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QUARTERLY UPDATE ON DEVELOPMENTS

EDITED BY GEOFFREY ARONSON

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Geoffrey Aronson, a writer and analyst specializing in the Middle East, is the editor of the *Report on Israeli Settlement in the Occupied Territories* (hereinafter *Settlement Report*), a Washington-based bimonthly newsletter published by the Foundation for Middle East Peace. Unless otherwise stated, the items in this section have been written by Geoffrey Aronson directly for this section or drawn from material written by him for the *Settlement Report*. The Institute for Palestine Studies is grateful to the Foundation for permission to draw on its material. Major documents relating to settlements appear in the Documents and Source Material section.

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RABIN'S ASSASSINATION
The Likud Rides the Tiger of the Settler Right

From *Settlement Report*, November 1995

A couple of months before Prime Minister Yitzhak Rabin's assassination, I was interviewing Dan Meridor, a former Likud minister of justice and one of the more thoughtful of the "Young Princes," as the new generation of Likud leaders is known, when the telephone rang. Binyamin ("Bibi") Netanyahu, the Likud leader, was on the line. For the next ten minutes the two debated the political impact of the Likud's association with the growing tide of settler opposition to the Rabin government's diplomacy with Yasir Arafat.

Meridor argued forcefully against the Likud's identification with the settlers, bemoaning the fact that Likud banners were prominent in televised images of mammoth traffic jams caused by demonstrators blocking major highways. His message to Bibi was that outrageous settler behavior was a political liability to the Likud.

I could not hear Netanyahu's side of the conversation, but it was clear that he was not won over to Meridor's point of view. The settler campaign beginning in midsummer had mobilized large numbers of the Rabin government's rightist opponents. Bibi was content to ride this dangerous wave, whose main instigators were drawn from settlers even further to the right of the settlement movement's "mainstream" as represented by the settler council Yesha. Opponents of Yesha's comparatively accommodating line—men like Elihakim Ha'etzni, who argued for a civil revolt against the government, and the Zu Aretzenu [This is Our Land] movement, one of whose members filed a charge of treason against Prime Minister Rabin—were now leading the settler opposition to the government's reconciliation with the Palestinians.

Their strategy complemented that of the more traditional settler leadership, deeply engaged in quietly coordinating increased security measures with the Israeli army in anticipation of the latter's redeployment. In contrast, the actions of Zu Aretzenu—blocking traffic or charging up West Bank hilltops to establish ersatz settlements—garnered headlines and galva-

nized both settlers who see the Oslo process as the beginning of the end of Jewish control over the West Bank, and religious Jews who see in it yet another sign of Israel's debasement as a Jewish state.

Growing Extremist Action

Beginning this summer, what was once the rightist fringe within the settler movement emerged as its most vibrant force. It enlisted what had until then been more moderate elements, like the articulate, English-speaking community in the settlement of Efrat near Bethlehem. There, a campaign of so-called "civil disobedience" was launched, claimed by its originators to be in the tradition of Thoreau and Martin Luther King, but with the aim of sabotaging any territorial concessions to the Palestinians.

This "battle for the hilltops" was followed by an increasingly vitriolic assault on the government. Rabin and Peres were vilified in public demonstrations, Rabin was portrayed as a Nazi, and government ministers were physically harassed. Rabin's car was vandalized by rightists who boasted that if they could get to his car, they could also get to the prime minister himself.

The Likud, led by Netanyahu, was content to lend its aura of respectability to many of these incidents, some of which occurred, without being condemned, during rallies addressed by party officials. Netanyahu, unlike Meridor for example, saw political advantage in the increasingly poisonous atmosphere that attended public discussion about Rabin's policies toward the Palestinians.

Within the government, most viewed the growing virulence of the campaign to delegitimize government policy as a dangerous but containable challenge to Israel's democratic tradition, which had always been punctuated by extreme rhetorical condemnation of political opponents, most recently during the war in Lebanon over a decade ago. Demonstrators and right-wing leaders were treated leniently by Israel's legal and security systems. Right-wing movements like those associated with the late Meir Kahane, although formally banned, continued in barely changed forms and even increased their activities.

This forbearance of settler challenges is deeply rooted in the political tradition of the Rabin government and indeed of Israel in general. Throughout its tenure, the Ra-

bin government refrained from directly challenging the settlers, even the most extreme among them. Indeed, Rabin and other leaders seemed unable to take the full measure of the transformation that was occurring within the more extreme opposition. Reports began circulating in early September about increased security measures implemented to protect Rabin from extremists, but these changes were soft-pedalled by government officials. Reports of the possibility of attacks on ministers were also circulating. One minister, Benjamin Ben-Eliezer, was lucky to escape unhurt from a mob. But Rabin, like most Israelis, continued to view the extremists as essentially a political, not a security or a legal, problem.

Reevaluating Policies

Rabin's assassination by an Israeli with ties to extremist settlers has destroyed this notion, not only among Labor ministers but in the Likud and the country at large. The killer was among those who had faced off against a confused and hesitant army in last summer's "battle of the hilltops." He had stalked Rabin on at least two other occasions this year. Only in Tel Aviv did his persistence pay off. The assassination also ended the debate about the seriousness of the violent challenge posed by extremist settlers and religious fanatics. Heads will probably roll in Israel's security establishment.

Still, the power of the most adamant opponents of any reduction of Israeli control on the West Bank is first and foremost political. Rabin attempted to build an Israeli policy for the West Bank's future on what he rightly considered to be a broad national consensus—a policy that left the Israeli army in strategic control of the occupied territories and the settlers, despite their apocalyptic visions, with an unprecedented measure of protection aimed at securing their future. He paid with his life for his efforts.

Perhaps now it is time for Rabin's successors to reevaluate these goals and to confront the power of the settlers and those fanatics who sanction divine retribution against their mortal enemies.

OSLO II

Withdrawal without Withdrawing

From *Settlement Report*, September and November 1995

On 28 September, Israel and the PLO initialled the "Israel-Palestinian Interim Agreement on the West Bank and Gaza Strip." This accord, known as the "Taba Agreement" or, more popularly, "Oslo II," details the mechanisms and the limitations of the extension of Palestinian self-rule beyond the Gaza Strip and Jericho to significant portions of the West Bank.

Two striking aspects of Israeli-Palestinian reconciliation stand out in this agreement: it ends Israel's "belligerent" occupation of the West Bank and repudiates what Prime Minister Rabin called the "hallucination" of Greater Israel fostered by a generation of Labor and Likud politicians. Diplomacy is creating an extraordinary, cooperative order between Israelis and Palestinians.

The agreement transforms Israel's occupation army into what one Israeli commentator calls a "guest army," operating in the West Bank, as it now does in Gaza, not only by virtue of military conquest but also with Palestinian authorization. Unlike a true "guest," however, the IDF will not be leaving the West Bank or ceding its "overriding responsibility for security." This represents a tremendous achievement for Israel's Labor party, which has always sought Palestinian partners in a system for the West Bank that would relieve Israel of the burdens of administering the lives of Palestinians while assuring its military control and colonization efforts.

The text of the interim agreement, which is twenty-nine pages long, is dwarfed by seven lengthy annexes, nine detailed maps, and an exchange of letters running to over three hundred pages. "Any lawyer," explained an international diplomat who has read the four hundred-plus page accord, "knows that if you draft a contract that is too complicated, you increase the changes that it will not be honored." The Israel-PLO agreement, he notes, is unlike any international treaty that he has ever read. "It is an aberration. The lack of trust between the parties remains so pervasive that Israel felt compelled to anticipate and to draft for every possible situation."

The main feature of the agreement is the provision for the division of the West Bank (excluding East Jerusalem) into three zones—each with a different mix of Israeli and Palestinian responsibility. Area A, colored brown in the maps accompanying the agreement, consists of the seven major Palestinian cities—Janin, Qalqiliyya, Tulkarm, Nablus, Ramallah, Bethlehem, and Hebron. In Hebron, however, a 3.5-sq.-km. area inhabited by four hundred Israeli settlers and twenty thousand Palestinians, will remain under complete Israeli control.

In Area A, which comprises perhaps 1 percent of the West Bank, the Palestinian Council to be elected under the terms of the agreement will have complete authority for civilian security. Area B, the “yellow” zones of the maps, comprises all other Palestinian population centers (except some refugee camps) and totals 27 percent of the West Bank. There, Israel will retain “overriding security responsibility.” In Area C, comprising 72 percent of the West Bank and including all settlements, military bases and areas (some on privately owned Palestinian land), and state lands, Israel retains sole security authority. Powers not related to territory will be transferred to the Palestinian Council. The agreement includes a vague timetable for the transfer of undefined parts of Area C to Palestinian control, beginning in the latter part of 1996.

Although the Declaration of Principles specifically excludes the issues of Israeli settlements and settlers from consideration during the interim period, their status is clearly and precisely addressed by the 28 September agreement. The accord reaffirms, and in some instances expands, the broad range of protection for settlements and settlers first established in the Oslo agreement of September 1993 and enumerated in the Gaza-Jericho accord signed in May 1994. These protection include:

- Agreement that no settlement will be evacuated during the five-year interim period scheduled to end in May 1999;
- Exclusion of settlements, settlers, “vital arteries” (main roads, water pipelines, electrical and telephone lines), and water resources from any Palestinian jurisdiction, interference, or control;
- The creation of blocs of settlements, with territorial continuity between them assured;

- Extensive and complex arrangements for security cooperation between Israeli and Palestinian military, police, and internal security forces;

- Limitation on the size, armaments, and jurisdiction of Palestinian security forces;

- Continuing Israeli supervision over the use and registration of all lands;

- Limitation on Palestinian land use near settlement areas and continuing Israeli control over Palestinian zoning and land use decisions.

The agreement also reaffirms the provision in the May 1994 agreement that establishes that Palestinian legislation cannot “deal with a security issue which falls under Israel’s responsibility,” nor “seriously threaten other significant Israeli interests protected by this agreement.”

The agreement also secures the critical recognition by the yet-to-be-elected Palestinian Council of the “legal rights of Israelis related to Government and Absentee land located in areas under the territorial jurisdiction of the Council.” This important clause establishes continuing Israeli control over all state and “absentee” lands, even in Areas A and B. According to well-informed Palestinian sources, this clause entails Palestinian recognition of Israel’s legal right to control up to 90 percent of the lands in Area B. It also establishes a precedent for the continuation and expansion of settlements under Israeli sovereign authority even in the event of their transfer to nominal Palestinian control.

A reading of Oslo II itself nonetheless seems to suggest Israeli government acceptance that its full territorial control in the occupied territories would be limited to settlements and military locations. While this enables Israel to assert formal sovereignty over a large proportion of the West Bank and Gaza Strip, it does represent the first time that Israel has established *any* limitation on its territorial claims to the areas.

Rabin’s view of a final territorial settlement was reflected in the territorial arrangements made in this interim pact: Israel is laying claim to significant territories around Jerusalem, the Jordan valley and its western highlands, and the June 1967 border region. Israeli control of West Bank roads and strategic heights along the area’s central spine has produced a gerrymandering of territory in much of the remainder of the West Bank.

Major General Uzi Dayan, head of the IDF Planning Branch and a chief negotiator of the accord, explained that elements of the agreement relating to security were guided by three considerations: the West Bank's place in Israel's overall strategic security concept, defense of the settlements and their routine life, and the prevention of Palestinian armed attacks against Israeli population centers.

The true import of the treaty cannot be understood without the accompanying maps, and Palestinian negotiators labored under the extreme disadvantage of not having seen any of them almost throughout the entire negotiations. It was only in early September—that is, *after* the text of the treaty had been hammered out—that Israel allowed any of them to be seen. When PA Chairman Yasir Arafat got his first glance at the maps on 19 September, he stormed out of his session with Foreign Minister Shimon Peres, complaining that Israel was cutting the West Bank into bits and pieces and that the Palestinians were being awarded a multitude of isolated yellow islands in a sea still controlled by Israel. The “fixes” that brought Arafat back to the negotiating table—which added an insignificant percentage to Israel's original offer—appear on the working maps as a different shade of yellow from the original. According to a U.S. official who viewed the revised map, it “connects some yellow areas in the most minimal way imaginable” by creating “cheesy little causeways” between a few Palestinian yellow areas. One Palestinian negotiator has likened the map of Palestinian authority to “swiss cheese.”

The negotiations for Oslo II have begun to deconstruct the long outdated myth—deeply ingrained in Israel's national consciousness—that Israel's settlements, in and of themselves, have any security value whatsoever. Rabin acknowledged in a 22 September interview that “the settlements, which had always been given defence significance, lost their value in the public's consciousness.” Stripped of their protective ideological and security *raison d'être*, settlements nevertheless remain the principal obstacle to additional Israeli withdrawal as well as the most potent means of assuring popular Israeli support for the maintenance of an IDF presence—a presence which will be *expanded* in the wake of the agreement—beyond Israel's borders.

Former Prime Minister Yitzhak Shamir decried the agreement as “the opposite of peace.” According to Ariel Sharon, who rightly prides himself for his central role in Israel's settlement drive, “there is no doubt that without the line of settlements, the Rabin government would have no problem [withdrawing from the occupied territories]. This is what is stopping them today.” Settlers, who were once viewed by Israelis as leading the way to a solution—Greater Israel—are today understood by their supporters and opponents alike to be the principal obstacle to a lasting agreement modelled on the Oslo accords.

It has been obvious from the beginning of the Israeli-Palestinian talks that Israel was intent upon exploiting the advantages awarded by its superior power. So it is no surprise that Oslo II reflects, in large measure, Israel's vision. With its partial redeployment, it offers the PA unchallenged control over less than 10 percent of the West Bank (when one takes into account the clause assuring Israeli legal rights over the “state lands” in areas A and B) and uncertain promises about future expansion, combined with far greater control over the everyday affairs of Palestinians throughout the territories. At the same time, the agreement successfully preserves what Israel considers its cardinal interests in the West Bank—principally its demands to remain in strategic control of the entire area and to preserve its exclusive control over its settlements and settlers.

As with any agreement, the key to its success is the extent to which the minimal needs of each party have been addressed and accounted for. On that score, there is reason to worry that Oslo II's success in preserving Israel's key interests in the West Bank—the security of Israel against attack and the protection of the West Bank's 140,000 Israeli settlers—has come at the expense of an agreement that ordinary Palestinians will ultimately be able to live with.

CONTINUING TO CREATE FACTS

Settlement Pace Escalates in 1995

From *Settlement Report*, September 1995.

During the first quarter of 1995, construction starts in Israel and the occupied territories were recorded at a pace not

seen since the building boom of 1991, leading *Davar* commentator Moti Basok to write on 23 May 1995 that Housing and Construction Minister Benjamin Ben-Eliezer's policies were reminiscent of those of his predecessors at the ministry, Ariel Sharon and David Levy. The increase has occurred exclusively in the realm of publicly financed construction.

In the settlements near Jerusalem during the first four months of 1995, construction was begun on 1,126 units, far more than the 324 units begun during all of 1994. During the second quarter 224 units were begun. Most of this construction is occurring in Beitar [718] and Ma'ale Adumim [616] as part of the 4,100 units approved by the government in January. The ministry of housing intends to start building 2,285 units in the Jerusalem region during 1995.

The figures below illustrate how the housing construction market in the occupied territories has fluctuated during recent years, after an extended period of stability. Figures for 1994 and 1995 suggest that construction rates in the West Bank—after the upheaval occasioned by the influx of immigrants from the CIS—are now stabilizing near their traditional level.

Year	Construction Starts (dwelling units)					
	ISRAEL			WEST BANK and GAZA (excl. East Jerusalem)		
	Total Public	Total Private	Total	Total Public	Total Private	Total
1989	3,490	16,360	19,850	680	790	1,470
1990	19,380	23,030	42,410	830	980	1,810
1991	61,730 ^a	21,780	83,510	7,040	1,070	8,110
1992	21,820	23,080	44,900	5,000	1,210	6,210
1993	6,820	30,160	36,980	410 ^b	570 ^b	980 ^b
1994	10,460	32,860	43,320	550	740	1,290
1995 ^c	9,170	8,800	17,970			1,398 ^b

a Not including placement of 3,735 prefabricated units and trailers.

b Preliminary estimates only.

c First quarter only.

Settlement Snapshots: "Psagot Wants You"

A yellow line painted down the middle of the road leads visitors through the narrow streets of the Palestinian town of El Bireh to the nearby settlement of Psagot. When completed, a new "bypass" road now being constructed will offer settlers a far more attractive option. The new road will connect the settlement of 150 families

to the settlement of Kochav Ya'acov and the Allon Road, which leads directly to Jerusalem.

"If you are national-religious, young in age or spirit, and want to take part in a national enterprise and be part of a cultured, successful community, Psagot has something to offer you," pitched a leaflet issued by the local council.

Revava, a settlement located a few kilometers north of the main trans-Samaritan highway west of Ariel, is also advertising for new residents.

"A young, religious community growing near Gush Dan [Tel Aviv] and close to Ariel," starts an advertisement on the settler radio station that in Hebrew sounds like a jingle. "Fulfill a dream now in Revava, a green, flowering community in our beloved land."

The settlement of thirty-five families, one of the "Baker settlements" set up during the Secretary of State James Baker's efforts to convene the Madrid peace talks, increased by four during the summer. According to a settler, they have come "to show the government that we are continuing to build."

New Settlers in the Golan Heights

David Rudge, "Golan Council Reports 'Mass Influx of Newcomers,'" (excerpts).*

Scores of families have moved into homes on the Golan in the past few months, giving an added boost to the region's naturally expanding Jewish population. Golan regional council officials revealed yesterday that 120 families have been absorbed onto the Golan in the past two months alone. This is in addition to the mass influx of newcomers to Qatzrin, which has experienced a population boom in the past twelve months and where there is a six-month waiting list for some rental housing.

The council officials said that despite any uncertainties over the long-term future of the region, people were still coming to live on the Golan, while existing residents showed no signs of leaving. Golan regional council chairman Yehuda Wolman said they were optimistic that the number of new families coming to live in the re-

* *Jerusalem Post*, 31 August 1995, reproduced in *FBIS* 31 August 1995.

gion, apart from Qatzrin itself, would top the one thousand mark within a year.

Wolman said the regional council was continuing to develop and expand existing infrastructure and to increase work places, particularly in industry, tourism, and agriculture, to meet the newcomers' needs. These plans will go ahead regardless of any possible attempts by government ministries to block expansion and development, he vowed. . . .

Meanwhile, officials of the Qatzrin local council noted that the town's population had increased by around 850 people in the past twelve months.

INTERVIEW WITH ARIEL SHARON

Settlements Past and Future

[The interview with the former Likud minister was published in the Israeli daily Davar on 14 July 1995 and was translated in Settlement Report, November 1995.]

Davar: Israeli negotiators recently returned from a tour of the West Bank, lamenting the "Sharonization" of the occupied territories. How did this happen?

Sharon: When I assumed the post of chairman of the Ministerial Committee on Settlement there were twenty-five settlement communities, most of them in the Jordan valley, and two were under construction. Today there are 144 communities in Judea and Samaria. In October 1977, I presented to the government a plan that aimed to solve a number of problems we were facing.

The first problem was that two-thirds of the Jewish residents of Israel live in a small strip that can be controlled from the high ridges of Western Samaria. I wanted to assure that in any future political agreement Israel would retain these areas and would prevent their retention by any other party. As a child of the settlement movement, it was clear to me that it was only possible to retain these commanding heights by Jewish settlement.

The second problem, the eastern front, was also addressed by Labor governments, and they gave their answer through the Alon Plan that I implemented, although in my opinion it wasn't deep enough.

The third problem was the need for a system of roads that would connect the seacoast with the Jordan valley and the

Dead Sea, and in order to retain control over these axes it was clear that we would have to control a corridor many kilometers wide. The thing that seemed to me the most appropriate way of retaining these corridors was the establishment of settlements on both sides of the axis.

Davar: From the beginning, you supported settlement in order to retain all of it in Israel's hands?

Sharon: No. In contrast to what has been said, except for isolated instances, settlements are not located in areas of large Arab population, not because I shied away from this but because the Arabs did not settle in areas that were of interest to us—because they are difficult regions. Were there Arabs in Beit Arieh? Did someone live in the area of Ofarim? Not today or ever. Here and there were small villages but not large concentrations.

Davar: But you established settlements close to cities. Psagot, for example, is almost inside of Ramallah.

Sharon: Good. Psagot was a very important place. You can stand there and you can look at Jerusalem and you will see what could happen. The topographical conditions necessitated its establishment. Okay, there are also settlements like this but there were good reasons for them.

The whole process of settlement was based upon three sources. The first thing was the grand reawakening of the national religious camp spearheaded by Gush Emunim. The second thing was the change of government [in 1977 when Likud won over Labor] and the creation of ideological possibilities, and the third thing—something that does not seem superfluous to me—was the fact that I received the job of chairman of the Ministerial Committee on Settlement. I do not argue with Shamir who gave me credit for this enterprise. I do not want to argue with him, but had he not prevented the establishment of some settlements our situation would be better. Also, Mr. Begin wanted at a very early period to stop the establishment of settlements.

Davar: Why?

Sharon: Because he feared the Americans. And I would also say that both men did not really know how, [even Begin] with all of his abilities, to turn an idea into a reality. . . . In the first government of Menachem Begin there were a few genuine

Laborites: [Moshe] Dayan, Ezer [Weizman], Yigal Horowitz, and myself, people who had grown up and who knew how to take an idea and turn it into reality.

I began my work much earlier. After the Six Day War, I was put in charge of training in bases in Judea and Samaria [which I had transferred into the West Bank]. . . . These bases were used as the seeds of the first settlements, but I did not publish a letter declaring this. . . . Have you ever seen the order of the day that established the Etzion Base? . . .

Davar: So now you feel that your achievements are being sunk in the sea?

Sharon: God forbid!

Davar: Training centers 3 and 4 are being abandoned, and that is only the beginning?

Sharon: . . . Were there not Jewish settlements today on the Golan Heights and Judea and Samaria, Israel would long ago have found itself across the Green Line. If there is one source that has prevented the agreement of this government [to withdraw] and created difficulties in the negotiations, it is the Jewish settlements. The Arabs also know their value.

Davar: Settlements prevent for the time being a return to the Green Line but in the final status there is an intention to evacuate them.

Sharon: Who knows what will come after that? Not one settlement will be evacuated. Each one of them is important. We did not establish a settlement on every hill. When I concluded my job after four years the map was already sliced up on the ground. When I was minister of defense I remembered something that Israel Galilee [a prominent member of the Labor party] had said to me when he gave to me my first job at the Ministerial Committee on Settlements. He said to me, "I want to teach you something. In order to establish a settlement you need government permission. I created something new, a Nahal [paramilitary] outpost. For an outpost, you don't need to bring it up for approval." I remembered these words and established thirty Nahal outposts in Samaria. Most of them were turned into settlements over time together with the two in the Golan Heights.

In the same fashion I created industrial zones. . . . Actually, in almost every community I established an industrial facility.

Davar: Some of which are not being used to this day.

Sharon: In Barkan [near Ariel] there isn't a meter available.

Davar: Barkan is an exception.

Sharon: Listen, anyone who has some hindsight need not be excited about this. Take Metulla, for example, which just celebrated its hundredth anniversary. It's worthwhile to remember how many times people settled this place. One group replaced another. They in turn were replaced with others until the situation stabilized. . . .

The settlement communities, almost without exception, are part of a concept which says that we need to enable the Arabs to conduct their lives as much as possible without our intervention. External and internal security should be in our hands, and matters concerning themselves should be left to their "blue police."

Davar: Municipal autonomy?

Sharon: When Begin presented his autonomy plan I told him: "You are establishing a Palestinian state, even if we massively settle these areas vital to our security." And we did this. . . . I remember the argument with Ezer [Weizman, minister of defense in Begin's first government]. He always wanted to establish [only] five Jewish cities [in the West Bank]. I argued that the demographic issue was important, but we had to control the territory. You can double or triple the size of Ma'ale Adumim, but you don't have a way to Jordan and the north Dead Sea without settlements along the way. The people have no intention of moving from these places.

Davar: And they won't move even if Rabin decides to offer compensation?

Sharon: . . . Rabin knows that if he offers compensation, some people in Ariel will accept it. This will possibly happen also in the secular parts of Karnie Shomron. But in Yizhar? In Elon Moreh? In Tapuah? Let him try in Ali, in Ma'ale Levona, in Shilo, in Bracha, in Kedumim.

Davar: There are 140 communities and you mention only a few.

Sharon: You simply are mistaken. Go to Beit Hagai, to Shema, to Carmel, to Beit Yattir. So what is Rabin going to do? Exit from Ma'ale Adumim? He doesn't want to leave there. Yesha [the settlers' council] estimates that 30 percent of settlers will

leave, but settlements can handle this. . . . We are already seeing the second generation in these settlements. What is happening to them is similar to what occurred fifty years ago. In 1975, Rabin asked me, "Who are these Gush Emunim anyway?" . . . I told him, "You will see, they are like we were in the 1940s, only more serious."

LOAN GUARANTEE UPDATE

1994 Penalties Assessed

From *Settlement Report*, November 1995.

The Clinton administration notified Congress in October that Israel will suffer a \$60 million "settlement penalty" reduction from the \$2 billion in loan guarantees Washington made available that month for the coming year. Last year, the administration exacted a \$216.8-million penalty. For FY 1993, the sum was \$437 million. Under a formula worked out by President Bush and Prime Minister Rabin in August 1992, any money spent on settlement-related (nonsecurity) activity in the occupied territories would be deducted from the annual loan subsidy.

Repeating a scheme initiated last year, the Clinton administration actually assessed Israel's expenditures on settlements during the last year at \$303 million, but then restored \$243 million of the deducted guarantees to fully compensate Israel for costs incurred in its redeployment in the Gaza-Jericho regions, resulting in the \$60-million figure. In similar fashion, last year the assessment of Israeli settlement expenditures for the year before was \$311.8 million, from which \$95 million was subtracted to cover "peace process implementation costs in the Gaza Strip."

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 recently permitted to draw down the \$10 billion over six years and to use the entire \$4 billion annual loan guarantee for

1995 and 1996 to guarantee the financing of its national budget deficit. This decision can be seen as a vote of U.S. support for Labor as it heads into its campaign for reelection.

As in years past, U.S. calculations of Israel's settlement expenditures excluded all private Israeli investment in the territories. Therefore, almost every housing project being built by private construction companies in settlements in East Jerusalem and throughout the West Bank now proceeds without any U.S. penalty, even though such construction is carried out with the permission, cooperation, and in most cases subsidies of government agencies; massive construction projects are moreover frequently put up for bid by the Housing Ministry itself.

The exclusion of this so-called "private" construction represents yet another retreat from principled U.S. opposition to continuing settlement—a retreat that permits Israel to continue building and settling at a pace rarely seen in almost three decades of occupation.

During the foreseeable future, Israel's Treasury Ministry expects Israel's expenditures on settlement-related roads and infrastructure (not including housing construction or expenditures relating to Israel's redeployment) in the occupied territories to be \$200-\$250 million annually.

The principle of compensating Israel for its expenditures on military redeployments associated with negotiations with the Palestinian Authority was the subject of extended debate in the last year between the State Department and Congressman Lee Hamilton [D-Indiana]. 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. This year, unlike last year, Hamilton was briefed in advance by Assistant Secretary of State Robert Pelletreau. This year, unlike last year, no hearings are scheduled by the Republican-controlled committee. News of the decision was released during ceremonies marking the signing of the Oslo II accords.

According to one congressional staffer, critics like Hamilton "couldn't make a case. It was not a time to be critical."