

REPORT ON ISRAELI SETTLEMENT IN THE OCCUPIED TERRITORIES

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NEWS

The long-awaited Israeli redeployment in Hebron will leave Israel in control of 20 percent of the city. Israeli-Palestinian discussions will now center on Israel's "further redeployment" from the 70 percent of the West Bank that it still controls.

The construction of 6,500 dwelling units at the Har Homa settlement in East Jerusalem is set to begin. Court challenges have held up construction for six years.

This project, together with the recently completed road linking Jerusalem to the Etzion settlement bloc (see story opposite and map on page 2), will consolidate Israel's permanent hold on a significant portion of "Greater Jerusalem."

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NETANYAHU STEERS SETTLEMENT POLICY TOWARD CONFRONTATION WITH PALESTINIANS

By *Geoffrey Aronson*

When assessing the colonization policies of Israel's two main parties—Labor and Likud—it is instructive to recall a bit of Israeli folk wisdom. "A Likud government," the saying goes, "announces ten settlements but builds only one, while a Labor government announces one but builds ten."

The governments of Yitzhak Rabin and Shimon Peres operated in just such a spirit during the last four years, when the Israeli settler population of the West Bank and Gaza Strip grew by 49 percent—to 150,500—and the population in annexed East Jerusalem grew

by 33 percent—to almost 200,000. More than 100 settlements increased their populations during Labor's rule. Only 13 lost population.

Since his election in June, Prime Minister Benjamin Netanyahu and his government, unlike their Labor predecessors, have proven incapable of "building quietly." In the short time since his election, Netanyahu has been determined to change the context in which Israeli-Palestinian diplomacy is conducted. He has raised the public profile of Israel's commitment to settlement in the occupied areas, placing an interna-

CONFRONTATION, *continued on page 7*

NEW JERUSALEM-ETZION BLOC ROAD OPENS

September 2 marked a milestone in Israel's expansion into the West Bank. On that day, a new roadway was opened between Jerusalem and the Etzion Bloc of West Bank settlements south of the city. The 12 km route is, at \$43 million, the most expensive road project ever built by Israel.

For the 12,000 settlers living in this area, the route supplants a winding two-lane artery, obstructed by permanent and roving Israeli checkpoints restricting Palestinian entry into Israel, and passing through the Palestinian towns of Bethlehem and Beit Jalla. The new road reduces travel time between southern Jerusalem and the Efrat settlement to less than fifteen minutes, and it will act as a conduit for the expansion of settle-

ments from the Etzion Bloc to Hebron.

Palestinians are not permitted by Israel to use the new road. During the violence of late September, the road was temporarily closed for security reasons after shots were fired at Israeli vehicles.

The road is a testament to an Israeli consensus for incorporating this area of the West Bank into Israel. A decision to construct the road was made in the mid-1980s, and work was begun in 1990 by then-Minister of Housing Ariel Sharon. The Rabin government continued construction, and the Netanyahu government oversaw its completion.

At the road's dedication Sharon remarked, "This road assures that in practice, the Etzion Bloc will remain a part of the state of Israel." ♦

TO OUR READERS

Israel's redeployment from the city of Hebron, scheduled to occur last March, has yet to be resolved. The "mini-intifada" of late September pushed the reluctant government of Benjamin Netanyahu into accelerated negotiations for the implementation of this important aspect of the Oslo II accords.

The principal concern of Israel's prime minister has been to assure the safety of some 400 settlers, most of them children, who live in isolated pockets of the city.

Yet security has never been a preeminent interest of Hebron's settlers, who are adamant and uncompromising in their belief that God commanded that Hebron, in its entirety, not just the 20 percent that will remain under Israel's exclusive control, become a Jewish city. Their tenure in the city has been characterized by militant and provocative acts not only toward those Palestinians unfortunate enough to get in their way, but also toward the Israeli soldiers deployed to protect them. Their intention is chillingly summarized by their graffiti—"Arabs Out!"

The accord on Hebron will not modify this goal, for there are no "moderate" set-

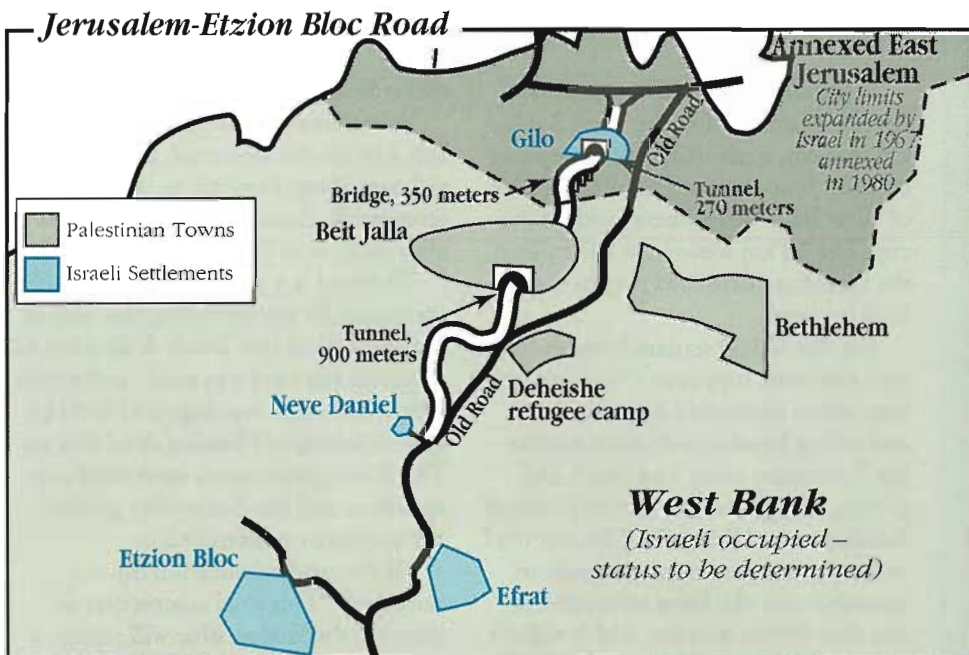
tlers living in the city prepared to content themselves with victories already achieved. Each views Israel's toleration of any Arab presence in the city as an abomination.

The Netanyahu government claims that its agreement on Hebron better the deal reached by Labor in terms of protecting the settlers' security. Yet Netanyahu's "achievements," according to knowledgeable officials, offer only marginal changes to the agreement reached in the Oslo II accords.

The truth is that, as long as settlers have lived in the city, it has never been possible to grant complete security to any of Hebron's inhabitants, Palestinian or Israeli. As long as the settlers are determined to make war on their neighbors, and as long as Palestinians refuse to acquiesce in the second-class status the settlers have reserved for them, the violence that has infused relations between them will continue.

Although we welcome an accord on Hebron, if the future of the Oslo process depends upon "coexistence" in the city, then Oslo's prospects are dim indeed.

Lucius D. Battle



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SETTLEMENT CHRONOLOGY

July 7: The Netanyahu government approves the transfer of \$3 million to the Settlement Department of the Jewish Agency, which works principally in the settlements in the occupied territories.

July 25: The Israel Lands Administration, now under the direction of Minister of National Infrastructure Ariel Sharon, instructs settlements to use state lands for forestation or industrial areas in order to “reduce as much as possible the amount of state land to be transferred to the Palestinian Authority.”

August 2: The Israeli government announces the rental or sale of 1,500 empty and an equal number of inhabited apartments in various settlements. It also changes the approval process for settlement expansion. The minister of defense is empowered to rule on all new residential construction planning, and zoning applications in the settlements.

August 12: Approval for the placement of 300 mobile homes for non-residential purposes is announced.

August 18: Construction of 300 dwelling units is approved for the Golan Heights settlement of Katzrin.

August 21: Defense Minister Yitzhak Mordechai approves the construction of 900 units at the settlement of Kiryat Sefer near the Green Line. The decision is the Netanyahu government’s first concrete action to expand settlements.

August 29: Defense Minister Mordechai approves plans for the construction of 3,550 new dwelling units in the settlements of Kiryat Sefer (700), Hashmonaim (1050), a nearby Jewish seminary (900), Matiyahu (200), and Betar (700).

September 3: Minister of Transportation Yitzhak Levy calls for a tripling of the settler population in the Jordan Valley. Levy promises valley settlers \$4.4 million for improvements on the main north-south road through the valley.

September 6: Prime Minister Benjamin Netanyahu meets with settlement leaders and promises to implement government decisions regarding “thawing” settlement construction.

The chairman of the YESHA settlers’ council states, “We told the prime minister that we have never experienced such a period of drying out settlements under any government and that we are waiting for action.”

September 7: Announced state and local council subsidies and financing will decrease the price of 300 planned dwelling units in the Golan Heights settlement of Katzrin by \$20,000 per unit. Plans to expand the settlement by an additional 1,000 units are under consideration by the local council.

September 8: The Jerusalem municipality approves \$160,000 for a continuing study of the “Eastern Gate” settlement construction plan, due for completion in 1997.

September 18: Just hours before his first meeting with Palestinian Authority Chairman Yasir Arafat, Defense Minister Mordechai approves the construction of 1,800 units at Matiyahu. Mordechai explains that this construction, like others that he had previously approved, is part of the 10,000 units approved by the government of Yitzhak Shamir, but frozen by Yitzhak Rabin in August 1992.

September 22: Prime Minister Netanyahu promises to support the construction of an additional 580 units in Kiryat Sefer and 200 units in Betar after leaders of the United Torah Judaism party threaten to leave his coalition government if such support is not forthcoming.

September 26: As Palestinian police battle Israeli soldiers outside the gates of the Gaza settlements of Netzarim and Kfar Darom, and women and children are evacuated from the nearby settlement of Nisanit, Minister of National Infrastructure Sharon declares that “the Golan Heights will contain 25,000 people [current population 15,000] within a few years. Settlements in Judea and Samaria will be widened and expanded, including those in the northern Gaza Strip.”

October 25: Approval of a new settlement, Mod’in Ilit, near Kiryat Sefer is reported. The minister of defense has also approved 1,806 units of a planned 4,000 units.

October 27: Prime Minister Netanyahu announces the sale of apartments located in West Bank settlements whose disposition had been frozen by the previous government. The announcement signals the implementation of a decision announced on August 2. On October 23, the Knesset Finance Committee had made available \$20 million to refurbish these apartments. Sale prices for these units suggest a government subsidy approaching \$200 million.

October 28: A new settlement site 1km east of the settlement of Itamar is revealed by Peace Now. Settlers maintain that it is a 2-year-old “neighborhood” of Itamar.

October 30: Site work begins for 800 new dwelling units in the following locations: Karmeit Tsur (20 units), Bet Ayan (40), Neve Daniel (73), Nokdim (15), Tekoa (33), Kochav HaShahar (17), Kfar Adumim (35), Dolev (30), Halamish (40), Talmon (20), Nili (40), Harmesh (16), Yakir (40), Mevo Dotan (15), Migdalim (20), Ma’ale Shomron (54), Ali Zahav (30), Pedual (30), Kiryat Netefin (20), Kiryat Sefer (200).

A senior Housing Ministry official remarks, “The building starts approved so far are only the beginning.”

November 3: The Ministry of National Infrastructure describes plan for the expansion of two settlement areas—at Kiryat Sefer near the Green Line (10,000–11,000 new units) and in the region of the settlement of Dolev further east (12,000 units)—to accommodate 100,000 new settlers. The area’s current settler population is 14,000.

The yet-to-be-approved plan includes additions to the following settlements: Or Samach (700), Matiyahu G (3,500), Dolev (500), Talmon (1000), and a new neighborhood of 2,000 units at the settlement of Nachliel, 5 km east of the Green Line.

November 6: A new settlement site 1.5 km from the Bet Yatir settlement is established with four mobile homes.

November 7: Settlers leave meetings with Prime Minister Netanyahu and Defense Minister Mordechai with guidelines outlining “compensation” (in the form of additional settlement development) for the expected redeployment in Hebron. ♦

SETTLEMENTS AND ROADS—FOCUS OF SEPTEMBER VIOLENCE

Settlements in the Gaza Strip and roads used primarily by settlers were the primary points of conflict during violence that erupted in the West Bank and Gaza Strip in late

September, in which 15 Israelis and 86 Palestinians were killed. The following information, gathered from a variety of Israeli and Palestinian news sources, highlights this fact.

September 23

A Palestinian vehicle collides with an IDF jeep near the West Bank settlement of Alfe Menashe, killing three soldiers.

A large demonstration is held at the Deheishe refugee camp near Bethlehem protesting Israeli settlement policy. The protest was sparked by an incident in which settlers vandalized a monument commemorating Palestinian “martyrs” from the camp.

An exit of the Hasmonean-era tunnel near Jerusalem’s Haram as-Sharif (Temple Mount) is opened in the Muslim Quarter by Israeli officials.

September 25

The settlements of Kfar Darom, Netzarim, and Morag are shut down due to Palestinian demonstrations. Shootings occur in Khan Yunis near Neve Dekalim. Katif Bloc entries are closed.

September 26

Palestinians surround Kfar Darom and Netzarim, throw stones and allegedly fire at the settlements. Heavy counterfire by the Israeli Defense Force results in a response from Palestinian Authority (PA) police. Riots ensue, and the IDF manages to push back those attempting a forced entry. Sixty to seventy Givati Brigade soldiers handle the riots with backup from helicopters and armored personnel carriers. Males in Kfar Darom are placed on alert and begin to prepare their weapons.

Two IDF soldiers are killed near Netzarim when Palestinian protesters charge a nearby army post.

Women and children are evacuated from the settlement of Nisanit to the nearby city of Ashkelon in Israel. Men in the settlement take up guard posts.

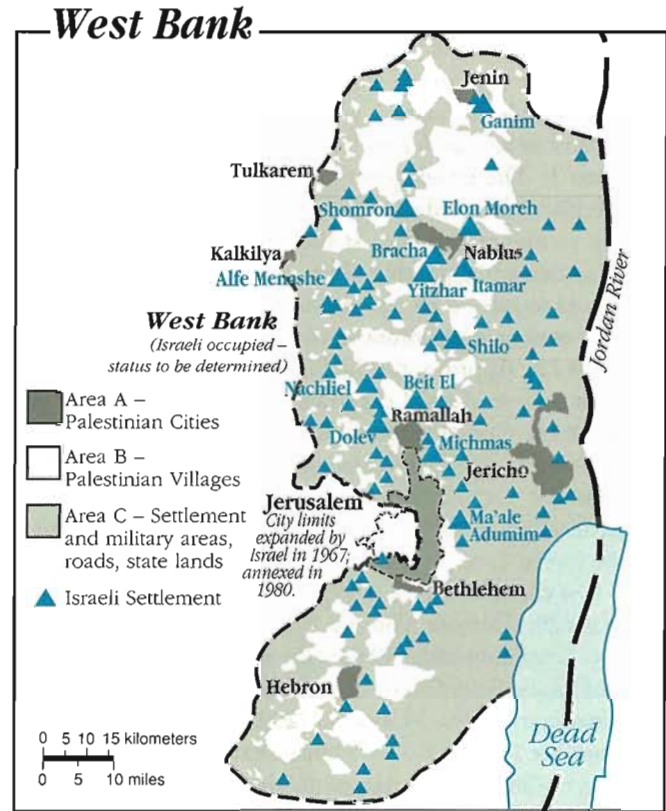
In the northern part of the West Bank, several main arteries are shut down. Roadblocks and stone-throwing by Palestinians are reported. The IDF urges settlers to reduce road travel as much as possible.

Shooting continues on both sides in the Katif Bloc area.

In fighting near Joseph’s Tomb in Nablus, five people are killed and 191 wounded. IDF soldiers cannot be evacuated for treatment due to rioting in surrounding areas. The tomb is reported to be on fire.

The two-week old bypass road around Bethlehem is closed after incidents of sniper fire on passing vehicles.

Fighting breaks out between IDF soldiers and PA police near the Beit El settlement north of Ramallah.



Israeli military authorities declare a curfew for Palestinian residents in Hebron. Israeli forces redeploy around all settlements in the area.

A molotov cocktail is thrown at a settler bus at the entrance of the Beit Omar village.

September 27

Clashes between the IDF and Palestinians are reported near Nachal Oz, an Israeli kibbutz close to the Gaza Strip.

The situation in Kfar Darom worsens as thousands of Palestinians gather in front of the settlement gates. The women and children in the settlement take cover while the settlers’ first response security teams deploy.

Palestinians demonstrate at the Elisha settlement near Jericho. Israeli army deploys tanks in response, killing two demonstrators.

Near Jenin, 20,000 Palestinians march toward the Ganim settlement; Palestinian police attempt to push back the protesters.

SETTLEMENTS AND ROADS, continued on page 5

September 29

Additional IDF units are sent to some settlements, particularly those near Area A where Palestinian police are located.

Settlers in Bracha, Yitzhar, Itamar, Elon Moreh, and other communities near Nablus are confined to their homes due to stone-throwing on the roads in the area.

Ma'ale Adumim feels little effect from the recent events, but the settlement's twentieth anniversary celebration is canceled out of respect for the families of soldiers killed in the September unrest. A cornerstone-laying ceremony at a mall is held to show that residents "are continuing to build and will not be deterred by terror."

The fiftieth anniversary of Kfar Darom's founding (the original settlement) is canceled due to fighting. The situation in Katif Bloc, however, calms down and settlers are able to drive without IDF escorts.

In the Jordan Valley, settler leader David Elhayani praises the placement of tanks and the erection of roadblocks in the region as enhancements to security.

Israeli Defense Minister Yitzhak Mordechai meets settler leaders and explains that "serious cracks" in the PA have created a new situation and that IDF soldiers must review security arrangements for the settlements. He promises to supply settlers with the "tools necessary to maintain their security."

Seven residents of the Nachliel settlement are inducted into military reserve duty under the "Article 8" clause, which allows induction of reserve soldiers without prior notice in the case of war or dire emergency. Residents are also informed that intelligence indicates a possibility of a Palestinian attack in their community.

September 30

Defense Minister Mordechai approves the use of "any element of force necessary" to respond to violence directed at settlers and Israeli soldiers.

October 1

Residents of the Morag settlement in the Gaza Strip request emergency accommodations for their children in anticipation of a "PLO onslaught." Settler leaders in Gaza request \$300,000 in special assistance from the Ministry of Labor and Social Welfare to expand psychological, social work, and day-care services in the wake of the violence.

Yitzhak Levy, Israeli minister of transportation, says on a visit to Gaza settlements, "Continuing development and construction, and the expansion of Jewish settlement—these are the necessary responses in order to strengthen the feeling of security of residents in Katif Bloc." Some parents tell the minister that they would prefer to evacuate their children if the Washington summit fails.

October 2

Stonings and shootings are reported near the settlements of Shomron, Gush Shilo, Nachliel, Ma'ale Michmas, Dolev, Hebron, and on bypass roads.

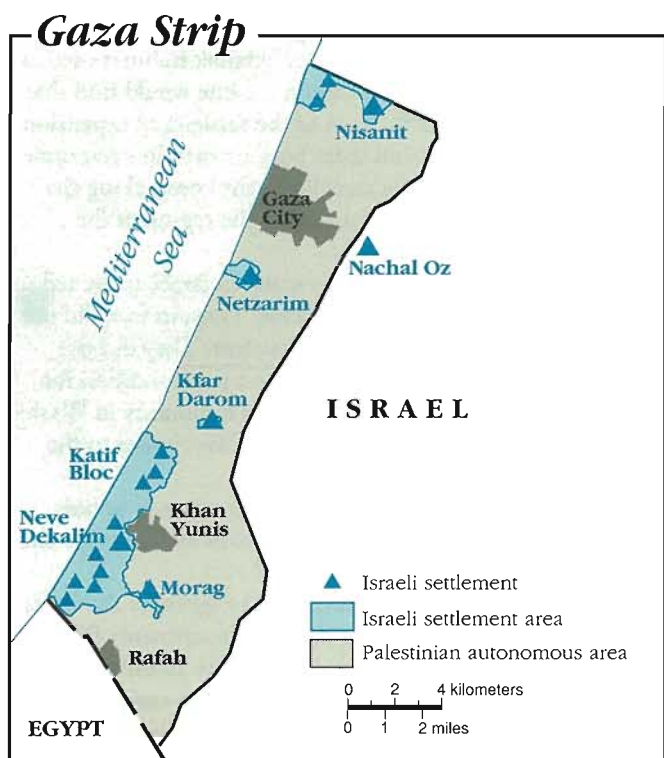
The IDF prepares for renewed unrest in Gaza after the end of the Washington summit. Army snipers are positioned at Khan Yunis, and tanks remain deployed in the Gaza Strip, including the border checkpoint into the Katif Bloc settlements. Defense Minister Mordechai asks Kfar Darom settlers "not to take the law into their own hands." He denies that Katif Bloc settlers have requested evacuation and asserts that such an evacuation would not be necessary due to the strength of IDF backing.

October 3

Israeli settlements request more defensive measures from the IDF, including bulletproof buses and ambulances. They also ask that PA police be moved away from Netzarim Junction. Earlier, ambulances transporting wounded IDF soldiers had been subjected to sniper fire.

October 7

The Katif Bloc regional council will receive NIS 1 million (\$300,000) for damage to settlements incurred during the rioting. The West Bank councils will receive NIS 9 million (\$3 million). ♦



NETANYAHU AIDE ON SETTLEMENTS

Dore Gold, an American educated at Columbia University who emigrated to Israel in the early 1970s, is a principal policy advisor to Israeli Prime Minister Benjamin Netanyahu. Gold has emerged as a key player in formulating and negotiating policy on the Palestinian track.

The following excerpts are from Gold's testimony before the U.S. House of Representatives Subcommittee on Foreign Operations, Export Financing and Related Programs, on February 21, 1992. Gold appeared as an expert on Israel's settlement policies in the West Bank.

"Putting images aside for this committee, the most important question is whether current settlement patterns are forestalling real options for peace, if so, which options? . . .

"The West Bank's north-south hill range overlooks 65 percent of our population and 80 percent of our industrial capacity. Seized by an army from the east, a West Bank under hostile control would endanger Israel's existence. With Israeli forces present, the West Bank is a barrier against massive attacks. Its modest . . . foothill range, set against the Dead Sea and the Jordan River, poses a steep incline from the east of as much as 4,200 feet . . .

"The more pertinent question to ask about Israeli security in the territories is what are Israel's defense requirements in the West Bank and where are they located? Can lines be drawn that would include those defense requirements and exclude territory that can be returned? Moshe Dayan did not believe such a line could be drawn. And while pushing for territorial compromise in Sinai, he advocated 'functional compromise' in the West Bank. Israel would have control of its interests in the area while the Palestinians would again have control of their interests in association with Jordan. "Dayan's long-time rival Yigal Allon believed that a territorial compromise was possible that would protect many Israeli defense requirements. The Allon Plan originally called for Israel eventually annexing one-third of the West Bank, particularly the areas of the Jordan River Valley, the Judean Desert, and the Jerusalem corridor. In later forms under Labor governments it came to include a slightly larger area, especially in the immediate environs of Tel Aviv. . . .

"The study of Israeli security requirements in the West Bank would show that they are in fact geographically dispersed. And while a deep debate over patterns of political control in the West Bank exists among many, certain constants are mentioned by military analysts, whatever their political point of view. Not only must this area be demilitarized of Palestinian Arab forces, but it must include an Israeli presence. . . .

"Much of our internal debate is not over these security requirements, but a debate over political judgment over what kind of sovereignty is needed to make this kind of security package workable. . . .

"If, in fact, we will be heading towards mixed control arrangements in which Israel continues to have access to the West Bank to protect its interests—and a presence—then the present pattern of settlements would not stand in contradiction to such an outcome.

"An increase in the Israeli population of the West Bank from 100,000 to 120,000 or to 150,000 does not remove the need to establish self-governing institutions [for] the 900,000 Palestinian Arabs. Only in the case that Palestinian control over the territories becomes exclusive—and Israel gets out lock, stock and barrel—would settlements run up against the grain of diplomacy.

If, in fact, we will be heading towards mixed control arrangements in which Israel continues to have access to the West Bank to protect its interests—and a presence—then the present pattern of settlements would not stand in contradiction to such an outcome.

"What if an Israeli government elects to pursue territorial compromise? Would current settlement trends block such an arrangement? Of course that would depend on the territory Israel decided to concede. But if the settlement plan of the last full Labor government under Prime Minister Yitzhak Rabin is used as a criteria . . . one would find that most of the settlement expansion

underway in 1991 falls within these borders: within a five-mile radius of Jerusalem, along its corridor to the coast, along the Trans-Samaria highway to Ariel, and in the region of the southern part of Mt. Hebron. . . .

"Settlements have been called by some in Israel as the red herring of the Arab-Israeli peace process. They, in fact, did not stop Anwar Sadat from coming to Jerusalem. They did not stop Madrid, and their cessation was not a pre-condition for the two subsequent rounds of Arab-Israeli diplomacy in Washington. They might have even driven the Palestinians to the negotiating table.

"If they are an obstacle, then they are an obstacle to one solution alone: Israel withdrawing lock, stock and barrel to the 1967 borders from which it was attacked . . .

"But there is another side that cannot be ignored: the Palestinian Arabs. They perceive long chains of apartments filling every previously vacant hill. Their leaders have to bring something home. My own recommendation is not to cease Jewish construction but rather increase Arab construction by relieving the Palestinian refugee camps in the West Bank and Gaza now." ♦

tional spotlight on this subject and embittering relations with Palestinians, who doubt his commitment to the dialogue established during the Labor years. Despite these changes, Netanyahu has yet to depart from the pace or direction of colonization followed by Labor.

Rabin's View

The areas of the West Bank and Gaza Strip that Rabin intended to annex to Israel as part of a final settlement with the Palestinians are all characterized by extensive Israeli civilian settlement. They include

- Jerusalem east to the settlement of Ma'ale Adumim and north to the settlement of Givat Ze'ev;
- the Jordan Valley, in the broadest meaning of that term;
- the Etzion Bloc settlements: Efrat, Betar, and other settlement communities south of Jerusalem;
- other blocs of settlements in the West Bank similar to the one in the Katif Bloc (located in the Gaza Strip).

The Oslo II map, which presages these preferences, is almost a mirror image of Ariel Sharon's "cantonization" plan, which envisages the creation of noncontiguous Palestinian administered cantons in the West Bank and Gaza Strip surrounded by Israeli settlements and roads.

Reviewing the program of Netanyahu, one Israeli report noted that, "it seems that the differences between [Netanyahu] and Labor leaders who support ideas raised by Shimon Peres in closed rooms—that Gaza should be regarded as the sole Palestinian entity alongside the state of Israel—is not so great."

Netanyahu believes that settlements are a central factor in determining Israel's borders and in limiting the extent of Palestinian autonomous control in the occupied territories. He opposes Palestinian statehood, although he is more willing to concede powers to the PA in Gaza than in the West Bank. Like Rabin and Peres, Netanyahu supports a Palestinian polity that is "less than a state." He cannot conceive, as Labor did, that in the context of a final settlement the Palestinian leadership could agree to the extensive limitations on state sovereignty that Israel demands.

Netanyahu supports the concept of settlement blocs that are at the heart of Labor's settlement vision—a strategy that was first articulated in the settlement plan introduced by the government of Menachem Begin one month after the Camp David summit in 1978. He intends to make these blocs territorially contiguous through the expansion of housing, industry, and commercial development along the bypass roads and main east-west arteries running through the West Bank.

Netanyahu views the territories as divided into three areas: ones with Palestinian populations, others with Israeli settlement, and the rest, unpopulated, "empty" areas. For those isolated settlements that cannot be fitted into this framework, he intends to follow the precedent established at Netzarim, a tiny, forlorn settlement in the Gaza Strip that has been a flash-

point for conflict despite extensive protections established in cooperation with the Palestinian Authority.

Prime Minister Netanyahu intends to claim large parts of Area C—the 70 percent of the West Bank where settlements, military installations, and state lands are located—by defining the sought-after portions as security areas. He intends that new settlements will eventually be established in these regions. The 12 new settlements called for in a \$4 billion plan to increase the settler population to a half million by 2000, presented to Netanyahu by settler leaders, were approved during the Shamir era. Prospective new settlements, like the anticipated settlement expansion, are to be located on lands either declared state lands by the Shamir government or within the master-plan boundaries of existing settlements.

Negotiating Environment

Only a few months into his term, Netanyahu's settlement record is quite limited, but, unlike the Labor years, his marginal alterations of Israel's settlement policies have occurred in a political context characterized by a steadily deteriorating stalemate. When PA Chairman Yasir Arafat was forced to respond to Israel's settlement activities during the Labor era—at Hebron in March 1994, Efrat in January 1995, and Jerusalem in May 1995—he consistently maintained that the continuation of the Oslo process and the health of Israel's Labor governments outweighed the damage caused by Israel's settlement actions, and he worked to defuse popular anger. The Netanyahu election, and his government's actions and words since June, have made this underlying presumption far more difficult to maintain. Palestinian concessions concerning settlements, and a host of issues that were once rationalized as necessary way stations along the road to eventual independence, are now viewed far less charitably. Netanyahu has removed even the pretense that Palestinian statehood will be a diplomatically negotiated option at final status talks not yet begun.

The Netanyahu government continued to delay the IDF's redeployment from Hebron, following the precedent established by his predecessors, until forced to do so by the crisis that erupted in September. The redeployment in the city will only marginally modify the protections afforded to the city's 400 settlers and the consolidation of a territorial bridge among the various areas of Israeli settlement in the city that were agreed upon by Israel and Palestinian negotiators last spring.

If today the Palestinian Authority longs for the golden days of Peres and Rabin, it is because Labor convinced the Palestinian leadership to accept the seductive concept that peace and settlements were not mutually exclusive objectives. The current Israeli government, in contrast, has no interest in mollifying its erstwhile Palestinian partners, and makes no secret of its opposition to Palestinian independence anywhere between the Mediterranean Sea and the Jordan River.

In this environment, settlements have been transformed into a battleground. ♦

CLINTON ADMINISTRATION OFFSETS 80% OF 1996 SETTLEMENT PENALTY

The Clinton administration has notified Congress that Israel will suffer a \$60 million "settlement penalty" to be deducted from the final \$2 billion installment of loan guarantees Washington made available in October.

The administration determined that Israel spent \$307 million on settlements in the fiscal year ending September 30. Last year this figure was \$303 million; in FY 1994, the United States determined that settlement expenditure reached \$311.8 million. The amount the United States actually deducted from the loan guarantee program each year, however, has been significantly less.

Continuing a policy initiated in 1994, the Clinton administration determined this year that it was "important to the security interests of the United States" to restore \$247 million of the deducted guarantees. Last year, \$243 million was restored in the same manner to compensate Israel for costs incurred in its redeployment in Gaza and Jericho.

The \$10 billion program in U.S. loan guarantees, spread out in equal installments over five years, was initiated in 1992. The guarantees were initially devised as a means of supporting Soviet immigration to Israel. But the economic rationale for the program has always been less important than the politics driving it—so much so that the Rabin government was permitted to use the entire \$4 billion loan guarantee for 1995 and 1996 to guarantee the financing of its national budget deficit.

The principle of compensating Israel for its expenditures on military redeployment associated with negotiations with the Palestinian Authority was the subject of extended debate in 1994 between the State Department and Congressman Lee Hamilton (D-Ind.). The former chairman of the House Foreign Affairs Committee argued that this offset arrangement weakened the legislation's original purpose—to demonstrate to Israel that there were costs to continuing settlement expansion. (See *Settlement Report*, November 1994) News of this year's penalty was released almost without notice in the days immediately following the unprecedented violence in the occupied territories in late September. ♦

Loan Guarantee Settlement Penalties, 1992–1996
(millions of dollars)

	<i>Settlement Penalty</i>	<i>Offset</i>	<i>Net Reduction</i>
1996	\$307	\$247	\$60
1995	303	243	60
1994	311.8	95	216.8
1993	437	NA	437
1992	NA	NA	NA

"All the Israeli settlements—the Jewish settlements in the occupied territories—are illegal and, therefore, should not continue."

British Foreign Secretary Malcolm Rifkind, November 3, 1996

"New settlements must stop because continuing the process would seriously impair the likelihood of harmonious coexistence between Israelis and Palestinians."

French President Jacques Chirac, October 23, 1996

"East Jerusalem is subject to the principles set out in UN Security Council Resolution 242, notably the inadmissibility of the acquisition of territory by force."

European Union declaration, October 1, 1996

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