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## QUARTERLY UPDATE

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 Palestinian 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.

*Journal of Palestine Studies* XXIV, no. 3 (Spring 1995), pp. 122-134.

ISRAELI SETTLEMENT: POLICIES  
AND FACTS**How Rabin Builds**

From *Settlement Report*, March 1995.

The Rabin government has been adamant in its public statements, particularly those directed at foreign and Arab audiences, that it has stopped government investment in settlement construction in the occupied territories except for Jerusalem. Typical of such statements was a declaration by Foreign Minister Shimon Peres, who explained after meeting with a Palestinian delegation on 3 January,

We announced that we are not going to take new settlements . . . . We are not going to confiscate land to expand existing settlements or to build new settlements, and third, we are not going to invest government money in expanding settlements. (MEM, 4 January 1995)

Nevertheless, construction continues apace throughout the occupied territories, both in areas such as Greater Jerusalem explicitly targeted by many planners for eventual annexation to Israel, and in the so-called "political settlements"—some seventy outposts with small populations in the heart of the West Bank. "There isn't one settlement today that doesn't have a bulldozer at work," notes Shlomo Katan, mayor of the Green Line settlement Alfe Menache, where almost 3,000 new homes are planned.

Much of this construction has been undertaken by private entities, acting with the permission, cooperation, and in most cases subsidized participation of government agencies. For example,

• Since Rabin's election, hundreds of units have been constructed by private bodies on lands within the planning areas allocated to each settlement. These homes, often constructed under "build you own house" schemes, are approved by the settlement's own local or regional planning body composed of settlers themselves. They are built within the planning boundaries of individual settlements, or outside on privately owned lands or "state lands" al-

ready allocated for settlement by earlier governments.

• The "exemptions committee," headed by Nach Kinarti, a high defense ministry official, has approved the construction of hundreds of units during the Rabin era. The committee bases its decisions on "the developmental and natural requirements of every settlement." It has approved the construction of tens of units in every settlement.

It is not clear how this committee will relate to the recently established "ministerial review committee," established by cabinet decision on 22 January. It appears, however, that the latter body will serve, as it did in its initial meetings in late January, to endorse decisions already made by the government's settlement bureaucracy.

• The massive construction projects currently undertaken by private contractors were put up for bid by the Ministry of Housing, leaving no doubt that the construction is taking place under the auspices of the Rabin government. This is how most of the residential construction in Greater Jerusalem and in settlements along the Green Line is handled.

This construction proceeds on the basis of a decision in principle made by the minister of housing or the prime minister himself. The "exceptions committee" later approves formal plans along with the settlements' planning committee. The government then allocates "state land" for construction. The government then assists with the development of infrastructure, including roads, power, water, and sewage lines. "We won't allow any settler to be without electricity or water," explains Minister of Housing and Construction Benjamin Ben Eliezer (*JREP*, 9 February 1995).

**Rabin Settlement Building Rivals Shamir's**

From *Settlement Report*, March 1995.

*"According to the numbers made available, in the four years of this Labor government, Israel will complete 30,000 dwelling units in the territories, enabling the addition of 120,000 people.*

*In the [five-year] interim period [of the Oslo accords] therefore, the Jewish population of Judea and Samaria will double."*

—Shlomo Gazit, former head of Israel's Military Intelligence, in *Yedi'ot Aharonot*, 22 January 1995

The Rabin government's construction plans for West Bank and East Jerusalem settlements rival and in some respects surpass the settlement construction efforts of the Shamir government during 1989–92. In the coming three years, the government plans to build about 30,000 apartments beyond the Green Line, despite its declaration of a building freeze in these areas.

This plan was prepared by an interministerial committee including the prime minister's office, the housing ministry, and the ministry of defense (*Ha'Aretz*, 17 January 1995). The program represents a marked increase in the pace of construction initiated by the Rabin government in the occupied territories during its first two years. During this period, Rabin completed more than 11,000 units inherited from the Likud government, which he approved for completion in mid-1992. The completion and sale of most of these units, particularly in the region around Jerusalem and along the 1967 border, has created a market for additional housing. "This plan shatters any remnant of the Palestinians' illusion that the Oslo Accord will bring about either an Israeli withdrawal from significant territories in the West Bank, or that eastern Jerusalem can ever serve as a Palestinian capital," wrote *Ha'Aretz* correspondent Danny Rubinstein on 10 January.

Minister of Communications Shulamit Aloni, who opposes the program spearheaded by Minister of Housing and Construction Benjamin Ben Eliezer, has declared that it "shows the [housing] ministry is operating in complete contradiction to the government's decisions and its peace intentions" (*Middle East Mirror*, 17 January 1995). Aloni's critique, however, fails to take into account that the housing ministry is not acting in opposition to the wishes of the Rabin government, but according to its instructions. Ben Eliezer is the official charged with effecting the Rabin government's settlement program. He has insisted that "all government construction beyond the Green Line received the approval of the 'exceptions committee' [established to approve all construction] and

was done with the knowledge of the prime minister, and with his full agreement."

The principal points of the government plan for 1995–98, as revealed by Ofer Patrosberg in *Yedi'ot Aharonot* on 9 January 1995, include:

- 15,000 apartments to be built in East Jerusalem settlement neighborhoods beyond the 1967 borders (Pisgat Ze'ev, Neve Ya'acov, Gilo, and Har Homa);
- 13,000 apartments in the nearby urban region (Ma'ale Adumim (6,000), Givat Ze'ev (1,000), Beitar (5,000), Givon, Har Adar, and Efrat);
- 3,000 apartments in other West Bank locations.

Housing ministry investment in the territories during 1995 has been budgeted at \$52.5 million, most of which will be directed, according to government sources, to locations where a broad national consensus for annexation exists. But these published estimates provide only a partial and even misleading indication of the extent of official spending on settlement building, since they do not include allocations by the other government or quasigovernment bodies heavily involved in the settlement construction effort (such as the Jewish Agency, the World Zionist Organization, the ministries of energy, communications, and so on). The United States, for example, estimated Israeli government expenditures on settlements at \$347 million in 1994 and \$437 million in 1993.

Private sector investment in housing and industry are not included in these sums, either. Nor are hidden government subsidies. In Beitar, for example, where more than 1,000 units are under construction, private construction companies were able to purchase the land from the government at "especially low prices," according to a report in *Ha'Aretz* on 29 January 1995. Land prices ranged from \$1,800 to \$3,750 per unit, far below market rates.

During the Shamir era, government expenditures comprised a far greater percentage—estimated at around 60 percent—of total settlement construction expenses than they do today. At a time when Rabin is proposing the construction of an average of 5,000 new units annually in the West Bank and a similar number in East Jerusalem, he is counting upon a far lower threshold of government money than budgeted during the Shamir period to kick start market forces.

Controversy over settlement construction at the settlement of Efrat near Bethlehem forced the government to debate its settlement program in greater detail than it has done since assuming power almost three years ago. At the cabinet meeting on 22 January, Ben Eliezer presented the government's plan for the construction of 4,100 units in the West Bank settlements of Greater Jerusalem (see chart). The Rabin cabinet endorsed the creation of a special ministerial committee to vet this and other settlement construction, reaffirmed the "top priority" it attaches to "the strengthened construction of united Jerusalem," and promised the allocation of "special resources" to this end.

The ministerial committee endorsed the housing ministry settlement construction proposal, with minor alterations and over Aloni's objections, when it met on 25 January. During the committee meeting, Aloni complained to Rabin, "You are exactly like the Likud. Don't you think that the Arabs need some place to live?" Rabin replied, "I think about Israelis."

Settler representatives in Greater Jerusalem were pleased with the outcome. "We received exactly what we wanted," said the mayor of Ma'ale Adumim, where 2,000 units were approved for construction.

Commenting on the government's intentions, Minister of Foreign Affairs Shimon Peres remarked, "there will be building, but without declarations" (*Ha'Aretz*, 22 January 1995).

**Planned New Construction in Greater Jerusalem, 1995**

From *Ha'Aretz*, 23 January 1995.

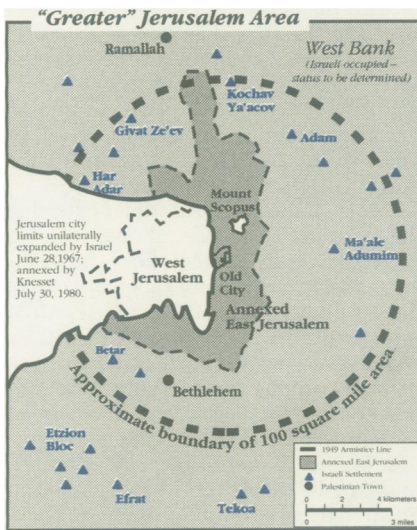
**New Construction in Greater Jerusalem, 1995 (as planned by the Ministry of Housing)**

Settlement	No. of Units	Govt. Investment in \$ millions
Givat Ze'ev	800	8.0
Beitar	900	4.6
Ma'ale Adumim	2,000	3.0
Kiryat Sefer	400	1.9
TOTAL	4,100	17.5

**Total Planned Housing Investment by the Ministry of Housing (according to the work plan for the FY 1995) (in \$ millions)**

Settlements near Jerusalem (excl. the four settlements listed above)	22.7
Jordan Valley	6.3
Ezion Bloc	2.1
Other locations	2.6
Construction of public buildings (clinics, schools, houses of worship, meeting halls)	1.3
TOTAL	35.0
(TOTAL 1994 was 46.6)	

**Map of "Greater" Jerusalem Area**



**Housing Starts, 1989-95**

From Israel Central Bureau of Statistics, 1994, and the Israeli Contractors Association.

**Housing Starts, 1989-95**

Year	ISRAEL		
	Total	Public	Private
1989	19,850	3,490	16,360
1990	42,410	19,380	23,030
1991*	83,510	61,730	21,780
1992	44,900	21,820	23,080
1993	33,630	4,760	28,870

\* Not including placement of 3,735 prefabricated unites and trailers.

Year	WEST BANK & GAZA		
	Total	Public	Private
1989	1,470	680	790
1990	1,810	830	980
1991 <sup>a</sup>	8,110	7,040	1,070
1992	6,210	5,000	1,210
1993	980 <sup>b</sup>	410 <sup>b</sup>	570 <sup>b</sup>
1994 (Jan.-June)	400 <sup>b</sup>		240 <sup>b</sup>
1995	4,100 <sup>b</sup>		

<sup>a</sup> No including placement of 3,735 prefabricated units and trailers.

<sup>b</sup> Preliminary estimates only.

### Annexation's Political Consensus

From *Settlement Report*, March 1995.

The de facto annexation of a large swath of the West Bank around Jerusalem became far more explicit in the early weeks of 1995, when the Rabin government approved plans adding to the already large concentrations of Israelis in an area from Ramallah in the north to Hebron in the south.

More important for demonstrating the existence of a political consensus in Israel favoring this policy, however, were statements from a range of government officials, including for the first time ministers belonging to Meretz, a coalition of parties most critical of settlements among Israel's governing parties.

Minister of Housing and Construction Benjamin Ben Eliezer, for example, told Israeli Radio that Greater Jerusalem is an existential rather than a philosophical concept. Although Ma'ale Adumim and Givat Ze'ev are outside Jerusalem's municipal borders, he explained, they nevertheless constitute part of Jerusalem.

Ben Eliezer's top aide at the ministry was more explicit: "Ma'ale Adumim is not part of Judea and Samaria, but a city like any in the center of the country, for example, Rosh HaAyn or Hadera" (*Yedi'ot Aharonot*, 10 January 1995).

"Every year, including this year, we are building thousands of units, which will join it [Ma'ale Adumim] to Jerusalem in the direction of Pisgat Ze'ev" (*Ha'Aretz*, 5 January 1995). Meretz ministers Yossi Sarid and Amnon Rubinstein have noted their approval of this campaign. Sarid remarked that he sup-

ported continued construction in Ma'ale Adumim, while Rubinstein has explained that although he opposes the thickening of settlements and further land confiscations, "it is necessary to strive to enable the Etzion Bloc to stay under Israeli sovereignty" (*Yedi'ot Aharonot*, 11 January 1995).

### Settlement Policy and the Peace Process

From *Settlement Report*, March 1995.

The Rabin government's settlement policies emerged as a contentious issue between Israeli and Palestinian diplomats in the early months of 1995. For the first time since the signing of the Oslo Accord in September 1993, Palestinian negotiators were forced by popular Palestinian protests at Israeli settlements and the sites of various land confiscations to raise the issue of settlements in talks with Israel. These discussions produced a reiteration of long-standing Israeli government policies and a reassertion that during the interim period, settlement policy is an exclusive Israeli concern.

The Oslo Accord, as well as the subsequent Cairo agreement, defined Israel's civilian settlement in the West Bank and Gaza and their 140,000 Israeli residents as "final status" issues. During the interim period established by the Oslo Accord, the settlements and settlers are to remain under exclusive Israeli jurisdiction, security, and control.

Beginning in late December 1994, popular Palestinian opposition to the expansion of the Efrat settlement south of Bethlehem was followed by numerous Palestinian protests throughout the West Bank, particularly in regions where settlers were fencing in additional lands claimed by Palestinians or where new roads were being established for Israeli settlers.

These protests lead to a cabinet decision on 3 January to stop the construction underway and to approve the construction of two hundred units at a site closer to existing residential development in the settlement. The government presented this action as a precedent in which a government authorized settlement project was canceled by government fiat.



The same day, at a meeting in Cairo of the Israeli-Palestinian Supreme Liaison Committee, Minister Yossi Sarid explained that settlements had become the central problem in the negotiations. During these discussions, Palestinians demanded an explicit Israeli commitment to stop settlement construction and land confiscation.

Foreign Minister Shimon Peres explained that Israel would not negotiate on settlements during the interim period. He reiterated Israel's commitment not to establish new settlements or confiscate new lands for settlement expansion or construction. Many lands now being fenced off to Palestinians were in fact declared "state lands" by previous Israeli governments, and only now are being removed from Palestinian control. Peres explained that new lands being confiscated were for two purposes only: for infrastructure such as water and sewers; and to enable the construction of "bypass" roads between settlements and around Palestinian population centers. Peres noted that Palestinian negotiators had accepted this construction as essential to Israel's redeployment in the West Bank. He stressed that land confiscations were an Israeli affair, in which the Palestinians had no role to play.

Palestinian negotiator Nabil Shaath described the Efrat decision as merely moving the construction "from one hill to another." "You are the government that was chosen because of a platform which described settlement as an obstacle to peace," he stated, "but we are not convinced that you still maintain that position. You thicken, add, and create [settlement] facts during the interim period, that will create precedents for the final status, in opposition to clauses and to the spirit of the Declaration of Principles." Shaath's demand to halt construction of settlements in East Jerusalem were rebuffed by Peres, who declared the issue "closed" until final status talks begin.

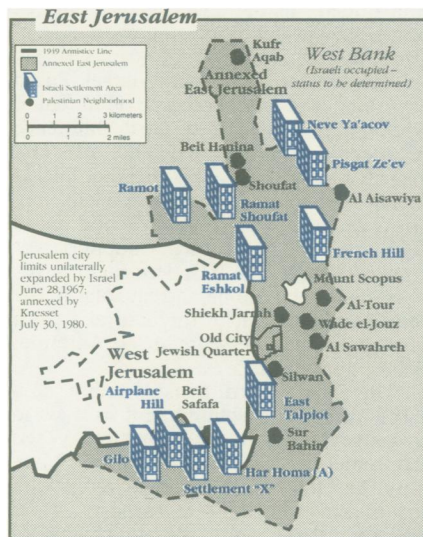
On 9 January, the Palestinian Authority (PA) organized a conference in Jericho on "the destruction of peace by settlements." This effort to organize and control what was in some cases spontaneous popular outbursts of opposition

to Israeli settlement and land confiscation was managed by Palestinian officials, who were otherwise unable to win substantive Israeli concessions on this critical issue.

At a stormy meeting of the Israeli cabinet on 9 January, ministers of the Meretz faction, many of whose members were joining Palestinians in anti-settlement protests, argued for greater cabinet level supervision of settlement policy.

Minister Shimon Shitreet attacked Meretz minister Yossi Sarid for his suggestion that the cabinet approve all settlement projects. "We are the government of the people of Israel, not of the Palestinians," said Shitreet.

### Map of East Jerusalem



SOURCE: Foundation for Middle East Peace.

"You are a Likudnik," replied Sarid. "And you are outside the national consensus," responded Shitreet. "In the fundamental guidelines of this government, we are committed to assure the needs and security of the settlers, including their natural growth."

Shitreet explained that the widely quoted government decision of November 1992 halted publicly-funded residential construction not only in the settlements, but throughout Israel as a whole. "The Meretz ministers exploited this decision by suggesting it was directed solely at the

territories. They distorted the decision as one aimed at stopping public construction in the territories, although according to the government's fundamental guidelines, there is a need to thicken existing settlements in Judea and Samaria."

At a 17 January meeting of the Knesset Committee on Foreign and Security Affairs, Prime Minister Yitzhak Rabin had difficulty explaining the practical meaning of the commitments made to the United States in 1992 regarding settlement construction. (*Yedi'ot Aharonot*, 18 January 1995). He explained that he had never promised the United States that private construction in the settlements would cease. "I explained to the president of the United States George Bush . . . that I wouldn't forbid Jews from building privately in the area of Judea and Samaria . . . . We committed ourselves that public monies would not be used for construction outside of the sovereign territory of Israel, except for natural growth . . . ." (*Ha'Aretz*, 18 January 1995).

The problem now facing Israel, Rabin explained, was not whether to build, but at what pace. "There is a great difference between natural growth and meteoric growth," he said. He explained that he was "sorry that within united Jerusalem construction is not more massive," and promised greater government support for construction in the East Jerusalem developments of Har Homa and Shu'afat in the future and support for the natural growth of West Bank settlements Ma'ale Adumim, Beitar, and Givat Ze'ev.

The Oslo Accord, insisted Rabin, contains "no explicit commitment from us to freeze settlement in the territories." When Rabin met PA head Yasir Arafat on 19 January, he "informed" Arafat of longstanding Israeli policy. His message to Arafat was that there would be no change in Israel's settlement program. Asked if he were satisfied or not with Rabin's explanation of settlement policy, Arafat smiled and replied, "Somewhere in between." As far as Rabin was concerned, the settlement issue, at least as it related to Palestinians, was now closed. Subsequent meetings with Arafat at the Erez checkpoint, in Cairo, and later in Washington broke no new ground.

What remained for Rabin was to end squabbling in the cabinet on the issue. Cabinet decisions in January and February made minor procedural changes in government vetting of construction plans

but no substantive revision of settlement policy.

In their efforts to force a change in Israel's policy, the PA turned without success to Washington. On 10 January, the PA made a formal request to the United States "to intervene immediately to stop the settlements." Washington's public response continued to be that the settlement issue is a bilateral concern. "We admit that [settlements] are a problem," explained the State Department spokeswoman Christine Shelly, "but we also revert back to the Declaration of Principles and enjoin the parties to deal with these issues in their negotiations."

**IN THEIR OWN WORDS: RECENT  
U.S. STATEMENTS ON  
SETTLEMENTS**

State Department Briefing, 3 January 1995

*[This transcript was provided by the State Department.]*

*Q: Also on the Middle East, do you have any further thoughts on the timing of the expansion of the Israeli settlements near Jerusalem, and does that have any impact at all on either the substance or the atmosphere of the negotiations?*

*Mr. McCurry:* It is an enormously complicated question, because the settlements, themselves, are an enormous complication as you look at the process. We have always said there has been no change in our view on that. The Israeli cabinet has now addressed that question in one specific instance. I think you're all aware of that. Beyond that, I don't think there's a lot more I can add to that.

That is part of a process of what the parties need to deal with in the context of the Declaration of Principles, and there's every indication that they are continuing to do so, as the result of the discussions that are continuing even today.

*Q: Have you detected any impact at all on either the substance or the atmosphere of the negotiations?*

*Mr. McCurry:* We see it as an element of the discussion. We know that it is one that can affect the dynamic, but



it's the parties themselves who are now in direct bilateral discussion that have to judge for you whether or not that presents any kind of problem to their own dialogue. The important thing is they continue to meet. They continue to talk about these issues. They continue to seem determined to resolve those issues that are framed and outlined within the declaration . . . .

*Q: No, no, the way they handled the settlement—*

*Mr. McCurry:* Oh, what the Israeli cabinet did on the—concerning that?

*Q: You seem to think—*

*Mr. McCurry:* Since our views on the settlements are unchanged, I think that we're not going to, in elaborate detail, comment about any decision.

*Q: I meant what their views on the settlements are, let alone your views.*

*Mr. McCurry:* That's a question, thankfully, that you can address to them and not me.

State Department Briefing, 10 January 1995

*[This transcript was provided by the State Department.]*

*Q: The Palestinians say that Arafat has appealed directly to the United States to get the Israelis to stop their expansion of settlements. How have you responded to Arafat on that?*

*Ms. Shelly:* Well, I've seen the report. But I'm—I say—I think we say—when this issue comes up, we say approximately the same thing every time it comes up, and it's largely along the lines of the U.S. position on settlements remaining unchanged, and that the Declaration of Principles makes it clear that settlements is [sic] an issue to be discussed by the parties in the course of their negotiations. We admit that they're a problem, but we also revert back to the Declaration of Principles and enjoin the parties to deal with these issues in their negotiations.

*Q: (Off mike)*

*Ms. Shelly:* Sorry?

*Q: —the Middle East.*

*Q: I'm sorry, did you say you admit there are problems then?*

*Ms. Shelly:* Yes, they're a problem. Is that new? Am I breaking new ground, Sid?

*Q: I can't remember the last—I don't remember what U.S. policy is towards settlements—*

*Ms. Shelly:* Oh, Sid, not another lapse of memory again. (Laughter) Yes?

*Q: Can I just follow up?*

*Ms. Shelly:* Sure.

*Q: I didn't hear that, but did you say what the problems were?*

*Ms. Shelly:* No, I didn't.

*Q: Would you?*

*Ms. Shelly:* No. (Laughter) Next question.

*Q: But just for clarification, you admit that there—there are problems, or you admit they are a problem? (Laughter)*

*Ms. Shelly:* I think my guidance says they're—and that's T-H-E-Y-apostrophe-R-E—a problem.

*Q: They are a problem.*

*Q: The settlements are a problem.*

*Ms. Shelly:* Correct?

*Q: Are they an obstacle to peace?*

*Ms. Shelly:* Yes, they're a problem. (Laughter)

Martin Indyk on Settlements,  
2 February 1995

*[This exchange took place during Indyk's hearing before the Senate Foreign Relations Committee on his nomination as U.S. ambassador to Israel. The text was provided by the Foreign Relations Committee.]*

*Sen. Claiborne Pell (D-RI):* I understand that the Israelis are looking into their policy with regard to the settlement territories and a new policy may be developing. Could you fill us in a little bit on that, what is the new policy if there is one, what's being considered?

*Mr. Indyk:* I believe—first of all, there's a lot of confusion about this issue, so—

*Sen. Pell:* That's the reason for this question.

*Mr. Indyk:* —and there is a plethora of Israeli statements, so it's not always easy to define, but I will give you my best understanding, with that caveat, so that if I get it wrong you will understand.

The Rabin government, when it came into office, decided that it would curtail settlement activity in the West Bank and Gaza. Prime Minister Rabin announced that there would be no new settlements, that there would be no government funding for building settlements, with the exception of some 11,000 housing units that were under way and needed to be completed. However, he made clear that the government would continue to fund infrastructure and the kinds of things that are needed to keep the existing settlements going. But the kinds of subsidies and support that the previous government in Israel had been giving to the settlement would curtail. That did not do anything to stop private construction in existing settlements and that has been going on.

Recently, because the issue became so controversial, the prime minister established a ministerial committee to review all settlement activity before it took place, and that committee, I think as recently as last week or maybe the week before, stated that it had given approval for I think it was something like 4,000 or 5,000 new housing units to go up in settlements around the Jerusalem area.

Again, I'm not sure, but I believe it's the case that this is privately funded apartments in existing settlements.

As far as the confiscation of land, which has been of great concern to the Palestinians, I believe that Prime Minister Rabin recently told Chairman Arafat that the only land that would now be confiscated would be land required to build roads for the purposes of fulfilling the next step in the agreement—that is, one of the next steps in the agreement, which is the redeployment of the Israeli army from Palestinian-populated areas in the West Bank. That's as best as I can tell you on the settlement issue.

*Sen. Pell: What is our own policy vis-à-vis the building of new housing units in the West Bank?*

*Mr. Indyk:* Well, our view, Senator, is that—again, like the issue of Jerusalem—Israel and the PLO have agreed that settlements are a final-status issue and

should be negotiated in the final status negotiations that will begin in May of next year.

My view is that settlements are a problem that complicate—settlement activity is a problem that complicates the negotiations. It's not the only problem, certainly, at the moment; I think terrorism has a much more complicating impact, but it is a problem that complicates the negotiations. It certainly has a very negative impact on the Palestinians and in the wider Arab world as well.

*Sen. Pell: Will the 4,000 new units you mentioned, will they be new or will they be added on to settlements already made?*

*Mr. Indyk:* It is my understanding that they will be in existing settlements; they will not be—they will not be new settlements, that Prime Minister Rabin has made clear that there will be no new settlements created.

To try to put this in context for you, because the numbers should very large, the Rabin government, as I said at the beginning, has seriously curtailed settlement activity, and one compares that to the previous government where there was a great deal of government-funded activity going on. These numbers are, in fact, very small, although I'm sure in the minds of the Palestinians that doesn't make a great deal of difference.

*Sen. Pell: Thank you very much. I look forward to supporting you.*

#### LOAN GUARANTEES UPDATE

*[This is an expanded and updated version of an article that appeared in the January 1995 issue of Settlement Report.]*

In October 1994, the Clinton administration imposed a \$216.8 million "settlement penalty" reduction in the United States FY 1995 appropriation of \$2 billion in loan guarantees for Israel. The following figures provide an authoritative breakdown of the penalty amounts.

**Non-Security Related Settlement Budget**  
**1 October 1993-30 September 1994**  
 (in \$ millions)

<i>Israeli Estimates (excluding expenditures in East Jerusalem):</i>	
Construction costs	\$147.8*
Nonconstruction costs	162.8
By Location:	
West Bank	233.4
Golan Heights	59.1
Gaza Strip	18.1
Total estimated expenditures	310.6
<i>U.S. Government estimates (including East Jerusalem)</i>	
Construction costs	145.0
Allocation for East Jerusalem	6.2
Nonconstruction costs	202.0
Total estimated expenditures	347.0
* Funds allocated to complete Shamir-era commitments	119.3

According to informed sources, when the final deduction was calculated, Israeli figures for certain nonconstruction categories were more accurate, leading to a \$34 million reduction in the U.S. estimate. The U.S. estimate was reduced by an additional \$1.2 million to account for incorrect estimates in FY 1994 penalty.

**U.S. Settlement Penalty Deduction**  
 (in \$ millions)

Settlement Penalty Imposed	311.8
Credit for "Peace Process Implementation Costs in the Gaza Strip"	-95.0
U.S. Net Reduction in Loan Guarantees	216.8

**THE U.S. EMBASSY AND JERUSALEM**

*[Another front in the battle for Jerusalem has been opened in Washington, where New York Senators Alfonse D'Amato and D. Patrick Moynihan have been spearheading efforts to force the establishment of a U.S. embassy in Jerusalem at the latest by 1999, when the diplomatic process outlined in the Oslo Accord is scheduled to end.*

*The senators' original intention had been to legislate this change in U.S. policy, but they were apparently induced by arguments along the lines of those marshalled by Ambassador-designate Martin Indyk (see below) to forgo legislative mandate for letters expressing the sense of the Congress calling on the president to proceed with plans mak-*

*ing the move a reality. Under a protocol concluded between the two countries in October 1994, Washington will begin building a structure on a Jerusalem site just inside the Green Line for unspecified "diplomatic purposes" (see "Settlement Monitor," JPS 23, no. 2 (Winter 1995).]*

**Rowland Evans and Robert Novak, "Another Time Bomb in Jerusalem,"**  
*Washington Post*, 2 February 1995.

The Middle East peace process is threatened by a congressional maneuver to transfer the U.S. Embassy in Tel Aviv to fourteen acres of land in Jerusalem that were quietly leased to the United States on Ronald Reagan's last day in office in 1989.

House Speaker Newt Gingrich backs the move "strongly." So do heavy majorities on Capitol Hill. But President Clinton opposes the transfer until Israel and the Palestine Liberation Organization negotiate a "final settlement" of Jerusalem, the city both claim as their capital. That could take years, considering how unsuccessful the negotiations are today and the deteriorating condition surrounding the peace process.

But if Congress gets into the act, the juicy political appeal of an American embassy in Jerusalem may become overwhelming. With both parties long urging the move, a weakened Bill Clinton might think twice before going to the mat against strong congressional majorities.

The same is true in Israel, only more so. Prime Minister Yitzhak Rabin, riding the twin tigers of Islamic fundamentalist terror and Jewish settler intransigence, risks losing his job if he opposes the move publicly. But if he says come on in, as Israeli voters want, the core of his entire policy—the peace process—will disintegrate.

Even without an actual transfer of the embassy from Tel Aviv, it would be deadly for the United States to recognize Jerusalem as Israel's capital. Rabin knows he can forget about peace if the United States signals premature recognition.

Israel's ninety-nine-year lease of the fourteen acres reserved for the embassy was quietly signed by then-U.S. Ambassador William Brown on 19 January 1989. Last October, Israel officially zoned it for "diplomatic purposes," but construction certainly has not started. "Any move toward Jerusalem would explode the negotiations," a key presidential adviser told us.

Gingrich surprised the Clinton administration when he raised the embassy

question three weeks ago on a visit to Jerusalem. He told the newspaper *Ha'Aretz* Israel has a right to put its capital where it wants and that's where the U.S. Embassy belongs. "As early as 1980, I voted to move the embassy," Gingrich said. "I strongly favor moving the embassy." He did not consult the administration or congressional colleagues before stepping out on this treacherous piece of Middle East ground.

Possibly influenced by the speaker, Chairman Benjamin Gilman of the House International Relations Committee told us that he and Rep. Charles Schumer, a prominent pro-Israel Democrat, are now tapping Capitol Hill sentiment. If they find solid support for moving the embassy, they hope to pressure Clinton by denying him any money to modernize the embassy in Tel Aviv.

Complicating Clinton's problem is fresh evidence that the fourteen acres in the heart of West Jerusalem may not have been Israel's to lease. Palestinian families named Khalidi and Nashashibi, which have paid taxes on the land for centuries, told us it has been part of the Islamic Trust, or Waqf, ever since Israel captured West Jerusalem in 1948.\*

The spokesman, a U.S. citizen who asked for anonymity, said the United Nations Palestine Conciliation Commission has the records to prove it. That claim was questioned but not denied in a 1989 State Department letter to Rep. Lee Hamilton. If the Waqf sues, Israel and the United States could be embarrassed. With Waqf land considered sacred by Muslims, political repercussions could spread throughout the Islamic world.

This unwanted crisis will test the skill and statesmanship of Yitzhak Rabin and Bill Clinton. Both will have to draw on all the cunning they can muster to build opposition to an embassy transfer—Rabin in the American Jewish community, Clinton among wise heads in Congress.

One veteran, responsible member of Congress the president can count on is Hamilton, the former chairman of the House International Relations Committee and now its senior Democrat. "I would have to oppose it," Hamilton told us. He then echoed White House aides: "It would blow the peace process apart."

Martin Indyk on U.S. Administration Jerusalem Policy, 2 February 1995.

*[Indyk made these comments during his hearing before the Senate Foreign Relations Committee on his nomination as U.S. ambassador to Israel. The text was provided by the Foreign Relations Committee.]*

Mr. Indyk: Thank you, Mr. Chairman. Jerusalem is a very sensitive issue, sensitive because Jerusalem is a symbol, a very important symbol for Israel, for the Jewish people, but also a very important symbol for Christians, for Muslims, for Palestinians, and for Arabs.

The parties themselves—Israel and the PLO—in the Declaration of Principles that they signed, have agreed that the issue and status of Jerusalem should be negotiated, beginning in the final—as part of the final status negotiations that will begin as early as May of next year.

In those circumstances, it is the president's feeling—the administration's feeling—that we should do nothing to undermine or preempt those negotiations, that we should wait and let the parties sort out this very sensitive issue before doing anything. And any move now—I believe very strongly that to make a move now would explode the peace process.

It is, as Senator Lieberman suggested, at a very fragile stage and to take action now that would in one way or another force the administration, I think would be very explosive to the negotiations, and frankly, it would put us out of business as a facilitator of those negotiations. If the parties themselves have agreed to deal with this issue in May of next year, I think we should not take any action until we've seen the results of those negotiations.

Let me say, just on a personal note, Jerusalem is important to me, too, Mr. Chairman, but I do not feel at all conflicted, in view of the answer that I've given, because I really, honestly believe that it would be very counterproductive to take action on that issue now.

\*In fact, it has been Waqf land since the eighteenth century—Ed.

**Draft Letter to Secretary Christopher  
from U.S. Senators**

*[This letter was provided by Sen. D. Patrick Moynihan's office.]*

United States Senate  
Washington, DC 20510  
February 3, 1995

The Honorable Warren M. Christopher  
Department of State  
2201 C Street, NW  
Washington, DC 20520

Dear Mr. Secretary:

We believe that Jerusalem is and shall remain the undivided capital of the State of Israel. It is now over eleven years since 50 United States Senators and 227 members of the House of Representatives joined in endorsing the transfer of the United States embassy in Israel from Tel Aviv to Jerusalem.

In the subsequent decade both Houses of Congress have passed, by near-unanimous margins, a total of four resolutions calling on the United States government to acknowledge united Jerusalem as the capital of the State of Israel. A fifth resolution adopted last year called on the administration to veto language in United Nations Security Council Resolutions that states or implies that Jerusalem is occupied territory.

This administration has been open, direct and specific with regard to its position concerning an undivided Jerusalem. In this light, we are particularly pleased to note that the most recent edition of "Key Officers of Foreign Service Posts: Guide for Business Representatives," published by the Department of State lists Jerusalem under Israel for the first time in 46 years, albeit with a disclaimer. This is not enough.

There can be little doubt that Jerusalem is a sensitive issue in the current peace process. While the Declaration of Principles stipulates that Jerusalem is a "final status" issue to be negotiated between the parties, we share Prime Minister Rabin's view which he expressed to the Knesset that:

On Jerusalem, we said: 'This Government, like all of its predecessors believes there is no disagreement in this House

concerning Jerusalem as the eternal capital of Israel. United Jerusalem will not be open to negotiation. It has been and will forever be the capital of the Jewish people, under Israeli sovereignty, a focus of the dreams and longings of every Jew.'

United States policy should be equally clear and unequivocal. The search for peace can only be hindered by raising utterly unrealistic hopes about the future status of Jerusalem among the Palestinians and understandable fears among the Israeli population that their capital city may once again be divided by cinder block and barbed wire.

The United States enjoys diplomatic relations with 184 countries. Of these, Israel is the only nation in which our embassy is not located in the functioning capital. This is an inappropriate message to our friends in Israel and, more importantly, a dangerous message to Israel's enemies.

We believe that the United States Embassy belongs in Jerusalem. It would be most appropriate for planning to begin now to ensure such a move no later than the agreements on "permanent status" take effect and the transition period has ended, which according to the Declaration of Principles is scheduled for May 1999. We would appreciate hearing from you as to what steps are being taken to make such a relocation possible.

Sincerely,

signed: Daniel Patrick Moynihan  
Alfonse M. D'Amato

**Draft Letter to Secretary Christopher  
from Members of the House**

*[This letter was provided by Rep. Benjamin Gilman's office.]*

Congress of the United States  
House of Representatives  
February 10, 1995

Honorable Warren Christopher  
Department of State  
2201 C Street, NW  
Washington, DC 20520

Dear Mr. Secretary:



As Members of Congress committed to peace in the Middle East, we are unwavering in our belief that Jerusalem is the capital of Israel and shall eternally remain Israel's capital.

This year marks the 28th anniversary of the reunification of Jerusalem. Under the government of Israel, Jerusalem is an undivided city in which the rights of every ethnic and religious group are protected. Next year, world Jewry will celebrate the 3000th anniversary of King David's establishment of Jerusalem as the capital of the Jewish kingdom. We can think of no better time than now to begin the process of transferring the United States embassy from Tel-Aviv to Jerusalem. This move is long overdue.

The United States enjoys diplomatic relations with 184 countries. Of these, Israel is the only nation in which our embassy is not located in the functioning capital. This is an inappropriate message to our friends in Israel and, more importantly, a dangerous message to Israel's enemies.

Congress has spoken on this matter many times. Eleven years ago both Houses supported a move of the United States embassy to Jerusalem. Since then, Congress has adopted four resolutions expressing its commitment to a unified

Jerusalem as the capital of the state of Israel.

Prime Minister Yitzhak Rabin recently reiterated the government's long-standing position that Jerusalem is and will remain Israel's capital forever. Particularly during this phase of the peace process, it is imperative that the United States' position on Jerusalem be clear. If misleading messages are sent to either the Israelis or the Palestinians, the results could raise false expectations and undermine the peace process.

It is our understanding that a location has already been chosen for an embassy in Jerusalem. We therefore believe the move should take place no later than the end of the transition period in 1999. We realize it will take several years to build and establish an embassy. Accordingly, planning should begin now. We would appreciate hearing from you about steps that can be taken to further this goal.

Sincerely,

signed by: Charles E. Schumer  
Benjamin A. Gilman  
John Lewis  
Bill Paxon