up to the competition of foreign corporations. Like many other countries, Israel has already opened up some of its services to international trade: business and financial services, tourism, communications, and environmental services. In contrast, Israel has not opened up services in the domains of education, health, social welfare, culture, leisure time and sports.

According to recent analyses, some 50 members of the WTO (for example, WTO, 2001: 10) have opened up their education and health services to foreign suppliers. Following the example of these countries, it is reasonable to expect pressures from the United States and the European Union to open up education and health services in other countries as well.

While Israel has not yet formally joined the group of countries agreeing to subject their public services to international competition, it has already paved the way for foreign corporations by opening up other domains. According to a 1999 WTO document, “Trade Policy Review Body: Israel,” Israel is developing in the “right” direction: “Barriers to foreign firms in the services sector are generally being removed . . . .”

The “right direction” refers to a trend of increasing commercialization of education, health and social welfare services in Israel. Thus, our concern is based on a meeting between two converging interests: multi-nationals are making headway in the service sector in general and into the public services in particular, at the same time that the public services in Israel are undergoing accelerated privatization.

The privatization of public services received a big push in Israel following the Emergency Stabilization Plan of 1985. The plan was formulated in accordance with the neo-liberal ideology that had taken center stage in the United States and England at the beginning of the 1980s. This ideology, which in the United States came to be known as the "Washington Consensus,” was transformed in Israel into the “Labor-Likkud (the two major political parties) Consensus.” Since that time, it has guided the actions of Israeli governments of the “left” as well as those of the “right.”

Privatization has spread to most of Israel’s public services. In the area of education, it has become an integral part of higher education. Private colleges were established in the 1990s, which, even as we write, purchase full-page ads in the daily newspapers to display their wares. Local branches of foreign universities also made their appearance in Israel in the 1990s, popping up like mushrooms after a rain.

The Israel Ministry of Education, which in the not-too-distant past ran all of its own services, now purchases many of these from private companies within Israel, including consulting and diagnostic services, curriculum development services, testing services, and in-service training. A third type of privatization of education services is to be found in the building of classrooms through PFI (Private Financing Initiative). These forms of privatization complement pre-existing private elements - private schools and kindergartens.

The Israeli government aids and abets the privatization of education services by cutting back on its own education budgets. Budget cuts result in those schools that are able to do so raising additional monies from parents. Thus it happens that we now have schools with “private” budgets that amount to hundreds of thousands, and even millions, of shekels, alongside schools that make do with the shrinking allocations they receive from the Ministry of Education. Instead of trying to stop the entry of private money into public schools, the Israeli government has actually encouraged it, by proposing to corporatize schools, under the guise of “school autonomy.”

In the area of health, privatization has made inroads in a number of different forms: private services performed in public hospitals; supplemental insurance sold by HMOs to their members; co-payments levied on health services formerly offered free-of-charge; and commercial insurance companies selling health insurance, some of which actually duplicate public services provided free of charge. Government hospitals took the first steps in the direction of corporatization, until the process was slowed down by protests and legal action on the part of the nurses’ and auxiliary aides’ unions. These recent developments added to already existing private medical services, notably in the field of dental medicine.

In health services as in education services, the Israeli government encourages privatization by failing to fully fund the National Health Insurance Law. Israelis who desire and can afford better health coverage purchase supplemental and private health insurance policies and pay out of pocket for private treatments and surgery, either in the framework of private services performed in public hospitals (and thus financed by public funds) or in the framework of “black medicine,” additional, illegal payments passed “under the table” for special attention and care within the confines of public hospitals.

As a result of the above developments, families in Israel now spend more on education and health than they did in the past: the weight of household expenditures in these two areas rose by about 50% over the last decade. At the same time, the social gaps also increased, as high-income persons spend considerably more on education and health than low-income persons.

Privatization is a policy direction nourished by the neo-liberal ideology that guides the leaders of government and business in Israel in their definition of the relations between state and capital. In this they are simply following many of their counterparts in Western countries, especially the United States and England, who view capital as the prime mover of collective activity, and as such deserving of freedom of movement. One way to assist capital is to cut back government spending, thus lowering the cost of capital for private firms, as the state then ceases to compete with them for loans (the reference is to the money that the state raises to finance deficits/debts).

At the same time, the neo-liberal ideology aims to reduce the sphere of authority of the state, a sphere that increased in scope in Western democracies in the course of the twentieth century, due, among others, to the prolonged pressure of political parties and unions representing workers. The aim of neo-liberal policies is to reduce state actions designed to increase distributive justice, for example, protective labor legislation and progressive taxation. These policies also aim to decrease state responsibility for social service systems developed to raise the standard of living of the population as a whole – the public education system, the public health system, and the safety net. While their ideology calls for limiting state actions, neo-liberals do not hesitate to call on the state to intervene when it comes to actions to facilitate the freedom of movement of capital.

Against the background of the foregoing developments, women in Israel should be concerned about the GATS negotiations, because of the negative outcome they may have on social services. According to the GATS regulations, the only defense against the subjection of public services to the competition of international business is the stipulation that "services supplied in the exercise of government authority" are to be exempted from the agreement. However, "government authority" is defined as "any service which is supplied neither on a commercial basis, nor in competition with one or more service supplier."

According to Scott Sinclair, a leader in the fight against global commercialization, this definition is so narrow as to be practically meaningless. Firstly, all the government services presently being supplied on a commercial basis are subject to GATS, that is, they are already open to international competition. In similar fashion, GATS regulations apply to all services provided by the government in competition with private suppliers. Thus the phrase "services supplied in the exercise of government authority" is not an adequate defense for most elements of the education, social welfare, health and all the other services provided by a mixture of public and private services (See www.policyalternatives.ca/publications/gatssummary.html). A paper prepared by the World Trade Organization in 2001, in order to refute GATS critics, does not deny Sinclair's contentions (WTO: GATS, Fact and Fiction, 2001: 10).

The Dangers Inherent in GATS

The dangers inherent in extending GATS to the main public services in Israel – Education, Health, Social Services and the Safety Net – need to be examined in light of current political, economic and social developments in Israel.

The first is the continuing growth in inequality – a growth in the number of persons who are not able to make a decent living – that is, persons who are not able to realize their potential to act as full partners in social and cultural activity.

It should be pointed out that the captains of politics and industry in Israel offer a different definition of the problem. They view the problem as one of lack of economic growth. Their number one question is: How can growth be encouraged? Their answer: By attracting investments, from any possible source, including foreign capital. During the 1990s, large amounts of foreign capital flowed into Israel, accompanied by economic growth. However that growth benefited the most affluent households (those in the top quintile) only; the share of most other households in the national pie actually decreased. Thus, economic growth alone does not hold out hope for all, and our question is still relevant: How can we assure a decent and respectable life for everyone? The WTO – and GATS - wave the banner of economic growth – but social justice is not on their agenda.

Throughout the twentieth century, in Israel and elsewhere, the state was the main institution responsible for initiating actions aimed at increasing the universe of persons benefiting from economic activity and participating in it. These actions included employment policies, protective legislation for workers, the development of a safety net, compulsory education, and universal health insurance. Today the state in Israel is in the process of devolving itself of responsibility for more and more of the above.

The second development is the increasing wealth of Israeli capitalists and the enhancement of their political power.

This group welcomes the toppling of trade barriers, as their own actions have for some time now extended beyond the state of Israel to include factories in Eastern Europe, roads in Africa, garment-making in Jordan and Egypt, military upgrading projects in Turkey, and mergers with Western European and in North American corporations. Israeli accountants and advertisers work in the Israel offices of U.S. and European corporations. And the dream of every Israeli start-up is to "make a killing" by selling out to a multi- national corporation.

The privatization of the public services – including opening them up to foreign corporations – is good for capitalists and for many Israelis in the top income brackets, for it means reducing the government budget, cutting taxes, and lowering the cost of capital for new investments.

These Israelis are not concerned about the possible negative effects of the opening of Israeli public services to foreign competition, as their own lives are already being conducted in private or privatized frameworks: charter schools, private health services, accumulated capital that renders the safety net superfluous, study in a private college or foreign university.

The third development is the heavy pressure brought to bear by Israeli capitalists and by the United States government and international financial institutions, for "structural adjustments" (privatization and deregulation) and for downsizing the national budget. In other words – for reducing the capability of the state in Israel to act to reduce inequality and to better the lives of the majority of Israelis.

The heavy pressure applied by the United States, the leading power pushing for free trade and the strengthening of the WTO, and within it, GATS, is evidenced in the conditions the United States government set for Israel's receipt of nine billion dollars in loan guarantees in 2003: reducing the deficit in 2004 and 2005, lowering salaries in the public services, implementing a pension reform, reducing child allowances, combining local authorities and privatizing at least two of the four government companies: El Al, Bezeq (telephone), Bank Leumi and the refineries (*Haaretz*, June 20, 2003). Following his recent visit (June 2003) to the United States, Israeli Minister of Finance Binyamin Netanyahu boasted that the U.S. Secretary of the Treasury complimented him on the economic plan approved in June 2003 in the Israeli Knesset, saying, “If only a few more economies in the world had succeeded in making at least some of the reforms that you initiated. I’ve never heard of so many significant structural reforms in one economic plan” (ibid.).

Against the background of the above developments – the growth in inequality, the increase in the power and influence of Israeli capitalists, and the “friendly advice” of the United States government and international financial institutions, we turn to the possible implications of opening the public services in Israel to the competition of international business. It should be noted that the first problem is privatization itself, that is, the replacement of state provision with private suppliers. The implications of privatization are expected to multiply the moment foreign corporations enter the competition, because they are capable of applying much more pressure on the Israeli state, due to the possibility of bringing into play, when needed, the “friendly advice” of the United States or the threat to move their businesses elsewhere.

Why Women Stand to Lose

Women have a big stake in the public education, health and social services in Israel. They will be the big losers, both from privatization and from a government commitment to open these services to GATS. The stake of women in these services stems from their roles in service provision and from their needs as individuals and as family caretakers.

We will start with women’s stake as service providers. In general, Israeli women constitute 66 percent of public service employees, 75 percent of teachers, 70 percent of health care workers and 87 percent of social service workers. Nearly half of Israeli women working outside of the home (45 percent) have public service jobs. Over half of Israeli women from all backgrounds with 16 years of education or more work in the public services: 63% of Israeli-born women of Ashkenazi (Europe or North American) origin, 58% of Israeli-born women of Mizrahi (Asian or North African) origin, and 60% of Arab women. Moreover, women's salaries, although lower on average than men's, are higher in the public services than in other fields (Swirski, S. et al., 2001).

In general, privatizing education, health and social welfare services means paying women less for doing the same work. Whereas women employed by the central government, by local governments, or by non-profit associations regulated by the government are usually paid according to collective wage agreements, those employed by private enterprises do not always have the benefit of this protective umbrella. It is no secret that in order to make a profit, private enterprises replacing public ones need to either charge more for their services or pay less to their employees. Thus education services, like booster programs for disadvantaged pupils and consultant services for schools, usually pay less to their employees than parallel public services. The same is true for private nursing homes, private psychiatric hospitals and private diagnostic centers - privatized elements of the health care system, and for private children's homes and homes for physically or mentally challenged persons – privatized elements of the social service system. Opening up services like the foregoing to the competition of international providers will have the same effect. Moreover, whereas most services provided by the Israeli private sector are under the regulation of the relevant government ministry, the same regulation will not be possible once the service is provided by foreign or multi-national suppliers. GATS states that regulation should not be "more burdensome than necessary" and should not restrict the supply of the service. As with other phrases in GATS, there is no definition of what "burdensome" or "restriction" means here. Indeed, a Working Group is charged with hammering out the definition and may well come up with one that will preclude practices used by governments to ensure service provision for all, like risk pooling and social insurance funds (Caliari, 2002: 7-8).

Privatization in general, and opening up education, health and social services to international suppliers, in particular, will also have an adverse effect on Israeli women as “default suppliers” of social services. That women do most of the care work in families in Israel and elsewhere is common knowledge verified by time use surveys conducted in Israel and in numerous other countries (Gross and Swirski, B., 2002). In the event that hospitals and residential institutions for the physically or mentally challenged are established or taken over by multi-national suppliers, they will no doubt charge higher fees than the present suppliers. The additional cost, it is anticipated, will be passed on to consumers, even if the government is the direct purchaser. As a result, many families will not be able to afford the services they can afford today. The women in those families will find themselves taking over the care work of relatives in need, and their care burdens will increase. As care work in the home is not considered to have economic value, the status of the women doing this care work is in danger of degradation.

Health

Women will be adversely affected by GATS also as consumers of social services and as mediators of social services for family members. Of course, not all women will be affected the same way. In Israel as elsewhere, women utilize health services more than men, due to their reproductive functions, their longer life expectancy, and their higher incidence of chronic illness. Moreover, health status is associated with income level. A telling example: Clalit, Israel’s largest HMO, enrolling 56 percent of the adult population of Israel, reports that members receiving exemptions from certain payments, mostly due to their status as income maintenance recipients, cost the HMO, on average, nearly twice as much as other members (Bar-Nir, 2003). In other words, poor people, among whom women are prominent, consume more or more expensive medical services. For the time being, the public health system covers most of their health bills.

However, privatization and the opening of the provision of health services to international competition, generally result in these becoming more expensive and therefore less accessible to low-income women (White, 2001).

Under Israel's National Health Insurance Law, a standard, very generous package of health services is provided to all by non-profit HMOs. There are presently four such HMOs, all of which were in existence prior to the law's passage in 1994. The HMOs are supposed to compete for members by offering higher quality services or lower co-payments for certain services; the law permits health consumers to transfer membership from one HMO to another at fixed times. The law also allows for the licensing of additional HMOs, provided they meet certain conditions, among which is non-profit status. Notably, there have been attempts to amend the law to allow for the licensing of for-profit service providers - without success to date. Thus, the stage is already set for both privatization and foreign competition. The Israeli public health system already involves competition between the major service providers. And these providers themselves outsource many of their services to both non-profit and for-profit suppliers.

If the wide array of health services presently being supplied directly by the Israeli government or by the four non-profit HMOs licensed under the National Health Insurance Law are included in GATS, it is not unlikely that multi-nationals would bid for contracts for service provision. They could either set up a new branch in Israel or take over an existing service or even one or more of the HMOs. Should this happen, the immediate outcome would be the diversion of health budgets to cover the salary of the CEO, the reduction of the salaries of the majority of health workers employed by the service or HMO, and increased costs passed on to the consumer. We would see a shrinking of the benefits package to which all residents are entitled and an increase in co-payments. The amount of health care Israelis receive would come to depend less on need and more on income. Here low-income women would have the most to lose, both as direct consumers of health services and as mediators for other family members. As the income of Arab citizens of Israel is much lower than that of Jewish citizens (Swirski, S. and Konor-Attias, 2002), Arab women would have more to lose than Jewish women.

Such a development would have a domino effect and would signal the end of the Israeli public health system as we now know it.

In the event of such a scenario, could we retrace our steps and re-institute the previous arrangements? Among other things, this probably could not be done without imposing regulations on the foreign supplier(s) that would constitute a barrier to trade, and, as such, subject the Israeli government to legal action for damages (Spieldoch, 2001: 3).

Education

As noted above, tertiary education in Israel has already undergone significant changes in the direction of commercialization and is already open to foreign universities. An update published in December 2002 by Education International, a non-profit educators' federation that has committed to exempting education and health care from the provisions of GATS, reports that Israel is among the WTO members on which the United States is making the heaviest demands with regard to higher education in the current GATS negotiations. The demands are that Israel "[r]ecognize degrees issued by accredited institutions of higher education (including those issued by branch campuses of accredited institutions); and adopt a policy of transparency in government licensing and accrediting policy with respect to higher education and training. Undertake full commitments for market access and national treatment in modes 1, 2 and 3 (mode 1: cross border supply of a service; mode 2: consumption abroad; mode 3: commercial presence [of a foreign company in Israel]) for higher education and training services, for adult education, and for 'other' education, and for testing services" (Education International, 2002).

Thus far, the opening of Israeli higher education to foreign universities has meant, on the one hand, increased opportunities for further study and advanced degrees, and on the other, lower academic standards for many of those degrees and inferior pay for lecturers. Teachers have been prominent among the Israelis seeking higher degrees in local branches of foreign universities. The quality of the advanced degrees obtained from a number of foreign universities located in Israel is coming under question, a development that impacts negatively on the status of teachers. As mentioned above, the United States has put forth the demand that Israel give full recognition to these degrees.

To date, primary and secondary education services in Israel have not been open to foreign institutions or corporations. There is no doubt that any future inclusion of primary and secondary education services in Israel's GATS commitment would be detrimental to women, both as service providers and as service mediators for their families. The Israel public education system suffers from two major problems: large inequalities in the quality of schools and the achievements of their students in different types of localities; and the degradation of the status and salaries of teachers. The best schools are located in affluent neighborhoods in the big cities, the worst in Arab cities and towns and poor Jewish towns and urban neighborhoods. Israeli teachers, whose occupational status is at an all-time low, are mostly (75 percent) women.

Privatization, in all its forms - from the increasing compulsory payments collected from all parents, to the voluntary payments contributed by middle- and high-income parents to compensate for decreasing government budgets, to the creation of autonomous "charter" schools - is a phenomenon that leads to an increase, not a decrease, in inequality. The loss of regulatory control that is bound to accompany any extension of elementary and high school education to foreign suppliers, will rule out the possibility of any future nationwide, coordinated effort to improve Israeli schools located in disadvantaged communities.

The possibility of the ownership or operation of Israeli schools by for-profit companies from abroad will not augur well for teachers, either. Those employed by prestigious schools may be offered better remuneration, but the rest will experience a further reduction of their salaries, along with fringe benefits, as it is highly unlikely that private concessionaires will permit unionization.

Social Welfare

The field of social welfare, which like education and health, involves a mix of private and public services, has recently opened up to foreign suppliers, independent of GATS. An experimental "welfare to work" program slated to begin in 2003 or 2004 involves inviting pre-selected companies from the United States to operate one-stop service centers for unemployed persons receiving income support payments from the state.

Israeli women stand to lose both as service providers and as clients. Social workers and others employed by suppliers from abroad will in all likelihood not be covered by collective wage agreements. The pool of clients for this new service is dominated by women, who comprise 65 percent of recipients of income support payments. Solo mothers alone account for 35 percent of recipients. The experiment itself has already served as a cover-up for the drastic reductions (30 percent, on average) in income support payments just instituted (June 2003); its “added value” will be the opening up of the field of social welfare services to the international service market.

What Equality and Social Justice Stand to Lose

The legitimacy of the state is based on the principle of representation, while the legitimacy of the business enterprise is based on the principle of profit-making for stockholders. The state can provide education, health, and social services for people who do not bring it any “profit”; a business enterprise will provide for those who do.

For Israel, committing its social services to GATS would exacerbate the present trend towards social and economic inequality, including gender inequality. It would involve the creation of two levels in all the public services systems: a tier of persons who benefit from private services that are both expensive and prestigious, and a tier of persons who have to be satisfied with public services whose level is being downgraded, due to loss of support from those who are able to take advantage of the first tier, in what threatens to become a vicious circle.

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