

# REPORT ON ISRAELI SETTLEMENT IN THE OCCUPIED TERRITORIES

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## ISRAEL'S SETTLEMENT BUDGET TOPS ONE BILLION DOLLARS

Israel's construction of Jewish settlements in the occupied territories during 1992 is continuing at the furious pace established in 1991. The Shamir government's 1992 budget—\$1.2 billion—envisages the second largest annual public expenditure for settlements in the 25-year history of Israeli occupation.

The unprecedented building program throughout the territories has been sparked by the massive influx of immigrants from Russia and other former Soviet republics and the looming threat to future Israeli control of the territories presented by U.S.-led diplomacy. In May 1989, for example, only 900 housing units were under construction in the West Bank and Gaza. By December 1991, that figure had increased to almost 14,000 with another 8,000 units in the pipeline. In addition, 3,670 mobile homes were put in place in the territories.

"The program of the Ministry of Housing for the year 1992 will be executed for the most part in unified Jerusalem, Judea and Samaria, the Golan Heights, Wadi Ara, and the Galilee," said Minister of Construction and Housing Ariel Sharon at the end of 1991.

Israel's 1992 budget provides for construction of at least 8,000 publicly-financed homes in the West Bank and Gaza in addition to the 8,000 units funded, but for which ground was not broken during the 1991 fiscal year. Five thousand of these units were originally planned to be located in Israel, but right-wing pressure on the Shamir government resulted in their reassignment to the West Bank.

Two-thirds of all construction in the West Bank is

## U.S. CONTINUES PRESSURE ON LOAN GUARANTEE TERMS

The renewed debate about the provision of U.S. loan guarantees for Israel's assimilation of immigrants has provoked consideration of a number of policy issues.

At a minimum, Washington appears to be insisting on exacting a financial cost for continuing settlement and perhaps even forcing a slowdown if not a halt in Israel's settlement program.

The plan proposed by Senator Patrick Leahy (D-VT), who chairs the Senate Subcommittee on Foreign Operations, contains the following elements:

- First year loan guarantees of no more than \$2 billion;
- The amount of loan guarantees provided in the first year to be reduced by whatever the Israeli government spends to expand its settlements in the occupied territories.

Testifying before the House Foreign Affairs Committee on February 6, Secretary of State James A. Baker III noted, "It is the view of the administration that any additional assistance [to Israel] should be extended only on terms and conditions that support United States policy positions and that do not run counter to United States policy positions, positions that have been the policy of every administration since 1967."

Washington's insistence on policies that would oblige Israel to end or even to curtail settlement construction beyond the Green Line would mark a significant departure from U.S. policy as well as establish a specific Israeli political quid pro quo for U.S. aid.

Israel must weigh the need for U.S.-guaranteed funds against its longstanding refusal to freeze settlement activity. The government of Prime Minister Yitzhak Shamir doubts that the United States will force him to choose between settlements and the loan guarantees.

"We see construction all over Judea, Samaria, and the Gaza Strip...." noted Shamir at the West Bank settlement of Betar on January 20. "No one, no power in the world, will prevent this construction!"

## TO OUR READERS

The following is excerpted from the testimony of the Report's editor, Geoffrey Aronson, before the House Foreign Operations Subcommittee of the Committee on Appropriations on February 21.

The United States is faced with a choice—and a test of its credibility in the eyes of Israel, the Arab world, and the American people.

American aid to Israel has always carried conditions. That these were not onerous or opposed by Israel in the past does not mean that they did not exist.

Today the United States is asking that in return for U.S. assistance, Israel limit settlement in the West Bank and Gaza Strip and pay a penalty for whatever it continues to build in these areas. As Secretary of State James A. Baker has

Both the United States and Israel are facing a test of their principles on the issue of loan guarantees for Israel's assimilation of CIS immigrants.

For the Bush administration, the issue is one of credibility. The United States has been consistent in its declared opposition to Israeli settlement in any of the territories occupied by Israel in June 1967, and it has marshalled prodigious legal justification for its case. But Israel has never been asked by Washington to pay a price for its settlement policies—until today.

After a generation of tolerating ineffective verbal protest, Washington has decided that, in the words of Secretary of State James A. Baker III, "any additional assistance should be extended only on terms and conditions that support United States policy positions and that do not run counter to United States policy positions."

Whatever the resolution of this issue, this decision to tie U.S. aid to Israel's political behavior marks a new departure for U.S. policy in its relations with the Jewish state.

Because of this new U.S. position, Israel has been forced to confront its own priorities. Long accustomed to U.S. aid, without burdensome conditions, the Is-

said, both of these conditions are consistent with U.S. policy, and they enjoy broad public support.

If reports about U.S. policy are accurate, the Bush administration may have excluded the Golan Heights and East Jerusalem from its restrictions and is considering permitting Israel to complete construction already begun in the West Bank and Gaza.

These allowances will vitiate the effectiveness of U.S. efforts and involve the United States in protracted negotiations that will further test the U.S. commitment to its belief that settlements are illegal and an obstacle to peace.

The integrity of U.S. policy can best be assured by its application to all territory occupied by Israel in June 1967 and by insisting upon a complete and permanent freeze in all civilian Israeli construction and related expenditure.

Israeli leadership dreads the precedent such an innovation portends, not only regarding settlements but also for its rule over the occupied territories generally.

Israel has framed the U.S. demands as a choice between immigration or settlement. Both are cardinal principles of the Zionist idea, and Prime Minister Yitzhak Shamir is loathe to choose between them. He can be expected to attempt to convince Washington to retreat from this zero-sum calculation.

Given past U.S. performance on the settlement issue, Yitzhak Shamir cannot be blamed for doubting the credibility of U.S. insistence on a permanent limitation of settlement. He well remembers a quarter century of ineffectual U.S. protest and his success last year in winning an initial installment of \$400 million in loan guarantees without any concessions or restrictions on Israel's freedom of action in the West Bank.

At that point Israel thought it had made a bargain.

"We exercised restraint during the Gulf war," explained Minister of Defense Moshe Arens recently. "The Americans will close their eyes to settlement."

One hopes that Arens is proven wrong.



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## SETTLEMENTS AT CENTER STAGE IN WASHINGTON PEACE TALKS

At the second round of Israeli-Arab negotiations, the Palestinian delegation made good on its longstanding demand that the issue of Israeli settlements in occupied territories be placed at the top of the negotiating agenda.

The Palestinians presented two detailed memoranda January 14. The first concerns the nature and powers of a Palestinian Interim Self-Governing Authority (PISGA), which is intended to replace Israel's military administration of the West Bank and Gaza; the second examines the rationale for and describes the elements of a settlement freeze. (See document at right.)

PISGA is at the heart of Israeli-Palestinian diplomacy. It represents a possible successor to Israel's military government, which has ruled the territories for almost a quarter century. The PISGA memorandum noted however, that a "cessation of Israeli settlement" was a prerequisite to any progress on negotiating the establishment of the self-governing authority, or, as Israel describes it, the "autonomy" regime.

"We indicated ... that we consider settlements to be a central issue," explained Dr. Haidar Abdel Shafi, head of the Palestinian delegation, "and if there is no cessation of the settlement process, that, practically, means there is no peace process."

Palestinian concerns about Israeli settlement were outlined in a memorandum that made the following points:

- Continued settlement is tantamount to de facto annexation.
- Settlements represent an Israeli effort to determine the outcome of negotiations in advance.
- Settlements are illegal under international law.
- Postponement of the settlement issue to "final status" negotiations would legitimize illegal settlement.

An appendix to the memorandum offered a 14-point outline of the measures necessary to implement a settlement freeze in the occupied territories, including East Jerusalem. "In sum," concluded the memorandum, "Israeli settlement activity constitutes an imposition of a unilateral solution by force to the conflict and issues we have come to resolve through peaceful negotiations."

"The issue of settlements is now squarely on the negotiating table," said Palestinian spokesperson Dr. Hanan Ashrawi. "Settlements are the magic key to the success of the negotiations."

Israel's assessment of progress at the meetings was more circumspect. Eliahakim Rubinstein, head of the Israeli delegation negotiating with the Palestinians, said that his delegation "primarily dealt with the agenda for more detailed negotiations. Each side presented ideas for the agenda. Naturally we have differences of opinion. There are also certain issues on which our viewpoints—at least in broad outlines—are more similar. However, I assume that there will be more negotiations on this." ♦

## PALESTINIAN MEMORANDUM CALLS ON ISRAEL TO CEASE SETTLEMENTS

*The following are extended excerpts from a draft of a memorandum presented by the Palestinian delegation to the Israeli delegation at the outset of the second round of Israeli-Palestinian negotiations.*

14 January 1992

To: The Israeli Delegation

From: The Palestinian Delegation

### Continuing Israeli Settlement Activities Jeopardize Negotiations on a Palestinian Interim Self-Governing Authority

The issue of Israeli settlement activities in the Palestinian occupied territories must be discussed at the outset of our negotiations, and Israeli settlement activities must cease for us to successfully negotiate the main issue of this phase of negotiations, the Palestinian Interim Self-Governing Authority [PISGA].

1. Israeli settlement seriously and adversely affects the basic components of PISGA .... Settlement is tantamount, as U.S. Secretary of State James Baker has observed, to "de facto annexation" ....

2. Israel's alarming escalation of settlement activity means that the subject matter over which we are negotiating is being subject to rapid and unilateral transformation .... If settlement activities are not halted there will be little left as a subject for negotiation ....

3. Cessation of settlement activities does not fall into this [final status negotiations] category.

a. The building of settlements on occupied territory is fundamentally illegal ... violating Article 49 (6) of the Fourth Geneva Convention of 1949 and Article 43 of The Hague regulations of 1907. There is no basis for any argument that illegal settlement activity should not cease immediately because it is claimed that such a discussion is reserved for a later stage. Otherwise the terms of reference and time table would legitimize illegal activities, which is clearly not their intent.

b. No party may take unilateral action that seeks to pre-determine issues that can only be resolved through negotiations. Continuing settlement will clearly prejudice and pre-empt the final status ....

c. Israel cannot use its position as belligerent occupier to permanently alter the status of the Occupied Palestinian Territory and to prevent its return through peaceful negotiations.

4. Israeli settlement activity creates an apartheid-like system in the Palestinian Occupied territories that presents

MEMORANDUM, *continued on page 4*

centered in towns like Ariel (population 10,000), Karnei Shomron (population 4,300), Ma'ale Adumim (population 15,000), and Givat Ze'ev (population 6,000)—large suburban areas within commuting distance to Tel Aviv and Jerusalem. The smaller, more remote settlements, however, are attractive to newcomers, perhaps because the settlement councils succeeded in getting mobile homes quickly installed and therefore have housing readily available. In 1991, for example, almost half of the 16,000 Israelis who moved to the West Bank chose these outlying areas.

This new preference has reversed a trend and belies popular assumptions about the distribution of the settler population. Whereas 85 percent of West Bank settlers lived in the Jerusalem or Tel Aviv metropolitan regions in 1986, the figure today is only 60 percent.

Up-to-date construction plans for annexed East Jerusalem have not yet been disclosed. The city's multi-year plan, however, calls for the construction of 5,000 units in 1992.

Total Israeli expenditures over the Green Line during 1992 are projected by the *Report* to total \$1.2 billion. The comparable figure for 1991 was \$2 billion.

Today's settler population of 92,000 in the West Bank equals barely 10 percent of the Palestinian population of one million. As the construction boom of the 1990s matures, the number of settlers is projected to increase dramatically.

Israel estimates that in the year 2005, there will be almost 1.5 million Palestinians in the West Bank. Although Israel's master plan for immigrant absorption (see July 1991 *Report*) contemplates a settler population of 250,000 by 2010, according to *Ha'aretz* reporter Nadav Shargay, "the Jewish population in Judea, Samaria, and Gaza need only grow by an average of 10 percent annually until 2005 for the number of Jews in the West Bank [and East Jerusalem] to total 500,000."

The population increases in annexed Jerusalem will be equally imposing. Danny Rubinstein, writing in *Ha'aretz* on December 2, reported that Jerusalem's population of 140,000 will grow by 27 percent—40,000—this year. When this figure is added to that for the rest of the territories the settler population at the end of 1992 will equal more than 8 percent of Israel's Jewish population.

"Even if the government is compelled [by the U.S.] to freeze its construction plans," writes Rubinstein, "the settlers will be close to achieving their goal—a massive Jewish presence in every corner of Judea, Samaria, and Gaza that will obstruct the transfer of administrative authority to the Arabs. All they need is a little more time." ♦

### Jewish Population in the West Bank\*

		% increase over previous year
Sept 1992	115,000 (est.)	26.0
1991	92,000	21.0
1990	76,000	10.0
1989	69,000	8.5
1988	63,600	

• Not including areas of annexed Jerusalem. Population figures vary depending upon the source. Figures for 1989 and 1990, cited by Danny Rubenstein in *Ha'aretz*, December 14, 1990, are based on data from Israel's Central Bureau of Statistics.

### MEMORANDUM, *from page 3*

a legal and practical barrier to the implementation of the PISGA.

In sum, Israeli settlement activity constitutes an imposition of a unilateral solution by force to the conflict and issues we have come to resolve through peaceful negotiations.

### Appendix: Definition of Cessation of Settlement Activity

Cessation of Israeli settlement activities and land confiscation includes the following:

- Establishing new settlements
- Expanding existing settlements
- Changing the status of existing settlements
- Development infrastructure for existing or new settlements
- Seizing land or housing for use by settlers
- Acquiring, by whatever manner, land or other natural resources for use by existing or new settlements
- Converting military, para-military, and NAHAL settlements into civilian settlements
- Using sealed or closed areas for settlements
- Converting mobile homes in new or existing settlements into permanent structures
- Public and private investment of funds across the Green Line
- Incentives offered to settlers, both domestically through the state, the national institutions (JNF) [Jewish National Fund], and the private sector, and internationally through non-governmental organizations
- Application of all the above to East Jerusalem ♦

CONFRONTATION INEVITABLE

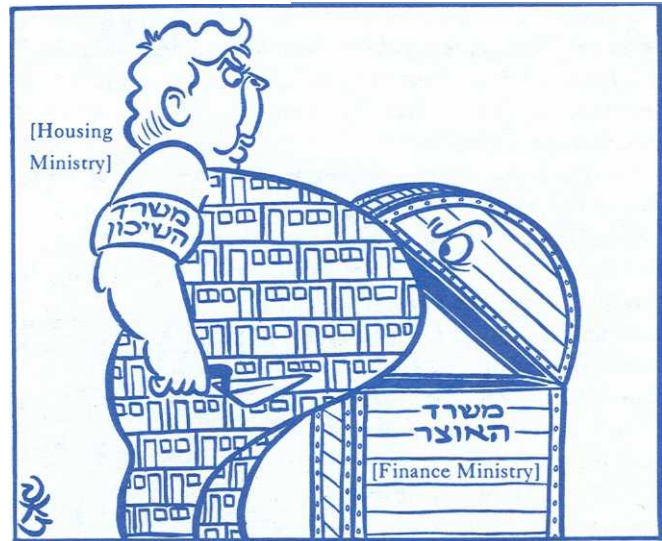
Commentary by Avraham Tal: "An Investment in a Bleak Future," translated from Ha'aretz, January 7, 1992.

How many millions are budgeted for building, infrastructure, and maintenance of Jewish settlements in the territories? Does it involve an annual outlay of hundreds of millions of shekels or billions? Only very few budgetary directors and settlement leaders can answer those questions, and maybe even they cannot. The sums diverted to the territories every year come from various sources, take on diverse forms, and are directed at different targets. In addition to the objective difficulty of calculating the total funds flowing into the territories, there is a clear impression that those involved are doing their best to obscure the data ....

On a multi-year basis there is no doubt that the amount allocated for developing Jewish settlement in the territories is already being measured in billions of dollars. Translating those huge amounts into facts on the ground can be done by anybody travelling the roads of Judea, Samaria, and the Gaza Strip: An infrastructure has been established already capable of serving a Jewish population of 120,000 (with some 30,000 adults above the age of 18) and perhaps more.

Large sums from the state budget will be appropriated for the territories this year as well. There are no verified data on the total allocations. Some \$69 million are directly and overtly budgeted this year for investment in infrastructure (mainly roads), new settlements, and the expansion and maintenance of existing settlements. In addition, various sums are allocated to the territories directly through the various ministries (education and culture, labor and welfare, etc.) Investment in infrastructure via Bezeq, the electricity company, Meqorot, the national water company, and others are not done through the state budget. Some 5,000 building units in the public sector will be started in the territories this year in addition to building that had previously been planned. Due to that, settlement leaders can look forward with certainty that in late 1992 the existing settlements and the new ones will be capable of absorbing many more inhabitants, and of perhaps fulfilling their target of 200,000 Jewish inhabitants.

What will be the outcome of this enormous settlement drive? The settlement leaders have no doubts; it assures that the territories will become an inseparable part of the State of Israel. The facts created on the ground will not permit, in their view, reaching any other outcome whether at the negotiating table, or, if there is a need, on the battlefield. On the last point, we should add that some of the settlers openly, and perhaps most deep in their hearts, hope for a decisive outcome which resolves the problem of



Source: Ha'aretz, November 21, 1991

the Arab Palestinians through a radical solution based on the precedent of the War of Independence.

There is, however, also another possibility. Things will continue as they are now for some time; in other words, a situation in which there is no unequivocal outcome. Jewish settlement will continue to grow from year to year (but with no chance of keeping up with the Arab population growth) despite the confrontation with the hostile Palestinian environment. If the chance of reaching a political settlement, whether voluntarily or by dictate, is given the importance it deserves—close to zero—and the possibility of an extremist decision—in other words, following a military confrontation—is rejected, then continued development along the present lines is the most reasonable prospect. Jewish settlement will grow and bloom and at the same time the bloody clashes between Palestinians and Jews on the roads and, later, also on the edges of the settlements and then inside them will continue and worsen ....

From that viewpoint, it is a waste of casualties. First, all those good and industrious Israelis who are suffering meaningless deaths on the roads in Judea, Samaria, and the Gaza Strip, which in the long run will not serve any useful purpose for the Jewish people, are regrettable. Second, the billions of shekels allocated to the territories are a waste; they do not serve any useful purpose in the long run, and in the short term they detract from the limited resources at the disposal of Israeli society to meet pressing needs and to alleviate poverty. ♦

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## ISRAELI HIGH COURT TO JUDGE LEGALITY OF SETTLEMENT

"The occupation of the territories is temporary and the question of its termination is an issue for negotiations. In the framework of a peace treaty it is also possible that the settlements will be dismantled." So began a lead article in the Israeli newspaper *Ma'ariv* describing a petition filed with Israel's High Court of Justice, which for the first time is considering the legality of civilian Israeli settlement in the occupied territories.

Filed in late 1991 by the Israeli Peace Now movement, the suit charges that Israel's policy of settling its Jewish citizens in territories held under occupation since June 1967 is motivated by ideological, not security needs and is therefore illegal under international law. The government's reply asserts the legality of Jewish settlement, whatever its motivation.

"Any settlement not undertaken for security reasons is illegal," notes a summary of the Peace Now petition, "and contrary to the State's commitment under law to refrain from imposing sovereignty in the occupied territories [and] to maintain customary international law. Settling a large population of the conquering state in the occupied territory is forbidden in itself and because of the demographic, economic, and social changes which it creates in the territories."

In its response, the government of Yitzhak Shamir argued that Peace Now had no standing to bring its case, and that in any event, it had waited over 20 years—too long—to make its complaint. The government insisted that article 55 of The Hague Convention of 1905 permits Israel to make unlimited, if temporary, use of all state lands, including establishing civilian settlements.

"A state that institutes a military government," the government claimed, "is able only to administer and 'reap the fruits' of public buildings, lands, and forests, and of agricultural enterprises located on the land belonging to the enemy state." Civilian settlements established on such lands, whether for security or other reasons, are not necessarily permanent, and therefore fall under this protection, the government asserted.

The government contended that Israel has "weighty claims to sovereignty over the territories involved, and that no other party holds a prior claim to sovereignty which can take precedence over Israel's claims." It also acknowledged that the territories' final status cannot be resolved unilaterally; it "can be determined by international negotiations ... which would be validated by international law."

The government accepted previous High Court rulings that settlements are "provisional" and noted that the status of the settlements will be determined by "a new arrangement which will become operative according to international law and it is that [agreement] which will determine the status of the settlements in the territories."

The provisional nature of Israeli settlements—at least in a judicial sense—is a keystone of government doctrine. Haim Cohen, deputy president emeritus of Israel's High Court, for example, has written, "We hold the [West Bank] as trustees only. It is elementary that a trustee who takes for himself from the trust property is stealing in one of the ugliest ways."

**"We hold the [West Bank] as trustees only. It is elementary that a trustee who takes for himself from the trust property is stealing in one of the ugliest ways."**

Member of the Knesset Yossi Sarid, representing Israel's Citizens' Rights Movement, saw the government's reply as supporting his argument that "settlements are temporary." Applauding the government's position as "logical and reasonable," Sarid sent a copy of it to Israel's delegation then in Washington.

Right-wing politicians were less enthusiastic. MK Yitzhak Levy of the National Religious Party [NRP] declared, "Our ownership of part of the Land of Israel does not depend on security reasons." He called the government's position a threat to his party's continued participation in the Shamir

government.

Settler groups argue that settlement in the occupied territories is anchored in Israel's Law of Return, which assures every Jew the right to Israeli citizenship.

Alluding to Peace Now's condemnation of the existence of separate legal codes for Palestinians and Israelis residing in the territories, the settlers suggested that the solution was not the end of settlement but annexation of the territories to Israel.

The reaction of politicians determining Israel's settlement policy suggest they see no need as yet to respond to the issue raised by the Peace Now petition.

"Common sense tells me that [the permanent status of the settlements] will be decided in negotiations," remarked Minister of Health Ehud Olmert, who often speaks for Prime Minister Shamir. "Seeing that the government's position is that we will not cede those territories and settlements, logic tells me that we will not give them up." ♦

## SETTLEMENT SNAPSHOTS

Israel Harel, editor of the settler magazine *Nekuda*:

"Look, in almost four years of intifada, we [settlers] grew by almost fifty percent. Those who come are from all political parties. I am happy about this, because we never depended solely on the avant garde. You have to remember that a new generation is planted here, for whom Judea and Samaria are existing facts."

Hava Sapir, office employee at the West Bank settlement Mikmash, who commutes from her home in a kibbutz in Israel:

"The settlements are an existing reality, therefore I don't have any problem working there, and my kibbutz has no problem either. Everyone knows that I work there .... I am ideologically opposed to settlement, and I much prefer that the territories be returned. But in the meantime, settlements are a fact on the ground, and I don't see any reason whatsoever why I shouldn't work there and earn money."

One of the homeless Israelis, who together with Russian immigrants comprise the 120 families housed in Givon camp on the West Bank:

"Me, I'm against the building in the territories. All that money needs to be spent on apartment building for renters inside the Green Line. But they aren't doing that. They prefer to throw billions at the territories, and we have nowhere to live. So until they find us a place to live, or until they return the territories, whichever shall come first, we will live here."

A Palestinian laborer from the West Bank working at the West Bank settlement Ali:

"What logic is there to this—that Arabs build houses for Jews on land belonging to Arabs? Why am I doing this? Because I must work and earn money for my family .... So I build and in my heart I pray that tomorrow they will return all this land to Arabs, and I hate myself, but I have no choice."

Roman, a Russian immigrant building the West Bank settlement of Ali:

"I am with Labor [Party]. But you know what? Since I came here from a fascist country, it seems that I've come to the very same place. All the time they are convincing us to live in the territories. Apartments—there are none—so I live in Nes Ziona [in Israel] in an apartment that costs \$550 per month, and there is no work. So I work here for IS 2,000 [\$800], and from here, after 12 hours of work and travel I return to Tel Aviv and clean stairways. My wife can't find work, but she had some luck and now washes floors in all kinds of apartments for IS 800 [\$325] per month. They tell me, 'Come live here!' but from an ideological perspective I don't want to. I want the government to return the territories, and that there will be peace, and that we will give Palestinians their rights. But I must work here, because the other alternative is to look for food in the trash heaps. For this, I, who was the manager of a large construction company in Russia, am not suited."

Max, a resident of Ariel, a West Bank settlement:

"Build, build, all the time building. Hundreds of apartment units are being built here, and they say there are buyers as well. Is this good? It is certainly not. In the last elections I was active in the Labor Party. Now I am still with Labor. So what am I doing here? I am living here until the evacuation that I hope will happen tomorrow, or until I succeed in moving to Jerusalem, which is what I hope will happen first. We bought our apartment here with no money. Now we can sell for \$83,000 and find something in Jerusalem for much less than that. So maybe everything will take care of itself. We had no choice, this was the only place where we could afford an apartment. The place itself is very nice. There are practically no people here with a pro-settlement ideology. Many would willingly leave for Israel tomorrow, if they would only give them mortgage terms similar to those available here."

Excerpted from "Facts on the Ground," by Niri Livona, in *Hadashot*, October 4, 1991.

## "IT'S THEIR CHOICE"

By Senator Patrick J. Leahy (D-VT)  
*New York Times*, February 11, 1992

For 25 years, every President, Democratic and Republican, has opposed Israel's policy of building settlements in the territories occupied in the 1967 war. But Israel has refused to curtail or halt the settlements. America's opposition has been largely diplomatic and rhetorical—until now. Both countries can no longer paper over this fundamental disagreement.

More than 300,000 Jews from the former Soviet Union have gone to Israel in the last two years. Israel desperately needs our help to absorb them and the hundreds of thousands expected in the next few years.

Yet even as Israel is asking our help, it is expanding the construction of the settlements at an unprecedented speed; in so doing, it is ignoring the increasingly blunt criticism by the Administration, which is determined to press the Middle East peace talks to a successful conclusion.

Israel wants the guarantees (which would enable it to borrow from commercial banks at favorable terms) without any conditions, to be used as it sees fit. But this won't

happen ....

I strongly support helping Israel absorb the immigrants, but I will not support aid that would be used to finance further expansion of the settlements. I have proposed a solution that can form the basis of a compromise that protects each side's basic principles.

Under my proposal, the sum total of the guarantees that the U.S. decides to provide will have to be reduced dollar for dollar by the estimated cost of completing any housing and related infrastructure under way as of a date to be decided upon—for example, January 1—plus the cost of any construction begun after that date. This means the guarantees would not directly or indirectly contribute to Israel's budget, enabling Israel to build more houses, roads, sewers, water mains, power lines, etc. in the territories.

It also means the Israelis will face a choice about national priorities: what is more important, receiving full assistance to resettle the immigrants or continuing to build settlements at the cost of aid? ...

The Bush Administration, Congress and Israel need to settle this issue soon. If the Administration and Israel do not agree on an acceptable solution, or accept the alternative legislation I will propose, loan guarantees will be dead for 1992. •

### LOAN GUARANTEES, *continued from page 1*

U.S. policy is testing Israel's determination to prevent the linkage of American aid to Israel's political behavior—which in this case is Israel's settlement policy. If this linkage is established, Israelis fear that not merely settlement construction but also the control of the West Bank—and even Israel's nuclear option—might eventually be jeopardized.

"We cannot establish a link between those guarantees and the principles of our national policy," declared Shamir in a February interview published in *Le Figaro*.

All signs point to protracted negotiations over the terms under which the guarantees would be offered. However, Senator Leahy has warned that if no deal is struck soon, "there won't be a loan guarantee package this year." •

"If George Bush does not hold firm in opposition to the unilateral expansion of Israel's West Bank settlements, then Palestinians and everyone else will have seen Washington cave to an Israeli power play and forfeit its bravely claimed role as a principled mediator in American-sponsored peace talks. It will be a foreign policy disaster—a Bush disaster."

Stephen S. Rosenfeld  
*The Washington Post*, February 21, 1992

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