

REPORT ON ISRAELI SETTLEMENT IN THE OCCUPIED TERRITORIES

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GAO: '91 LOAN TERMS FAILED TO AFFECT SETTLEMENT POLICY

The Government Accounting Office (GAO) has confirmed that conditions attached to the \$400 million in loan guarantees provided by the United States in 1991 "had no discernible effect on Israel's housing policies and did not influence the Israeli government's decisions on where to build new housing or on how much settlement activity to undertake in the occupied territories."

The report, requested by Senator Robert Byrd (D-W.Va.), noted that despite assurances given by the Israeli government in connection with the loan guarantees, "incomplete information was provided on settlement activities, [and] Department of State officials provided no evidence that any information on government spending in the occupied territories was provided."

"The GAO report is not reassuring regarding the cooperation of the Israeli authorities on the provision of reliable information on settlement activity to the State Department," noted Senator Byrd, who received the report in February.

Israel's pledges were contained in an October 2, 1990, letter from Israeli Foreign Minister David Levy to Secretary of State James A. Baker III. In the letter, Israel made five commitments:

- Israel would periodically supply the U.S. administration with building plans, "including special

GAO REPORT, *continued on page 12*

ISRAELI SETTLEMENTS SCUTTLE \$10 BILLION LOAN GUARANTEES

The Shamir government's adamant refusal to curb its settlement program in the occupied territories has prevented U.S. support for Israel's request for \$10 billion in loan guarantees.

Efforts in March to reach a compromise between President George Bush and congressional leaders failed because of the administration's insistence that new construction in the territories be frozen as a condition for the guarantees.

"We will not accept any proposal by the Congress which fails to meet this fundamental test," explained State Department spokeswoman Margaret Tutwiler. "It must be consistent with United States policy since 1967 that settlements are an obstacle to peace."

The president promised to veto legislation presented by Senators Patrick Leahy (D-Vt.) and Robert Kasten (R-Wis.), which proposed the following:

SETTLEMENTS, *continued on page 5*

Construction in Territories Quadrupled in 1991

The number of building starts in the West Bank and Gaza Strip climbed to 8,110 in 1991, according to an April report by Israel's Central Bureau of Statistics (CBS). This figure is more than four times greater than the 1,810 starts recorded by the CBS in 1990.

The CBS noted that 10 percent of all government housing construction occurred in the West Bank and Gaza Strip in 1991, a 2.5 time increase over 1990. In 1992, more than 75 percent of Israel's housing construction budget is scheduled for allocation to the West Bank alone.

The next issue of the *Report* will analyze the pace of construction in the territories and its place in recent disputes between the United States and Israel.

TO OUR READERS

Israeli voter support of the ideologically driven Likud settlement policy in the occupied territories will continue as long as this policy does not entail significant political or economic costs. Recent U.S. initiatives on this issue, capped by the administration's insistence that loan guarantees be linked to a settlement halt, are forcing the Israelis to reappraise the value of Likud's settlement program.

Prime Minister Yitzhak Shamir had every reason to doubt George Bush's commitment to link U.S. aid to a change in settlement policies. As Yitzhak Rabin notes on page 5, American opposition to Israel's settlement policy had heretofore never been applied effectively or forcefully enough to prompt a change in Israeli policies.

"Israelis," observed Yehoshafat Harkabi, former head of Israel's Military Intel-

ligence, "could understand that the lukewarm [U.S.] opposition to the policy of settlements emanated from the Americans' need to pay lip service to their friends the Saudis. For the Americans, the whole issue was of no great concern."

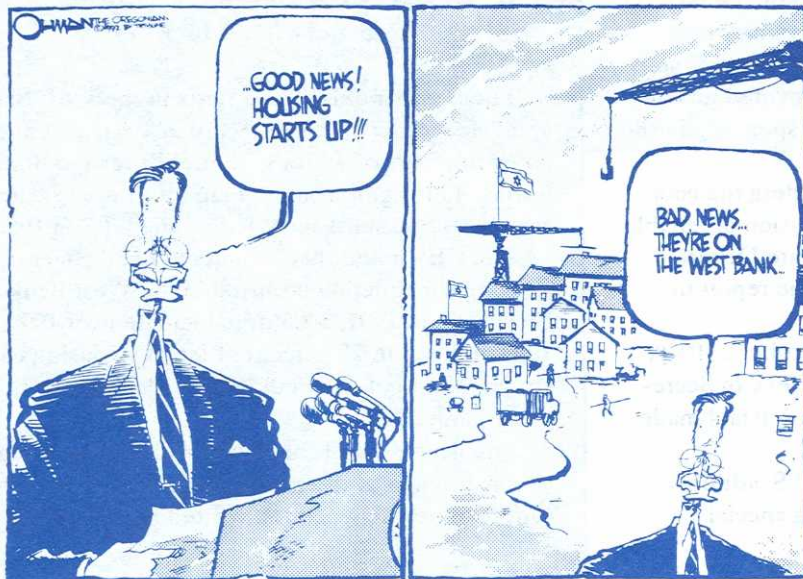
The unprecedented debate that occurred on Capitol Hill and in the press linking loan guarantees to settlements offers proof of a substantive change in U.S. policy under the leadership of George Bush.

The extended excerpts from these forums on pages 6 to 9 offer our readers a unique opportunity to observe the manner in which Israel's settlement policy has become a pivotal issue in the post-Cold War relationship developing between Washington and Jerusalem.



"We have a longstanding policy that settlements are counterproductive to peace. This is not a new policy... and I am determined to see that policy not be altered.... We want to help [Israel] in a humanitarian way, but we simply are not going to change the foreign policy of this country."

President George Bush, March 17, 1992



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U.S. EDITORIAL OPINION FAVORS SETTLEMENT FREEZE

Pressing for Principle in Israel

Since 1967, when Israel conquered the West Bank and Gaza, every U.S. president has spoken out against settlements as either illegal or an obstacle to peace. To back away from that conviction now would betray more than principle and policy. It would undermine hopes for a compromise in the American-brokered peace talks that have just resumed in Washington.

The president and his secretary of state are right to hold firm.

The New York Times, February 26, 1992

U.S. Properly Holds Israel To One Important Condition

As long as Israel clings to the notion of never returning the territories and its creeping annexation continues, the Bush administration reasons, the U.S.-sponsored Mideast peace talks can't succeed....

Thus far, the government of Prime Minister Yitzhak Shamir has rejected the condition as interference in Israel's internal affairs. The Bush administration, though, has held steady.... The United States is not obliged to help finance, even indirectly, a practice that it officially opposes.

The choice is Israel's. It either can obtain U.S. help in making room for new citizens within its recognized boundaries or continue its blockheaded and ultimately dangerous territorial expansion without the benefit of U.S. good faith and credit.

Detroit Free Press, February 17, 1992

A Principled, If Painful, Stand: Flap Over Loan Guarantees For Israel Goes Public

The last five U.S. administrations have regarded Israeli settlements as an obstacle to peace. Now Arab-Israeli talks that could one day lead to peace are under way, making the settlements issue no longer just a theoretical impediment but a practical one. This left the Bush administration with a clear choice: either it could give tangible meaning to the principle of American opposition to further settlement activity or it could accept a compromise that would let the Shamir government pursue its settlement policies, if on a reduced basis. The administration decided on principle, and it deserves solid support from Congress.

Los Angeles Times, February 25, 1992

Principled Clarity On Israeli Loans

The position expressed by Baker—that the \$10 billion loan guarantees for aid to Soviet immigrants to Israel is

contingent, in one form or another, on a halt to Israeli settlements in the occupied territories—is the logical extension of principles expressed by every U.S. administration since 1967.

But it helps to have that principle restated with clarity, for it lifts a fog that may have served the interests of some politicians but certainly did not serve Americans, Israelis or the Palestinians of the occupied territories. Even less did the prior confusion and second-guessing serve the broader, vital interests of the Mideast peace talks, which have resumed in Washington.

Already, Baker's take-it-or-leave-it formulation has been assailed as an interference in the Israeli elections. That's a distinct possibility, but no more likely than the assumption that continued indecision would play to electoral interests.

Whatever the Bush administration chose to do on the loan guarantees would inevitably benefit one party or the other. By choosing clarity and adherence to principle ... [the administration] has also benefitted the long-term prospects for peace, which is in everyone's interest.

San Francisco Chronicle, February 27, 1992

A Quid Pro Quo That's Sensible: Bush is Right to Link Aid to A Ban on Building Israeli Settlements

Rather than blame the Bush administration for making this linkage, Shamir's government must take the responsibility for being unable to distinguish between what is absolutely necessary for the future of Israel—settling the Soviet Jews—and what is politically expedient—giving in to a small band of right-wing ideologues who want to expand Israel's borders.

President George Bush and Secretary of State James Baker deserve support for taking this approach. It's unusual for an administration to confront Israel in a presidential election year. The decision is part of a calculation to help focus the Israeli electorate—which has its own election in June—on the difficult choice before it. The administration's gamble is that Israelis will see the folly of Likud's position and give more support to the Labor Party, which is willing to freeze settlements. A stronger showing by Labor would also give a great boost to the administration's Mideast peace initiative.

For too long, Israel's hard-line governments have finessed the contradictions of its settlement policy.... Now those contradictions have been compounded by the need to concentrate resources to settle Jews and by the best opportunity ever to reach an accord with Palestinians. A freeze on settlements is not an unreasonable request.

New York Newsday, February 26, 1992

RABIN DEFINES LABOR'S SETTLEMENT POLICY IN TRADITIONAL TERMS

Within days of his election to run against Prime Minister Yitzhak Shamir in Israel's June election, Labor Party leader Yitzhak Rabin staked out a position on settlements that appears to differ markedly from Likud government policy. Rabin distinguished between unspecified "political settlements" established by Likud and "security settlements" in regions of the West Bank that Labor seeks to annex to Israel.

Rabin's posture permits him to criticize Likud's program of building settlements at a pace unprecedented in Israel's history and to position Labor to negotiate a "territorial compromise" with Palestinians in the West Bank and Gaza.

Labor's reformulation of its stance on the issue differs little from the party's traditional stand. Labor approves of Israeli settlement in occupied Arab lands and has a record in office, including Rabin's three years as prime minister, of building settlements.

Rabin's opposition to political settlements, and support for security settlements, simply restates Labor's promotion of the Allon Plan. Named for its late author, Yigal Allon, the plan has long defined Labor's outlook on the occupied territories. The plan calls for annexation and settlement of about 40 percent of the West Bank, including East Jerusalem, the city's West Bank environs, the Jordan River Valley—and the western mountain ridge overlooking it—and the Bethlehem-Hebron region.

Territorial compromise wasn't realized in the Labor-led decade from 1967-1977, because Israel's proposal failed to meet minimum Jordanian and Palestinian demands for Israeli withdrawal. In 1976, under Rabin's leadership, settlements were established outside of the Allon Plan, north of Ramallah and on the western slopes of Samaria, regions

where the Likud has concentrated settlement activity.

Rabin is an expansionist who has vowed to continue the settlement program. In the intra-party battle against rival Shimon Peres, Rabin depended upon the support of the vocal settlement movement in the Golan Heights, which together with most Jordan Valley and many Jerusalem area and Gaza Strip settlements were inaugurated by Labor governments.

"Today the Likud claims the copyright on this infrastructure," wrote one Israeli commentator recently. "But the historic truth is that it was Labor that initiated it and laid the foundations."

Rabin has declared his opposition to political settlements—most probably the scores of small, unpopular outposts manned by settlement zealots whose viability, even with the Likud's patronage, is uncertain. Rabin, however, has not addressed the future of boomtowns in the heartland of Samaria. A leading example is Ariel, home to 12,000 settlers who live less than 20 miles from Tel Aviv. It is also the site of an industrial park employing 2,000 workers who produce \$300 million of goods annually, 45 percent of which are exported.

Rabin does not support a settlement freeze of the kind currently demanded by Washington. On February 24 he explained that he "was always for the principle that it is permissible to build settlements even beyond the Green Line. As proof, it was a government headed by me that decided to create Ma'ale Ad umim"—a community of 15,000 settlers east of Jerusalem that was recently declared the first Israeli city on the West Bank.

"We'll continue to settle in Jerusalem," Rabin announced, "and along the confrontation lines [the Golan Heights], especially in the Jordan Valley." •

President George Bush told reporters aboard Air Force One on February 26, 1992, that he did not intend to shift his policy on loan guarantees for Israel because of "political expediency." "We spelled out our policy," noted the president. "There it is. It's a proper policy. It's been the policy of the U.S. government for a long, long time." Asked if it was politically risky to challenge Israel in an election year, Bush replied: "It might be, but I'm not going to shift the foreign policy of this country because of political expediency. I can't do that. I would not have any credibility worldwide."

RABIN: PRESSURED BY ISRAEL IN '76, WASHINGTON KNUCKLED UNDER

Yitzhak Rabin, as prime minister of Israel in 1976, prevailed upon President Gerald Ford to withdraw an official U.S. call upon Israel to stop settlement in the occupied territories.

"In 1976," noted Rabin, the current Labor Party leader, in a March 17 Washington address before the United Jewish Appeal, "I had a different policy than the present government about settlements. But I have never accepted the principle that Israel cannot and should not settle settlements beyond the Green Line."

The request for a settlement halt by Ford came in the context of the creation of the settlement of Ma'ale Adumim, just outside of Jerusalem.

"I was prime minister," continued Rabin, "when we decided about the building of Ma'ale Adumim, outside of United Jerusalem. The U.S. ambassador, Malcolm Toon, came to me with a message from President Ford. The message called for stopping all building of housing settlements beyond the Green Line.

"I said to the ambassador, 'Look. Only the two of us and the president know about the message. You have two op-

dons. One, if you stress that I'll get [the message], I'll bring it next Sunday to the cabinet meeting, and I'll recommend to the cabinet to [reject it]. Since no one knows, and I will not tell any member of the cabinet about it, [I suggest] that the president will take back the message.'

"The ambassador said to me, 'I've never heard that a president of the United States will take back a message that he sends to the head of a foreign government.' I said, 'Try! Try!'

"Forty-eight hours later he came to me, Malcolm Toon, the U.S. ambassador to Israel, and said, 'What I didn't believe happened. The president took back the message.'

"Why? Why could it be worked this way? No one knew about it. It was not leaked. I did not inform any member of the cabinet because cabinet members of all governments leak. Whenever you have this kind of intimate relationship and trust that one will not exploit what is going on privately—there will be misunderstandings. The question is how to cope with it. Each side has to know what are the limits of the other one, and to find ways to agree to disagree about most of the—or, many issues, and to find ways to work on what we can agree...." •



SETTLEMENTS, *continued from page 1*

- Congress would retain the authority to override a presidential suspension of the five-year \$10 billion guarantees.
- The first installment of guarantees would be \$800-850 million after deducting a \$400-450 million penalty for settlement-related expenditures.
- The president could suspend guarantees for "inappropriate" new construction in the territories, excluding "necessary infrastructure needed for the general use of the Arab and Jewish population ... needed medical and educational facilities open to the Arab and Jewish populations ... security-related infrastructure ... scattered dwellings built to accommodate expanded families of those persons living in the territories ... [and] land and property owned by Jews ... prior to May 14, 1948."

This category of protected new construction at best would have complicated administration efforts to enforce a ban on new construction and at worst would have gutted such an effort entirely.

The proposed legislation also prohibited expenditure of guaranteed funds in all the occupied territories, but the adoption of the Israeli term "administered territories" suggested that continuing new construction in both the Golan Heights and East Jerusalem would have been permissible.

The administration offered a counter-proposal the de-

tails of which were not released. In general terms, the Bush plan would have done the following:

- Permitted completion of construction begun before January 1, 1992, but prohibited new construction after that date. (The applicability of the construction freeze to East Jerusalem and the Golan Heights was unclear.)
- Released \$300 million after agreement with Israel.
- Authorized the president to suspend provision of the loan guarantees if he determined that the agreement had been violated.

"We have close, historic relations with Israel," noted Bush on March 17. "But we have a difference now, in terms of these settlements."

Israel refused to meet Bush's demand for a freeze. In a March 16 speech in Washington, Defense Minister Moshe Arens declared, "We are being asked to renounce the right of Jews to live in Judea and Samaria. We are being asked to abandon a key element in Israel's security doctrine as a price for this humanitarian assistance. This, my friends, we cannot do. We are a small people, but we are a proud people and we will not beg or crawl for help."

Given the president's determination to veto the proposed Leahy-Kasten legislation, and Leahy's contention that Congress would not agree to the stricter provisions of the administration's counter-proposal, Israel's chances of receiving the loan guarantees appear to be dead, at least until after Israel's June elections. •

SENATE DEBATES LOAN GUARANTEES

On April 1, 1992, the Senate, by a 99-1 vote, passed a non-binding sense of the Senate resolution [S.Res 277J] "that the United States Government should support appropriate loan guarantees to Israel for refugee absorption." The following are excerpts from that debate:

Sen. Robert Byrd (D-W.Va.): The question is whether the longstanding policy of the United States opposing Israeli settlements in the disputed zones should be discouraged or encouraged. That issue is a fulcrum of our policy toward the future of the Middle East. The stated and demonstrated policy of the State of Israel is in direct contradiction to that of the United States regarding such settlements....

We should wake up to the reality which has been slow to dawn on many, including our own Pentagon, that the cold war is over and the real threat to stability in the Middle East lies in the tension between Israel and its Arab neighbors. And that tension only increases as a result of the continued expansion by Israel of settlements in the occupied territories.

Every United States President since Lyndon B. Johnson has called for Israel to withdraw from the occupied territories with the caveat that some adjustment might be made to ensure Israel's security. The Congress has always supported this policy, and, in 1990, when the United States provided \$400 million in housing loan guarantees, it was explicitly linked to the settlements so that none of the money could be spent in the occupied territories. Unfortunately, this linkage was not enough to influence Israeli policy in any way. The GAO report issued in February found that the guarantee program, as restricted, "did not influence the Israeli Government's decisions on where to build new housing or on how much settlement activity to undertake in the occupied territories." Indeed, the number of settlers in the occupied territories has risen from 75,000 in 1989 to 104,000 in 1991.

I would like to point out, Mr. President, that the Israeli Government's policies and practices regarding the settling of the disputed territories—the West Bank, East Jerusalem, the Golan Heights and Gaza Strip—is very clear: settlement has greatly accelerated during the last two years; two to three times, in comparison with a period a year earlier. There is no restraint, as one might reasonably expect with the development of the peace process and the rising concerns from the United States over the settlement policy—no restraint whatsoever. There is clearly a clash of policy goals between the current Government of Israel and the United States.

The problem is that the recent policy of the Israeli Government is to aggressively promote settlement in the dis-

puted territories. There is the appearance of preemption here—fill the territories with Israeli settlers and thus exert maximum leverage to forever keep the lands and have de facto sovereignty over them. According to Geoffrey Aronson, of the Foundation for Middle East Peace, who testified before Mr. Obey, the Government of Israel in 1991 allocated \$2 billion for settlement-related purposes, funding construction of 19,999 housing units in the West Bank and Gaza. This figure is larger than the combined construction expenditures from 1968 to 1984. According to Mr. Aronson, there is a Government of Israel plan for 106,000 housing units in the West Bank, which would increase the Israeli population in the West Bank by 400,000, at a cost of some \$13-\$14 billion. The Israeli Government will not publish statistics on its plans, but enough information is available to raise the alarm over the accelerated pace of settlement taking place at the same time that a historic negotiation is underway with the Palestinians over the future of those lands. Public information and reports put the Israeli investment in settlement activity in the occupied territories at more than \$3 billion in 1991.

The Israeli Government's key policy priority seems to be that of settling the occupied territories at the fastest possible pace, a policy priority that seems to be ahead of absorbing Soviet immigrants per se. It seems fair to conclude that the loan guarantee money may well be used to further that key Israeli policy, rather than primarily for immigrant housing.

How many of these settlers are Soviet immigrants? Perhaps 10 to 20 percent. The Israeli Government has put together a package of mortgage and other financial incentives to entice Soviet settlers into the occupied territories. So, Mr. President, we have a right to ask how much of the housing guarantee, or economic development package, that is before us in this amendment will go toward creating a market for settlement on the West Bank and in other occupied territories.

There are some who argue that settlement activity enhances Israeli security. That is a somewhat dubious theory. The Israeli Army would be hamstrung in its defense efforts if it first had to deploy to the settlements and protect the settlers. The choice would be to defend the State of Israel from an invasion and leave the settlers to their own devices, or to split its forces to include defense of the settlements. This is a security nightmare and a military planning nightmare. It is not an enhancement of Israel's security....

Do we support Mr. Shamir's policy of rapid settlement of the occupied territories through provision of U.S. financial largess even though such policy runs counter to longstanding U.S. policy? If the answer is yes, then the prospects for a negotiated settlement, including the disposition of those lands between the Israelis and the Palestinians, would, in my opinion, be dealt a severe blow....

.... this resolution ... puts the U.S. Senate on record in favor of American financial support for a policy which is in

direct opposition to the central pillar of longstanding U.S. policy on land disputes in the Middle East. It could easily be interpreted as support for the continued establishment of Israeli settlements in the occupied territories. This will work against an equitable negotiated settlement on the status of those lands, which is a keystone to peace in the Middle East....

Sen. Slade Gorton (R-Wash.): In the view of this Senator, Mr. President, Israelis have a perfect right to settle on the West Bank....

The fact that people from the State of Israel, both original settlers and new immigrants from Russia, are settling unoccupied portions of the West Bank is, in the view of this Senator, both legal and appropriate....

I not only believe that we should not have conditioned the guarantees upon stopping the settlements in the occupied territories, but that Israel's ability to continue settling these territories will speed the peace process....

Sen. Don Nickles (R-Okla.): I, for one, am not troubled by the settlements....

Sen. John Chafee (R-R.I.): Mr. Clinton may wish to reverse the position of every administration in the past 20 years by condoning expansion of Israeli settlements in the occupied territories—that is his choice. It is not the choice of President Bush, who strongly and correctly believes that the settlements are an obstacle to peace and that U.S. guarantees should not be used to further these obstacles....

Secretary of State James Baker has clearly outlined the American policy of linking the granting of loan guarantees to the cessation of construction of new housing in the Israeli occupied territories of the West Bank and Gaza strip. I believe this to be a reasonable and prudent approach....

The critical question here is how can there be negotiations on the final status of the occupied territories if Israel has virtually annexed the territories because of its settlement construction? That is the question, Mr. President.

Clearly, without a settlement freeze, these loan guarantees will free up Israel's own money so that the settlement construction can continue at a brisk pace.

The resolution states that "appropriate loan guarantees" should be granted. To me, "appropriate" means that the United States should hold firm to its position and not grant any loan guarantees until the Israeli government agrees to stop all new settlement construction in the occupied territories....

But the point that we are making here is that if the West Bank and the Gaza strip are fully settled, there is no chance of negotiating philanthropies, as the Senator fully knows. My fear is, and the fear of this administration—and the fear, I might say, of every other prior administration, Republican or Democrat—is that the subject will be foreclosed, and that one of the great opportunities to achieve a

lasting peace in that area will have been lost through these settlements....

Sen. David Durenberger (R-Minn.): I have stated on numerous occasions my view that Israel's current settlement policies and practices are not helpful in the peace process. I continue to support financial linkage between the settlements and the loan guarantees, such that no money secured through the U.S. guarantees would be used in the territories. I believe this is appropriate and in conformance with U.S. policy....

Sen. Robert Kasten (R-Wis.): In my opinion, opposition to the settlements may be a praiseworthy policy. We need to keep the door open to a negotiated settlement about the disputed territories. But, that being said, I want to stress that American policy on settlements should not be allowed to dominate the current debate on loan guarantees....

Sen. Howard Metzenbaum (D-Ohio): The President's threat to veto any loan guarantee measure caused many of us who were prepared to move forward not to do so, knowing full well we could have obtained more than a majority of the Members of this body to vote in support, but recognizing that the President's veto would really achieve very little and only be a divisive factor.

The issue is alive. It is an issue to which we will be turning to in the not-too-distant future....

Sen. Jeff Bingaman (D-N.Mex.): I believe that we must be sure that guarantees do not have the effect of encouraging increased settlement in the occupied territories. We must also be sure that granting loan guarantees does not create the appearance that we condone such settlements....

Sen. George Mitchell (D-Maine): I agree with longstanding United States opposition to Israeli settlements in the occupied territories. But I do not believe that we should link these issues, for this has the effect of penalizing immigrants for the settlements policy of the Israeli Government....

Sen. Robert Dole (R-Kans.): I believe the President has laid out the right policy. Loan guarantees ... ought not to pay directly or indirectly for programs that we have declared an obstacle to peace such as the settlements in the occupied territory. That is how I look at "appropriate," when I interpret the word "appropriate." Those are the kind that I am willing to support by voting for this resolution.

We have avoided a showdown here, but if we ever get to one, the American people are going to support George Bush for one very good reason: They understand what he is doing is right, right for America, right for Israel, and right for the cause of peace....

HEARING OF THE FOREIGN OPERATIONS SUBCOMMITTEE OF THE HOUSE APPROPRIATIONS COMMITTEE

On February 21, 1992, the Foreign Operations Subcommittee of the House Appropriations Committee heard expert testimony on Israel's settlement policies. The following are excerpts from the hearing:

Mr. Peter Edelman, (co-chair, Americans for Peace Now): Prime Minister Shamir's recalcitrant policies have resulted in what has now become an inevitability. The loan guarantees are going to be provided only on the basis of some form of conditioning with regard to future settlement activity. In this light, APN [Americans for Peace Now] believes the best available option is for the U.S. to condition approval of the loan guarantees on a freeze on settlement activities. It is the only way to assure that all of the loan funds ultimately guaranteed do in fact flow to Israel, and are not used, directly or indirectly, for settlement activities....

In 1991, the Peace Now report indicates the government of Israel spent a total of at least \$1.1 billion on settlement activities. I might indicate that the difference between Mr. Aronson [the Foundation for Middle East Peace] and myself in these numbers is because the Peace Now report does not cover settlement activity in the Jerusalem municipal district. Now, \$900 million was spent directly on construction and infrastructure, \$175 million spent through various government ministries on support services, and these are detailed in the report.

Thirteen thousand, six hundred fifty housing units, by the count of the Peace Now work, were brought to various stages of completion during 1991. Of these, nearly 10,000 were permanent sites, 3,670 were mobile and prefabricated units. This increase equals 60 percent of the total for the entire previous 22 years. Let me repeat that again. In one year, 60 percent of the total for the entire previous 22 years. And 5,000 new units are planned for 1992, accounting for two-thirds of the public budget for new houses in all of Israel. By the end of 1991, current count, about 99,000 Israelis—and these numbers as you hear from the various sources are all within a few thousand of each other—living in 157 settlements.

There is a generous government assistance available to investors who want to invest in development areas. Very, very generous, either a downright bonus of 38 percent for investment projects or a 66.6 percent loan guarantee with a 10-year tax exemption. Settlers get an annual—and this was covered in yesterday's GAO report that came out—an annual 7 percent tax reduction on their personal income tax. And, as Mr. Aronson has indicated, generous government mortgage subsidies [are] available only to those purchasing houses in the settlements, making it much more attractive to live there.

The question before you today is not whether the guarantees will be conditioned, but how they will be conditioned. Given this fact, Americans for Peace Now believes that the best way for the United States to condition the loan guarantees is to insist that Israel now freeze settlement activities. This freeze is seen by a majority of Israelis to be in Israel's interest....

Prospects for success of the peace negotiations that are vital to Israel's security would be enhanced if the negative stimulus of breakneck settlement expansion were removed.

A freeze is far and away the most effective form of conditionality. It will assure that the immigrants will gain the full benefit of the loan assistance and will prevent newly-acquired funds from being siphoned off fungibly for settlement activity. And if we needed further proof of how that works, again we have the GAO report of just yesterday....

Rep. David Obey (D-Wis.): I don't believe that this section is uncalled for at all. I believe it is central. The fact is that United States policy, ever since the first day I have been a member of this subcommittee, has been in opposition to the expansion of settlements in the occupied territories. I agree with that policy, and I think it's the obligation of the Congress to uphold that policy.

....Like it or not, this issue is a part of the debate. And I would simply restate a statement that I made on February 7th after the Secretary's second meeting with Ambassador Shoval when I said as follows: "I fully recognize our humanitarian obligation to assist in the resettlement of Soviet Jewish refugees. But there is no concurrent American obligation to provide aid which would, in fact, facilitate Likud coalition policy on settlement activity. There is no American obstacle to assistance to resettled Soviet refugees. The obstacle lies in the decision on the part of the present Israeli government to put their settlements policy ahead of the need to absorb Soviet Jews...."

Rep. [Bob] Livingston (R-La.): I don't see how one in this country can separate the issue of settlements from an issue of whether or not we're going to make loan guarantees of \$10 billion to close friends of ours when you have an ongoing peace process that is—that has pitted enemies for 2,000 years against one another, and they're sitting down in the same room negotiating. And one of the key issues of that negotiation is how many settlements, how many homes—Jewish homes in Judea and Samaria, on the West Bank, and depending on your perspective—sit there. That's going to be an issue. And we're not going to be able to walk away from that issue, you're going to hear it day in and day out as we discuss this problem. And I think it's very important to get the various perspectives on where those homes are, and whether or not they're important, regardless of which way you come down....

HOUSE APPROPRIATIONS, *continued on page 9*

BAKER TESTIFIES ON CAPITOL HILL

*Senate Foreign Relations Committee
February 5, 1992*

"I think it's something ... we should be concerned about. I can't quantify it for you, but I don't think it's an impossibility. And therefore, I think it's important when we get into this topic that we consider this issue of the terms and conditions under which we would support ... absorption assistance. And it is our view, as you know, Senator [Hank] Brown [R-Colo.], that the assistance should—if it is given, and we certainly support the principle of absorption of Soviet Jewish emigres; nobody's done any more to make that happen over the course of the past few years than have we in our dialogue with the Soviet Union before its collapse—but we should be giving some—we should give consideration to those things that would make it clear that if we were going to do this, we would do it in a manner that supported United States policy, and not in a manner that ran counter to United States policy. So, that's really the issue ... that's what we are now negotiating, and I'm hopeful that we'll be able to negotiate some arrangements that do not find the United States advancing yet additional assistance in a manner that is contradictory to or in opposition to what has been the long-established policy position of the United States since 1967." ♦

*House Foreign Affairs Committee
February 6, 1992*

"When we talk about conditionality, Mr. Solarz, and conditionality that refers to settlements as you quite properly point out, we don't say we want this in order to deliver it to Arabs. What we say is if you want us to come forward here with significant additional assistance for Israel over and above the very substantial amounts of three to four billion dollars that we grant every year anyway, if you want additional, then please don't ask us to do it under circumstances that would contravene the long-established policy of the United States of America. Please respect our policy views. It's not a case of doing it for Arabs, it's a case of doing it for the policy positions of the United States of America.

"We offered a proposal when we were trying to put the peace talks together. We suggested the concept of the Arabs suspending the boycott if Israel would suspend settlements. We got endorsement of that from a number of Arab governments. President Mubarak endorsed it. A host of Arab governments indicated they would be willing to do so. Israel turned it down flat. Said 'not acceptable.' Now, I don't know whether that is still a possibility or not, but it's something that we have suggested...." ♦

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Rep. Obey: I will never forget the first time I saw the Golan Heights and toured the West Bank. I toured it with the general in charge of the occupied territories, in charge of defending Israel from a surprise attack. And I said, "General, the argument is made that these settlements are necessary in order to help defend the military posture of Israel." I said, "Do you agree with that?" He said, "Do you want my honest opinion? They are a military pain in the ass." Now, that's what he said....

Then he went on and he said, "Do you have any idea how much more complicated the job of a military commander is when, in addition to dealing with the military realities, you have to worry about defending all kinds of settlements—I mean all kinds of civilians in outposts that may not be defensible short term?" He said, "They not only complicate my military situation, they complicate my moral situation because I have to try to decide am I going to do what's best to defend the country or am I going to do what's best to defend 600 settlers here or there?" And I never forgot that.

"[The settlements] are a military pain in the ass."

But my point is, regardless of whether he was right or not ... it's not the issue here today. The issue is simply what should happen with respect to present settlement activity. And I see absolutely no threat to security of anybody, most especially Israel, in a suspension of settlement activity. That is a far different question than the removal of Israeli jurisdiction from the settlement areas. And I would suspect that even if—down the line Israel's going to insist on maintaining a way to militarily defend themselves by having some kind of a military presence in those areas, but that's a far different question. Right now we are simply dealing with what the facts are on settlements....

Do we have to have outside augmentation of Israeli resources, or does Israel have resources at its command which it can use to minimize the request it has to make of the U.S. taxpayer and Uncle Sam?

I think it's our obligation in this instance to do not what makes the Israelis happy, not what makes the Arabs happy, but what is consistent with American values and American policies on all sides of this question. ♦

incentives," as well as reports of "any government settlement activity."

- Israel would give the administration an annual report on its financial support for settlement activity.
- Loans guaranteed by the U.S. would be used within Israel's pre-1967 boundaries.

The Israeli government pledged that it had no policy "to direct or settle Soviet Jews beyond the Green Line" and that Soviet immigrants received "no special incentives ... to settle beyond the Green Line," and none were contemplated.

The GAO report noted that in the months after the Levy letter was written, Israel provided "limited information on settlement activity in the West Bank, such as the number of housing starts and completions for 1990 in existing settlements, and it reported that no new settlements had been started during the year." No information was furnished for the Gaza Strip, Golan Heights, or East Jerusalem.

On the basis of assurances from Prime Minister Yitzhak Shamir about Israel's limited settlement plans, the secretary of state authorized release of the guaranty in February 1991. It appears that no information regarding Israeli activities in the territories has been offered by the government of Israel since that time.

The GAO report confirms that the \$400 million in U.S.-guaranteed loans was spent on approximately 12,300 loans awarded to Soviet immigrants for housing within Israel. (Jerusalem was excluded by Israel from eligibility, perhaps because of U.S. classification of annexed East Jerusalem as occupied territory). "Because of the fungibility of money," states the GAO, "other Israeli government funds were made available for use ... in the occupied territories."

The GAO report determined that Israel is not directing Soviet immigrants specifically to settle in the occupied territories or providing special settlement incentives available only to Soviet immigrants. It did note, however, that "the government provides strong financial incentives to encourage any Israeli, including immigrants" to settle beyond the Green Line. The report acknowledged State Department estimates that 8,800 of the 185,000 Soviet immigrants to Israel in 1990 reside in occupied territory.

"U.S. and Israeli officials anticipate that the number of immigrants and other Israelis moving to the occupied territories will increase over the next few years," noted the report. Cheaper housing and proximity to job markets in the Tel Aviv and Jerusalem regions will sustain this trend.

"Receiving written assurances as to how the money will be spent, without any accompanying change in Israeli settlement policy," complained Byrd, "is an exercise in building a paper dam." ♦

I oppose the political settlements of the Likud outside the areas of Jerusalem, the Jordan Rift Valley, or the Golan Heights, where there are hardly any. Most of the resources the Likud invests in settlements today are not in those areas, but in densely populated areas from the mountain ridge toward the Green Line. These are political settlements which have no security significance, in my view. Their purpose is to block any option of launching a meaningful political process, such as autonomy, and their existence will later limit the range of options for the permanent arrangement.

Yitzhak Rabin, head of the Israeli Labor Party,
IDF Radio, February 23, 1992