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Settlement Monitor

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Source: *Journal of Palestine Studies*, Vol. 26, No. 2 (Winter, 1997), pp. 135-142

Published by: [University of California Press](#) on behalf of the [Institute for Palestine Studies](#)

Stable URL: <http://www.jstor.org/stable/2537799>

Accessed: 26-02-2015 18:11 UTC

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SETTLEMENT MONITOR

EDITED BY GEOFFREY ARONSON

This section covers items—reprinted articles, statistics, and maps—pertaining to Israeli settlement activities in the Gaza Strip and the West Bank, including East Jerusalem, and the Golan Heights. 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 Report on Israeli Settlement in the Occupied Territories (hereinafter Settlement Report), a Washington-based bimonthly newsletter published by the Foundation for Middle East Peace. JPS 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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RAISING SETTLEMENTS' PUBLIC PROFILE

NETANYAHU STEERS SETTLEMENT POLICY TOWARD CONFRONTATION WITH THE PALESTINIANS

From Settlement Report, November 1996.

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 international 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 Pal-

estinians 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 Katif Bloc 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.

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 Palestinian Authority (PA) in Gaza than in the West Bank. Like Rabin and Peres, Netanyahu supports a Palestinian pol-

ity that is "less than a state." But he cannot conceive, as Labor did, that the Palestinian leadership would agree, in the context of a final settlement, 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: areas with a Palestinian population, others with Israeli settlement, and the rest "unpopulated" or "empty" areas. For those isolated settlements that cannot be fitted into this framework, he intends to follow the precedent established at Netzarim, the tiny settlement in the Gaza Strip that has been a flash point for conflict despite extensive protections established in cooperation with the PA.

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 eventually will be established in these regions. The twelve 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 expansion of existing settlements, are to be located on lands that were either declared "state lands" by the Shamir government or that fall within the master-plan boundaries of existing settlements.

The Negotiating Environment

Only a few months into his term, Netanyahu's settlement record is limited, but in contrast to moves during 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, now are 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 only marginally will modify the protections afforded to the city's four hundred 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 PA 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. 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.

A NEW SETTLEMENT BLOC NEAR RAMALLAH?

*Barton Gellman, "From Settlement to City on the West Bank: Planned Expansion Would Put Jewish Metropolis in Prime Arab-Inhabited Area"**

The day after Prime Minister Benjamin Netanyahu was elected last spring, this West Bank settlement [Nachliel] posted an exultant sign at its gate. Beginning immediately, it said, Nachliel's "Torah community" of Orthodox Jews would build and sell sixty-eight new apartments alongside the sixty-one already here.

* *Washington Post*, 9 December 1996.

Doubling Nachliel's housing stock, a project for which construction starts next month, is the smallest of the ambitions revived here by Israel's rightward electoral shift. Over a color-coded map as big as a billiard table, Nachliel secretary Menachem Yedvav lays out detailed plans to make a city out of his hamlet of three hundred residents fifteen miles northwest of Jerusalem. Other maps show how Nachliel could link up with nearby settlements to form a vast Jewish-controlled bloc in the heartland of the fertile Samarian hills.

Because these are some of the best undeveloped lands left after years of struggle for the West Bank, they have become a central battleground between Jewish settlers and Palestinians intent on building a homeland. As such, they are emerging as a practical test of Netanyahu's intentions in the rival pursuits of Jewish expansion and a negotiated end to the Israeli-Palestinian conflict.

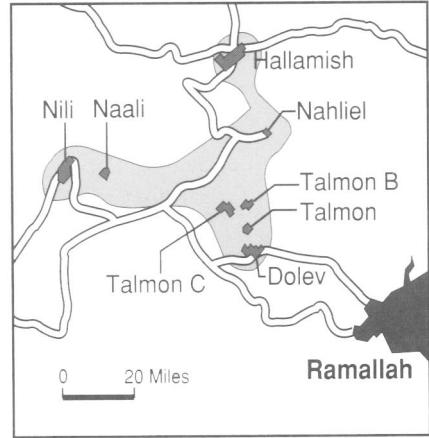
Under agreements signed by then-Prime Minister Yitzhak Rabin, Palestinian leader Yasir Arafat has limited authority over a small fraction of the West Bank—six of its seven largest municipalities, but no territory outside them. He is supposed to extend his jurisdiction to all the West Bank except Jerusalem, Jewish settlements, and "specified military locations" in the next fifteen months. Important members of Netanyahu's government are arguing that nearly everything that is not yet in Arafat's hands should be described as a military location—a gambit some hope will halt Palestinian self-rule where it stands.

"It's not a canceling of the agreement," Education Minister Zevulun Hammer, of the settlement-minded National Religious Party, said in an interview. "It's a difference of interpretation."

The practical face of this lawyerly claim is in Yedvav's map and the "master plan" on which it is based. Infrastructure Minister Ariel Sharon and acting Housing Minister Meir Porush have already been here to bless the plan, which calls for four stages of construction of 500 to 700 apartments each on territory ten times Nachliel's present size.

"In terms of available land in the master plan," Yedvav said in a recent interview, referring to boundaries drawn during the last Likud Party government, "this place could have 3,000 families" with as many as 12,000 people.

A few miles southeast of here, settlement leader Pinhas Wallerstein showed how Nachliel could be linked with other settlements to form a thick column of Jewish-inhabited territory that could be joined with still other Jewish settlements to the west.



The idea of settlement blocs, and their merger into formal Israeli sovereignty, is not new. The previous government proposed similar treatment for a ring of settlements around Jerusalem and a cluster north of here along the 1967 border. But those blocs already were thickly settled by Jews.

What the settlers are asking for now is that Israel swallow a chunk of land on which fewer than 2,000 Jews now live among 32,000 Palestinians. This would shift Israel's effective border deep into the most valuable land in the central West Bank, within three miles of the booming Palestinian city of Ramallah.

"It thus becomes clear," said geographer Khalil Tufakji of the Arab Studies Society, "how the Israeli plan to separate the Palestinian population areas into cantons of decreasing size, surrounded by Israeli settlements of increasing proportions, would practically destroy any Palestinian dream of sovereignty."

Netanyahu's government has not endorsed or rejected the plan, and it is unlikely ever to do either. Like the last Likud government, which ruled until 1992, its settlement policies are deliberately opaque.

At the settlement of Kedumim north of here, for example, expansion plans first began to leak out last week. Daniella Weiss, the settlement's leader, disclosed details to Israel Radio. Official spokesmen first denied the report in its entirety. Then David Bar

Ilan, a senior adviser to Netanyahu, said 100 new apartments were planned. At around the same time, Defense Ministry spokesman Avi Benayahu said 300.

Weiss said the number of units actually approved for building was 700, with another 1,000 in advanced stages of planning. No one would make public written records of the decisions or answer reporters' questions about them.

Here at Nachliel, much of the legal and physical infrastructure for a massive expansion has already been laid.

Founded in 1984 by the Workers of Agudat Yisrael, an ultraorthodox nationalist group, Nachliel struggled to maintain its first fifteen families. But as the last Likud government began its final year in 1991, Sharon, then housing minister, gave the settlement a major push.

He directed the construction of twenty-five government-funded apartments in Nachliel, more than doubling the initial number. More importantly, he oversaw the seizure of 575 acres of Palestinian olive groves and grazing lands around the settlement and its redesignation as Israeli "state land," which he then included in Nachliel's boundaries.

That legal maneuver relied on Israeli military orders that said only a Jordanian land registration certificate would be recognized as proof of private ownership by Palestinians. The Jordanian registration process had not yet covered two-thirds of the West Bank when Israel captured the territory in 1967.

Khader Shkerat, the lawyer who represented the Fanana and Samara families in their effort to fight the land seizure, said they had Jordanian and Israeli receipts proving they paid property taxes on the land. Some plots of land, he said, also had registration papers from the period of the British Mandate that ended in 1948. But they had no formal Jordanian registration, and Israeli courts therefore ruled the land to be the property of the state.

What all that means to Yadvav now is that a settlement that sits on less than sixty-three acres has asserted the legal right to expand to 638. That is enough, he said, "to create a total demographic revolution in the whole area."

A crucial factor in Nachliel's hopes is a \$3.7 million road built by Rabin's government between here and the Talmon settlements to the south. Until the arrival of that road, which links Nachliel to some 188 miles

of new "bypass roads," it took an hour to drive to Jerusalem from here—and the pitted roads took Jewish settlers through Palestinian villages such as Beitillu, where the settlers' cars were often stoned. Now the Jerusalem commute is thirty minutes, and the settlers hardly need look at an Arab on the way.

Meron Benvenisti, a West Bank expert, said that kind of infrastructure gives a clearer picture of reality than "the number of toilets" in settlers' houses. "Once you can travel [by the bypass roads] without having to see Palestinians, except from a distance or through a tunnel, then this is a more meaningful geopolitical fact than counting houses," he said.

Netanyahu's rhetoric also has set the stage for expansion here by influencing the psychology of potential buyers. In visits to the settlement of Ariel, where he said Jews are building on land "that was empty for 2,000 years," and to Eli, where he spoke of "the Jewish people renewing itself in its land," Netanyahu has reassured Israeli Jews that they can move with confidence to the occupied territories.

"People didn't want to live here before," Yadvav said. "They were afraid. They didn't know what would happen to them tomorrow. The elections changed a lot of people's thinking, and we can feel it in the inquiries we are getting here now."

FLASHPOINTS OF THE SEPTEMBER EXPLOSION: SETTLEMENTS AND ROADS

From Settlement Report, November 1996.

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 the wake of the opening in Jerusalem's Muslim Quarter of an exit to an Israeli tunnel near the Haram al-Sharif. Some fifteen Israelis and eighty-six Palestinians were killed in the clashes. The following information, gathered from a variety of Israeli and Palestinian news sources, highlights this fact.

25 September

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

26 September

Palestinians surround Kfar Darom and Netzarim, throw stones and allegedly fire at the settlements. Heavy counterfire by the

Israel Defense Forces [IDF] results in a response from 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 are 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.

27 September

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

29 September

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.

The fiftieth anniversary of Kfar Darom's founding (the original settlement) is canceled due to fighting and the twentieth anniversary celebration of Ma'ale Adumim is canceled out of respect for the families of soldiers killed. 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.

30 September

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

1 October

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, 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.

2 October

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.

3 October

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.

7 October

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).

NEW JERUSALEM-ETZION BLOC ROAD OPENS

From Settlement Report, November 1996.

The second of September 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 Bayt 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 settlements 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 con-

struct 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."

SETTLEMENT CHRONOLOGY

From Settlement Report, November 1996.

7 July

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.

25 July

The Israel Lands Administration, now under the direction of Infrastructure Minister 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."

2 August

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.

11 August

In the first statement on Greater Jerusalem by a minister in Netanyahu's government, Internal Security Minister Avigdor Kahalani declares that "facts on the ground" should be created linking Jerusalem with the settlement of Ma'ale Adumim.

12 August

Approval for the placement of 300 mobile homes for nonresidential purposes is announced.

18 August

Construction of 300 dwelling units is approved for the Golan Heights settlement of Qatzrin.

21 August

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.

29 August

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), Matityahu (200), and Betar (700).

3 September

Transportation Minister 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.

6 September

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."

7 September

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

8 September

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

18 September

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

22 September

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.

26 September

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, Infrastructure Minister 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."

25 October

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

27 October

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 2 August. On 23 October, 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.

28 October

A new settlement site 1 km east of the settlement of Itamar is revealed by Peace Now. Settlers maintain that it is a two-year-old "neighborhood" of Itamar.

30 October

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

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

3 November

The Infrastructure Ministry 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: Dolev (500), Matityahu G (3,500), Or Samach (700), Talmon (1,000), and a new neighborhood of

2,000 units at the settlement of Nachliel, 5 km east of the Green Line.

6 November

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

7 November

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.

LOAN GUARANTEES UPDATE

CLINTON ADMINISTRATION OFFSETS 80 PERCENT OF 1996 SETTLEMENT PENALTY

From Settlement Report, November 1996.

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 30 September. 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 initially were devised as a means

of supporting Soviet immigration to Israel. But the economic rationale for the program always has 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-IN). 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 Monitor in *JPS* 94) A November 1996 Congressional Research Service (CRS) Report on the Loan Guarantees noted that "the appearance that U.S. funding was behind the highway project [the road network linking Israeli cities with Jewish settlements in the occupied territories] led some to conclude that the United States supported Israel's retention of the occupied territories." Still, 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 1992-96 (MILLIONS OF DOLLARS)

Year	Settlement Penalty	Offset	Net Reduction
1992	—	—	—
1993	437.0	—	437.0
1994	311.8	95.0	216.8
1995	303.0	243.0	60.0
1996	307.0	247.0	60.0