

REPORT ON ISRAELI SETTLEMENT IN THE OCCUPIED TERRITORIES

A Bimonthly Publication of the Foundation for Middle East Peace

Volume 3 Number 3

May 1993

NEWS

U.S. opposition to settlements eased when Assistant Secretary of State Edward Djerejian testified in support of their "natural growth." This policy change comes at a time when Israel is trying to insulate its settlements from the effects of Palestinian self-government in the West Bank and Gaza. (Story opposite.)

Fewer Soviet immigrants are arriving in Israel, but, as the chart on page 5 shows, the percentage of those settling in East Jerusalem continues to expand. So, too, are settlement plans for the annexed eastern portion of the city.

Prime Minister Rabin's pledge to change priorities favoring settlement is more rhetoric than reality. (Story page 3.) There is opposition in the Knesset to his exclusion of most Likud-founded settlements from eligibility for state subsidies. But settlements in Gaza and greater Jerusalem will continue to enjoy incentives.

The spiral of violence has forced the prospect of a complete Israeli withdrawal from Gaza onto Israel's political agenda. Public clamor for Rabin to "do something" may force a change in his policies favoring continued settlement and investment there. (Story page 7.)

Also in this issue:

Djerejian's Hill Hearing 2
Negotiations Resume 8

CLINTON ACCEPTS RABIN'S EXPANSION POLICY

For the first time since the beginning of Israel's occupation of the West Bank and Gaza in 1967, the United States has given a green light to Israel's unprecedented current settlement activity in the occupied territories.

Assistant Secretary of State Edward Djerejian testified that Washington now condones the expansion of Israeli settlements in the territories. He appeared before the House Foreign Affairs Subcommittee on the Middle East in March.

Responding to Chairman Lee Hamilton's question about whether U.S. policy permits the expansion of settlements, Djerejian answered, "There is some allowance for—I wouldn't use the

word expansion but certainly continuing some activity—construction activities in existing settlements. And that's basically in terms of . . . natural growth and basic, immediate needs in those settlements." (See transcript, page 2.)

Until Djerejian's testimony, Washington has rhetorically opposed all civilian settlement activity. The basis for the change in policy is the loan guarantee agreement reached last August between former President George Bush and Prime Minister Yitzhak Rabin. (See March 1993 *Report*.)

The agreement formalized Washington's retreat from much harsher settle-

POLICY, continued on page 6

UNCLEAR SIGNALS FOR GAZA SETTLEMENTS

At a time of unprecedented Israeli calls for unilateral withdrawal from Gaza, the Rabin government has reaffirmed that development of the 19 settlements in the area remains a top national priority.

Prime Minister Rabin has not articulated any long-term vision of settlement in Gaza. But, even as combat troops were being rushed to the area for extended service in what *Ha'aretz* correspondent Ze'ev Schiff calls "a battle over conditions for withdrawal in the future," Rabin approved a number of actions aimed at consolidating and expanding the existing infrastructure within the parameters of a master plan approved by the Likud government eight years ago.

A long list of state subsidies for settlers and Israeli tourism and industrial and agricultural products has been reaffirmed by the Gaza settlements' classification as an "A" development area, entitled to the highest level of state support. Tax breaks, mortgage subsidies, income tax and investment incentives as well as special educational subsidies will continue to be made available to area settlers. Air fares from Tel Aviv to the recently completed airport south of Gaza city will still be available at a subsidized price of only twice the fare by bus.

Increasing violence in Gaza has

GAZA, continued on page 7

TO OUR READERS

As Prime Minister Yitzhak Rabin himself has acknowledged, Israel today is in the midst of the most massive settlement building program in its 26-year occupation of the West Bank and Gaza. Our *Report* has detailed the elements of Labor's continuing, vibrant effort to implement the Likud's settlement plan, centering upon the completion of 11,000 dwelling units in the West Bank and Gaza and many thousands more in East Jerusalem.

The motivation for this settlement policy, as pursued by Rabin no less than by his Likud predecessors, has been to "create facts" on the ground—facts that diplomacy will have no choice but to concede.

Israel's proposal for an interim Palestinian self-governing authority reflects the success of this line of thinking and the growing power of settlements in the determination of Israel's policies. Rabin's "autonomy" plan awards less than 10 per-

cent of the West Bank to Palestinian control and a matching proportion to settlers. It gives 120,000 settlers a voice equal to more than a million Palestinians in the use of state lands. And it demands total control over the burgeoning network of roads in the territories that are being established to service the growing settlements.

Precisely at the moment when the power of settlements over Israeli diplomacy is being exercised, the Clinton administration has chosen to bless continuing construction. Every U.S. president since Gerald Ford has publicly declared U.S. opposition to Israel's settlement policy. It is time that President Bill Clinton reaffirmed U.S. opposition to settlements.



DJEREJIAN REDEFINES SETTLEMENT POLICY

On March 9, 1993, the Subcommittee on Europe and the Middle East of the House Foreign Affairs Committee, chaired by Indiana Democrat Lee Hamilton, heard testimony from Assistant Secretary of State for Near Eastern and South Asian Affairs Edward Djerejian. The following are excerpts from the hearing:

Hamilton: Mr. Secretary, I want to check on the status of the U.S. loan guarantees for Israel. Israel has now concluded loans pursuant to those guarantees, have they?

Djerejian: Yes, Mr. Chairman.

Hamilton: And the money is being spent for road construction, housing and those types of projects, is that correct?

Djerejian: That's correct. I could give you a little status report, if you wish.

Hamilton: All right, if you would, please.

Djerejian: In January 1993, the U.S. Agency for International Development [AID] and the government of Israel signed a bilateral agreement to carry out the loan guarantee program. AID has subsequently authorized the issuance of the first \$2 bil-

lion tranche of the loan guarantees.

Over a five-year period, the significant majority of the funds will be used to make additional foreign exchange available to the commercial banking system to support increased business-sector activity.

The government of Israel will use some of the funds to support infrastructure projects that will support economic growth and job development in the business sector. The Israeli government is committed to decreasing the level of government expenditures for non-security activity in the occupied territories. Israeli official government information on the annual level of non-security government expenditure in these areas will be taken into account by our government in determining the amount, if any, to be reduced from the guarantees after the first year for activities inconsistent with Section 226 of the act and understandings between the U.S. government and the Israeli government. . . .

Hamilton: Now let's see. The pledge of

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HEARING, continued on page 6

RABIN ABSTAINS FROM SETTLEMENT CONFRONTATION

"There is no de-legitimization [of settlements]," Prime Minister Yitzhak Rabin insisted during a recent meeting with settler representatives. "There is a change in priorities. How can you talk about de-legitimization when there are now 11,000 housing units under construction at public expense in the territories—construction which is about to be completed?"

At a time when the United States has blessed continuing settlement construction in the West Bank, the Rabin government is confronting an emerging glut of unsold apartments throughout the settlements—part of a nationwide slowdown in the housing market prompted by a falloff in Soviet immigration.

Minister of Housing and Construction Benjamin Ben Eliezer recently informed the Knesset that 7,000 unsold apartments—including 2,000 mobile homes—in the West Bank and Gaza are in government inventories. The government is obligated to purchase many of these

homes, including 800 units in the settlement of Ariel and another 700 in Betar that were guaranteed by the former administration. Notwithstanding this surplus, Rabin has agreed to the completion of 11,000 publicly financed dwellings in the settlements and another 13,000 in East Jerusalem.

The growing stocks of unsold settlement housing, however, are not a sign of the demise of settlements, but rather an illustration that the growth of settlements is tied to the health of the national Israeli housing market as a whole. Rabin is faced with the prospect of purchasing 44,000 completed but unsold apartments nationwide at a cost of \$1.1 billion this year alone.

The settlers' governing council—Yesha—maintains that most of the 7,000 units referred to by Ben Eliezer have yet to be completed. But it also acknowledged the effect of Rabin's decision to scale back financial incentives favoring the settlements.

"The Ministers of Finance and Construction," it charged, "have reduced in political fashion an important part of mortgages for apartments, driving away those who want to live in Judea and Samaria, and the Gaza District." (See Local Loans story in March 1993 *Report*.)

The government's sales agent in the territories (except for greater Jerusalem) reported that it sold only 190 apartments in the August 1992-January 1993 period, including only 5 in January. By comparison, in June 1992 alone, before the change in government, 490 apartments were purchased.

Rabin told settler leaders that his government will aggressively market unsold units, including those in the territories, offering below-market prices when necessary. Those remaining unsold will be rented by the government. "Fire sale" prices and low rents may well compensate for the reduced level of government incentives.

Rabin's Warning

No government financing is currently available for public construction beyond those 11,000 units in the West Bank and Gaza. Rabin told settlers that he will neither encourage nor discourage private construction in the territories, now running at about 1,200-1,500 units annually. But he warned that such construction will not be permitted in settlements with large numbers of unsold government-owned units.

The government has been unable to enforce such a prohibition, however. The local councils of West Bank settlements have successfully argued that they, not the military government, which is the sovereign authority in the territories, retain the power to authorize construction within their approved municipal borders. And because most settlements have ratified master plans, they remain in effective control over construction within the settlements. There are even some instances where settlements lacking approved master plans continue to authorize construction.

A decree—Military Order 1325—issued on January 27 freezes all planning or consideration of new master plans for settlements and bans all construction in areas not now covered by an existing, approved planning document. As a result of this order, for example, expanding Jewish settlement in Hebron to include additional homes purchased or occupied by Israelis will be far more difficult than under Likud rule. Such settlement in the midst of populated Arab areas, however, has always been at the margin of settlement activity. The Israeli population of the Hebron settlement, for example, is less than 500, and most are children.

The order also ends government payment for basic infrastructure costs—water, sewers, roads, electricity, telephones—which average \$15,000 per settlement unit. The additional cost does not apply to units already approved or to infrastructure already completed in undeveloped sectors within settlements. ♦

"There is no de-legitimization [of settlements]," Prime Minister Yitzhak Rabin insisted during a meeting with settler representatives. "There is a change in priorities. How can you talk about de-legitimization when there are now 11,000 housing units under construction at public expense in the territories — construction which is about to be completed?"

SETTLEMENT BRIEFS

The government of Prime Minister Yitzhak Rabin views a vibrant program of housing construction in areas of annexed East Jerusalem as a top national priority. (See Report, November 1992). The items that follow, taken from the Israeli press, illustrate the efforts to expand settlement in this contested area.

The Jerusalem city council has recently taken steps to establish a new settler suburb on the Mount of Olives. As part of the scheme, a school for Arab girls planned for the intended site, which adjoins a Jewish seminary (*yeshiva*), will be moved.

It was at the opening of the *yeshiva* (Har Beit) in October 1991 that former Prime Minister Yitzhak Shamir declared his intention to establish a Jewish neighborhood in an area with a commanding view of the Old City.

Jerusalem Mayor Teddy Kollek explained that despite his opposition to the establishment of the *yeshiva* and his continuing resistance to rezoning the area for a settlement, Israelis are already living there, and the establishment of a high school for Palestinian girls may create a source of communal friction.

Plans for the construction of permanent dwellings at Airplane Hill as a southern suburb in annexed East Jerusalem have been resurrected. There are currently 1,400 duplex mobile homes on the site, some of them owned by the Greek Orthodox Church. The new plan calls for the construction of 2,700 housing units.

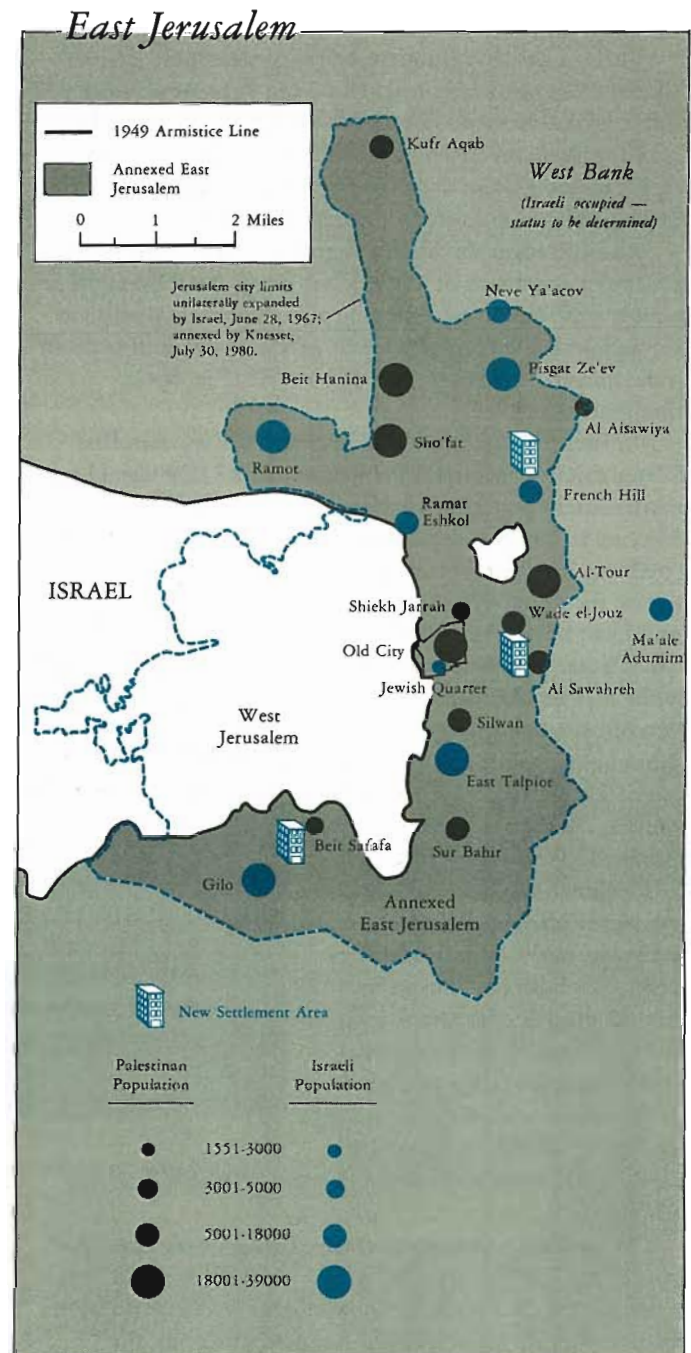
The Jerusalem municipality has won the approval of the Ministries of Finance and Housing to establish a new suburban settlement between Pisgat Ze'ev and French Hill in the north eastern section of annexed East Jerusalem. The 200-acre site is comprised of uncultivated land owned by Palestinians (170 acres) and Israelis (30 acres).

Privately owned Arab land has not been confiscated in Jerusalem since 1980, when 1,150 acres were taken for the creation of Pisgat Ze'ev. Israel was criticized by the UN Security Council (Resolution 476) and the United States for the expropriation. By 1995 the Israeli population of Pisgat Ze'ev will reach 40,000.

Israeli leaders have recently revealed that for 20 years Israeli governments have enforced a strict quota on Arab construction in Jerusalem aimed at maintaining the Palestinian percentage of the city's residents at around 26 percent.

The ministerial committee on Jerusalem explicitly adopted the limitation on Arab construction in 1973. "I never saw the exact document that gave the order," explained Deputy Mayor Abraham Kehila, who acknowledged that the quota remains in effect today.

New construction is limited to accommodate only the "natural growth" of the resident Palestinian population, not the migration of West Bank Palestinians to the city, which Israel considers to be illegal.



Jerusalem Mayor Kollek confirmed that the policy had been "followed by all governments . . . that planning for the Arab sector should be in accordance with the natural growth of the Arab population of the city."

Despite government restrictions on Palestinian housing construction, and a complementary boom in Israeli construction, Palestinians today number 155,000 out of a total population of 555,000, comprising only a slightly larger share of the city's population (28 percent) than they did in 1967, when they constituted 70,600 of 266,300 residents (26.5 percent). ◆

NEWCOMERS TO EAST JERUSALEM

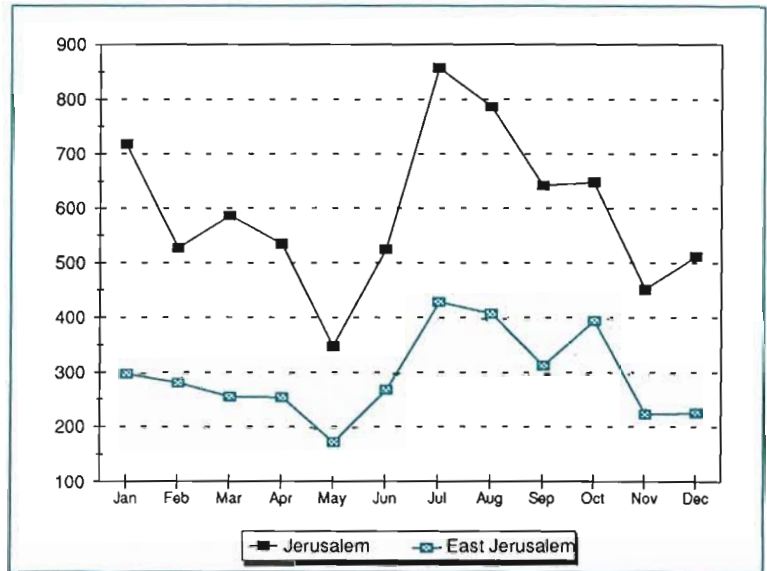
Immigration to Israel

	<i>National</i>	<i>Jerusalem</i>	<i>East Jerusalem</i>
1990	199,578	13,418 (6.7%)	7,700 (3.8%)
1991	156,168	11,835 (7.6)	6,813 (4.3)
1992	81,483	7,131 (8.8)	3,335 (4.4)

The number of immigrants settling in annexed east Jerusalem during 1992 fell markedly, even as hundreds of new apartments in that sector of the city became available.

A large part of the decrease resulted from the fact that far fewer immigrants arrived in Israel during 1992. But even among the smaller number of new arrivals, the suburbs of West Jerusalem proved marginally more popular than in previous years.

1992 Month-by-Month Immigrant Arrivals



The table and chart above, compiled from monthly reports published by the Jerusalem Project on Immigrant Absorption, illustrate this shift.

Apartments for Immediate Occupancy in North and East Pisgat Ze'ev Local Loans and Grants in accordance with the Ministry of Construction and Housing

JERUSALEM—Pisgat Ze'ev



NORTH PISGAT ZE'EV — For Immediate Occupancy — Four room common apartments, 4 rooms with an attached roof, and others with gardens. Five room duplexes with garden also available

PISGAT ZE'EV — Two-family cottages offering 5 rooms with private garden.

MA'ALE ADUMIM



Quality built apartments — 3 rooms with a roof and 4 rooms with garden.



EAST PISGAT ZE'EV



Four room apartments with sun porch and attached courtyard, 3.5 rooms with sunporch, and 3 and 4 room apartments with attached roof or garden.

"VIEW OF JERUSALEM" in Gilo



Quality built apartments with 4 and 5 rooms. Six to 8 apartments per building. A number of apartments available for immediate occupancy.

The RAMAT Company—The Quality Choice of Apartments in the Most Attractive Areas of Jerusalem.

This advertisement for apartments for sale in the suburban East Jerusalem settlement of Pisgat Ze'ev and the nearby West Bank settlement of Ma'ale Adumim appeared in the January 29, 1993 issue of the Jerusalem weekly *Kol Ha'ir*. It has been translated from the original Hebrew by the *Report*.

ment-related penalties proposed by Bush and insisted on by Congress before the defeat of Likud leader Yitzhak Shamir by Rabin in the election of June 1992.

The new policy enunciated by Djerejian reflects an attitude toward settlement construction that is far less restrictive than former Secretary of State James Baker insisted would be necessary in early 1992. Even the compromise legislation proposed in Congress in March 1992 would have legislated specific and immediate financial penalties for settlement construction—penalties which former Prime Minister Shamir had agreed to but which Rabin succeeded in having removed.

Bush's initial proposal would have prohibited new settlement-related construction after January 1, 1992. "We will not accept any proposal by the Congress which fails to meet this fundamental test," said then State Department spokeswoman Margaret Tutwiler. "It must be consistent with United States policy since 1967 that settlements are an obstacle to peace."

Bush's refusal to acquiesce in continuing settlement building prompted his rejection of bipartisan legislation sponsored in March 1992 by Senators Patrick Leahy (D-Vt.) and Robert Kasten (R-Wis.)—legislation acceptable to Shamir—which would have cut almost \$500 million from the first installment of loan guarantees of \$1.2 billion, but which would have allowed for construction to accommodate the natural growth of the settler population.

"Natural Growth"

Djerejian's reference to "natural growth" may be based on this failed legislation, which protected "necessary infrastructure needed for the general use of the Arab and Jewish population . . . [and] scattered dwellings built to accommodate expanded families of those persons living in the territories. . . ."

It remains unclear how much of Rabin's new policy—to complete construction of 11,000 publicly financed units in the West Bank and Gaza, plus an additional 1,200-1,500 privately financed units annually, and to continue the construction boom in annexed East Jerusalem—will fall outside of Washington's undefined limits of "natural growth."

During Secretary of State Warren Christopher's visit to Israel in February, the Rabin government reconfirmed its agreement to provide Washington with specific, current accounting of its non-security expenditures in the West Bank and Gaza. The United States was initially promised similar information by former Minister of Foreign Affairs David Levy in October 1990. Soon after his election last June, Rabin made essentially the same commitment to the United States, and the terms of the agreement leaked to the Israeli press during Christopher's visit. A U.S. official explained that Israel's publication of the secret agreement "was done for internal political purposes."

POLICY, *continued on page 7*

the prime minister is not to build any settlements, is that correct?

Djerejian: You're right.

Hamilton: He will proceed with respect to construction of—or the finishing of construction—on some 10,000 units that are in the existing settlements. Is that right?

Djerejian: If I may elaborate on that?

Hamilton: Yes, sir.

Djerejian: After taking office, Prime Minister Rabin announced that he would redirect Israel's national priorities away from the occupied territories. In keeping with that position, the Israeli government has canceled contracts for construction of 5,000 additional settlement housing units, has not established any new settlements and has cut a range of subsidies and benefits to so-called political settlements. The government also has recently banned private construction in settlements not having an approved development plan.

Now, Prime Minister Rabin, Mr. Chairman, did not declare a total freeze on settlements. The Labor government announced that it would honor contracts to construct, as you mentioned, over 9,000 new housing units already under way in existing settlements. And the government has maintained substantial subsidies to settlements in areas considered to have a security role in the West Bank's Jordan Valley, the Golan Heights and Gaza.

Hamilton: Under the agreement, any Israeli funds expended for non-security-related activities will be deducted from the guaranteed amount of the loan? Is that correct?

Djerejian: That's right—non-security related.

Hamilton: Okay. There are certain types of Israeli settlement-related activities that are considered a violation of the agreement and would require us to cease to provide the guarantees. What kind of activities fall under that category? New settlements, I presume.

Djerejian: New settlements and non-security-related settlement activity which we will monitor very closely according to the legislation and which the Israeli government also will be giving us their report on activities, and we will assess on our own what activities have and have not taken place.

Hamilton: Now, do we permit the expansion of existing settlements?

Djerejian: There is some allowance for—I wouldn't use the word "expansion" but certainly continuing some activity—construction activities in existing settlements.

Hamilton: And do the restrictions apply to East Jerusalem?

Djerejian: And that's basically in terms of—excuse me, Mr. Chairman—basically in terms of natural growth and basic, immediate needs in those settlements. I want to get away from the word "expansion" per se but it's—

Hamilton: Do the restrictions apply to East Jerusalem?

Djerejian: The restrictions apply to all the occupied territories. ♦

prompted a number of prominent Israelis, from former Likud Minister of Defense Moshe Arens to members of Rabin's cabinet, to call for a reconsideration of Israel's continuing military occupation. Foreign Minister Shimon Peres is a longtime advocate of unilateral Israeli withdrawal.

The Israel Defense Forces (IDF), noted Knesset member Ran Cohen recently, should prepare for an "orderly, controlled departure from the Gaza Strip—in the case of peace, certainly; but also if there is no peace."

The Labor government of Golda Meir inaugurated Israeli settlement in Gaza. And it was Meir's settlement czar, Israel Galilli, who declared in the Knesset on May 27, 1972, that "Gaza is part of the State of Israel."

"Gaza First"

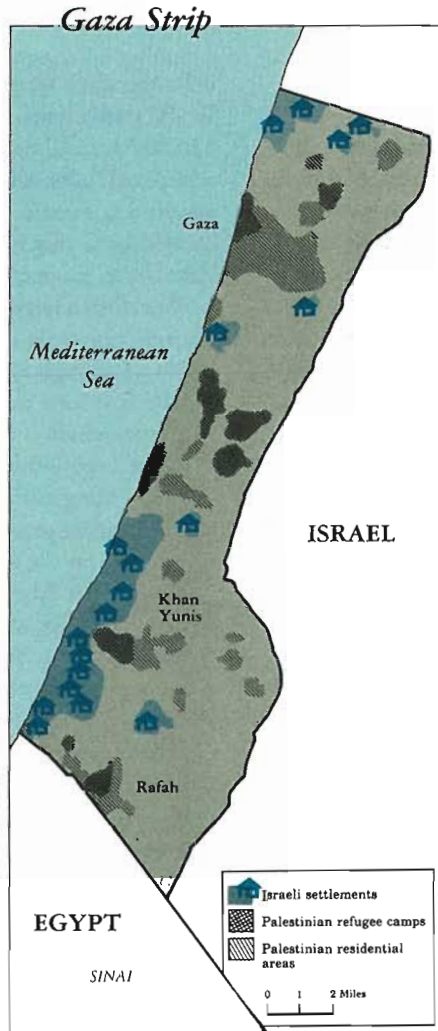
Certain factions within the ruling Labor coalition, however, have long advocated a "Gaza First" strategy (See March 1991 *Report*). Prime Minister Rabin, who also holds the defense portfolio, remains opposed to pursuing such a strategy.

There is no logical possibility of hermetically sealing off the Gaza district in the long run," Rabin argued recently in the Knesset.

Nevertheless, the newspaper *Davar*, the mouthpiece of Rabin's own Labor Party, has called for settlers to leave the area, in recognition of the fact that "the future of Israel and Israelis is outside this murderous, agitated Strip."

"The territories captured by the IDF in June 1967 were supposed to have served as collateral, to be placed on the table at the time of political bargaining," the paper said in an editorial on March 9.

"Settlement in them was intended to 'create facts' inducing the Arabs to come to the negotiations," the editorial continued, "but when that result was achieved settlement turned into a fact interfering with the negotiations themselves."



Gaza at a Glance

- 5,000 settlers reside in 19 settlements. Settler population increases at 10 percent annually.
- Palestinian population — 830,000: 70 percent live in 8 refugee camps.

Land use	Acres
<i>By Palestinians</i>	
Cultivated lands	42,000
Settled areas	14,125
<i>By Israel</i>	
Allocated to settlements	9,250
<i>Dunes and barren land</i>	25,875
Total	91,250

A 1992 plan drafted by the head of planning and development for the Gaza Regional Council, which concerns itself exclusively with Israeli settlements, proposed the creation of an infrastructure for 50,000 additional settlers in coming decades.

Settlement population has increased by 10 to 15 percent annually in recent years, facilitated by the opening of a new road from the southern Gaza settlements to Israel that bypasses Palestinian towns and refugee camps.

In a reply to the recent wave of killing of settlers and IDF soldiers, the settlers' regional council has voted to extend the border fences of some settlements, described as "an appropriate Zionist response to acts of murder such as this." ♦

POLICY, continued from page 6

No information has been provided by the Israeli government since the initial commitment, made almost one year ago, and U.S. officials, given past experience, remain to be convinced that accurate data will be forthcoming.

"We'll have to see if the quality of information they provide is consistent with their commitments," said one American official. "In principle," the officer continued, "anything considered occupied territory is part of the agreement—certainly the Golan Heights. Regarding East Jerusalem, we'll see."

Settlements can hardly be constructed in secret. The United States has the capability, including on-site monitoring and satellite surveillance, to estimate Israeli budgets for settlement expansion.

The figures, however, will only be useful if Washington is serious about taking them into account in assessing penalties for settlement-related expenditures.

Details of the Rabin-Bush agreement, endorsed by the Clinton administration, suggest that if such penalties are imposed they will not be based on an accounting of Israeli settlement expenditures. ♦

SETTLEMENTS ARE BACK ON THE DIPLOMATIC AGENDA

"Settlements are back" as a top issue on the negotiating agenda, according to Suad al-Amari, one of the principal Palestinian negotiators in the working group on land and water issues, in the ninth round of Israeli-Palestinian negotiations. At the meetings commencing in late April, each side addressed the relationship of settlements to the negotiating process.

Israeli Ambassador Elayakim Rubinstein explained that under the Rabin government, Israeli policy toward settlements has changed. In his remarks on April 28, he noted that government subsidies to encourage settlement have been modified and that no new settlements are planned.

During the eighth round in November, Israeli presented a three-tiered division of authority over land in the West Bank and Gaza. The proposal offered Palestinians control over all village and town lands now possessed by or "allocated to them"; it offered settlers control over all lands currently possessed by them or "allocated to them"; and proposed the joint administration of all remaining lands.

The 398 Palestinian communities now have only 68,310 acres, or less than 5 percent of the entire West Bank, under their direct jurisdiction. Within these areas, for example, local Palestinian authorities control the issuance of building permits. Palestinians, unlike Israeli settlers, are pushing against the limits of the capacity of lands currently under their respective jurisdictions.

The total land area regulated in this fashion by Palestinians

is far less than lands under the local jurisdiction of the 144 Israeli settlements, which now control the development of 110,000 acres. The Israeli proposal raises the prospect of additional "allocations" to each sector, while providing for a continuing Israeli voice in the joint administration of all unallocated land, much of which may well be privately owned Palestinian property.

Palestinian negotiators observed that Rubinstein's recent remarks represent an improvement in Israel's negotiating policy. Although he had merely restated government policies, for the first time the Israeli delegation specifically addressed the issue, which it has heretofore contended was outside the scope of negotiations for the establishment of a Palestinian self-governing authority. It remains to be seen whether Rubinstein's remarks presage an Israeli willingness to put the settlement issue on the table in the current negotiations.

Dr. Haidar Abdul Shafi of the Palestinian delegation stressed the obstacle that continuing Israeli settlement poses to the negotiations. Shafi noted that Rabin's settlement program was not only illegal, but that it also preempted the final status of the territories by "creating facts on the ground."

The Palestinian delegation is engaging the United States in a continuing dialogue on settlements. Efforts are focusing on obtaining details of Israeli settlement expenditures, incentives, and plans. Negotiators are counting on American interest in this issue to move the negotiations forward. ♦

There is no possibility of reaching an agreement that will leave the settlements intact over time; those who demand this are sentencing the state of Israel to an ongoing and unpredictable conflict with the Arab states.

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