

**ECONOMICS OF THE ISRAELI SETTLEMENTS
IN OCCUPIED ARAB TERRITORIES**

by

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Since the Israeli occupation of Arab territories in June of 1967, it pursued a systematic policy of annexation of part of these territories, namely, East Jerusalem and the Golan Heights in accordance with the Zionist plan of Eretz Israel, yet in defiance to the Charter of the United Nations - which gave Israel its birth certificate in 1948 - and contrary to all U.N. resolutions concerning Arab territories occupied by force by Israel. In the meanwhile, a second part of these territories has been subjected to gradual transformation of their demographic fabric through expropriation of land and the establishment of Jewish settlements in the West Bank and the Gaza strip. A third part comprising the rest of Sinai which had not been liberated by the Egyptian armed forces in the October war of 1973, and was still under Israeli occupation after two disengagement agreements following the war, was returned to Egypt with the exception of Taba after signing a separate peace treaty with Israel.

This paper will focus of the economics of the Israeli settlements in the Occupied Territories within an overall context of demographic changes, land ownership and the Israeli economy. With mounting severe problems facing the Israeli economy, uncontrolled galloping inflation, huge foreign debt (the highest in the world on a per capital fbasis) and misallocation of resources, the cost of Israeli settlements in the Occupied Territories cannot be afforded unless it is exceeded by direct or indirect economic or political gains or unless the United States will further expand its aid program in support of Israeli settlements in land heavily populated by Arabs.

Population

Migration is considered to be an important factor affecting demographic trends in the Occupied Territories and thus has had a major impact on the economy of the region.

The actual size of the Palestinian population in the Occupied Territories is unknown. There has been no official census since 1967. There are several Israeli projections of the West Bank's population for the end of the 1980 : the Current Population Estimate states that there were 704,000 Palestinians; the Ministry of the Interior Population Registration Count came to 887,000 Arabs (though this count is considered the least accurate); and the Israeli Military Government states that there were 750,000 Palestinians. These estimates do not include the estimated 120,000 Palestinians that live in East Jerusalem (December 1982) who make up 14% of the combined populations of the West Bank and East Jerusalem. Since annexation in June 1967, East Jerusalem figures are not included in West Bank data. The number of Palestinians in East Jerusalem has risen dramatically from 67,000 Arabs there in September 1967.

Since the 1967 War, the population growth rates for the region varied considerably. As of 1981, Israeli Jews have had a growth rate of 2.7 % per year of which 1.5 % is due to natural increase and 1.2 % is due to net immigration. There are approximately 3.5 million Jews in Israel today. At the same time, Israeli Arabs are experiencing a growth rate of 3.1 % to 3.9 % per annum and their number makes up 500,000 of Israel's total population. Their high growth rate is explained by high fertility, low mortality, and no emigration. The Palestinians in the West Bank do not have anywhere near as high a net growth rate. Though the Arabs there register a natural increase of 3.0 % per year, there is still a large number of Palestinians emigrating. Since 1968, 136,500 Palestinians have fled the West Bank so that the net natural increase minus emigration yields a growth rate of 1.5 % per year. Historically this rate fluctuates greatly (as low as .8 % annually) due to unequal emigration waves. The same is true for the Gaza. Since 1968, 90,000 Arabs have emigrated leaving 500,000 Palestinians in the territory. The Gaza's natural growth rate is 4.0% per year so after deduct-

ing emigration, the Gaza has a net growth rate of 2.3 % to 2.78 %⁵.

It is interesting to note that the Palestinian population in the Gaza has increased dramatically in relation to the West Bank since the 1948 war. In 1946, the population of the Gaza was only 15 % of the West Bank's population. But by 1982, the Gaza's population had increased to 55 % of the West Bank's and East Jerusalem's. This growth was initiated by the influx of refugees in 1948 to 1949.

On the whole, demographic studies indicate that, sooner or later, Israel will not be able to maintain a Jewish majority within its borders as shown in Tables 1-3.

Yet, the Occupied Territories have suffering from a "brain as educated Palestinians have been the majority group of emigrant. This was illustrated aptly by the 1975 Kuwaiti census which showed that 44 % of the Jordanians/Palestinians employed there were employed as professors or in the administrative sector. This was due to Israel's repressive military rule and the lack of white-collar jobs in the Occupied Territories.

However, there is ample evidence that the Palestinian population may rapidly accelerate because of the dual effect of an increase in the birth rate and a reduction in emigration rates. With the decline in oil prices since 1983, jobs in the Arabian Gulf countries are no longer as available as they used to be in the 1970's. Even more importantly, Arab emigration has tended to decrease as counterforce to the expansion of Jewish settlements. It appears that the Palestinians are willing to entrench themselves in their homeland no matter what they will be exposed to under a repressive military rule. Finally, another factor that reduces the Jewish majority even faster than anticipated whose rate is the decrease in net Jewish immigration whose rate had been fluctuating war since the 1973 war between zero and 1.0 % per year. However, due to increased Jewish emigration, the Israelis have had a negative immigration balance in recent years.

Economy of Occupied Territories

In spite of the policy of discrimination the Occupied Territories had been exposed to, the Palestinian inhabitants had contributed significantly to their economies through increased production or earnings resulting from limited exports and remittance from abroad in hard currency. Yet, the Occupied Territories are still undeveloped and dependent. The territories have become an auxiliary sector of the Israeli economy and, to a lesser extent, of the Jordanian economy. The West Bank and Gaza have become protected outlets for Israeli manufactured goods and a source of cheap labor for Israel. The Occupied Territories' economy is an example of classic colonial pattern⁸.

TABLE (1)

**Projections of Jewish and Arab Populations :
Israel and the Occupied Territories
(in Thousands)**

	1970	%	1990	%	2010	%
JEWS	2562	64	3400	55	4374	48
ARABS (TOTAL)	1423	36	2816	45	4649	52
IN ISRAEL	440		895		1466	
WEST BANK & GAZA	983		1921		3193	
TOTALS	3985	100	6216	100	9023	100

Source : Terrance M. Tehranian, "The Politics of Israeli Policy in the West Bank", *Middle East Studies*, October 1983, Vol. 19, p. 419.

TABLE (2)
Average Annual Growth Rates
of Arab Populations in the Occupied Territories 1922-1981

	GAZA STRIP	WEST BANK	ISRAEL
1922 - 1947	3.8		2.5
1952 - 1961	3.0	0.9	3.5
1961 - 1967	2.5	0.9	4.6
1969 - 1974	2.7	2.4	4.4
1975 - 1979	2.8	1.5	3.7
1980 - 1981	2.7	0.8	3.1

Source : Meron Benvenisti, "The West Bank Data Project", p. 2.

TABLE (3)
Development of the Population
In the West Bank and the Gaza Strip 1922-1982

Year	WEST BANK		GAZA STRIP	
	Population (Thousands)	Average Growth Rate per Year (Percent)	Population (Thousands)	Average Growth Rate Per Year (Percent)
1922	257.5		28.8	
1931	322.2		48.0	5.8
1946	465.8	2.5	41.0	2.7
1952	742.3	0.9	268.0	(25.0)
1961	805.4	0.9	-	(2.5)
May 1967	845.0	-	385.0	-
Sept. 1967	595.9	1.4	389.7	-0.7
1970	607.8	2.2	370.0	3.0
1975	675.2	1.5	425.5	1.4
1980	724.3	1.6	456.5	2.2
1982	747.5		476.3	

Source : Meron Benvenisti, "The West Bank Data Project", p. 2.

The immediate economic goals of the Israeli occupational administration in 1967 were to open the borders between the Occupied Territories and Israel and allow the free movement of people and goods, to keep open the bridges over the Jordan River by providing ease of movement between the West Bank and the East Bank.

Open Borders — In principle, the open borders are complete freedom of trade across the Green Line. In practice, anything from Israel can be sold in the West Bank. However, the reverse is not true. Manufactures and handicrafts can move from the West Bank to Israel while agricultural goods operate under a restrictive licensing system that protects Israeli farmers. In terms of Arab employment, the movement of labor is not exactly free. The Labor Exchange Office (run by the Israeli Ministry of Labor) puts a ceiling on the number of workers allowed to cross the border. An army proclamation also limits the stay of all West Bank Arabs to daylight hours only unless they agree to be locked in at night at their place of work.

Open Bridges — In the immediate post-war period, trade across the Allenby and the Damia Bridges were very important. However, trade with Jordan has declined since then because Israel's protective tariffs have encouraged 'internal' trade between the West Bank and Israel. Jordan has also contributed to the decline by not permitting West Bank - manufacturing to cross the Jordan River due to the Arab boycott of Israeli products. Agricultural trade has been legitimized because West Bank Arabs have protested successfully against a complete Arab boycott of Israel and the West Bank. Jordan's position in terms of trade policy is that before the war, the East Bank received agricultural goods from the West Bank while blocking industrial development. The same policy is still in effect today. Amman accepts agricultural goods from the West Bank but imports goods only from companies that predate the occupation. As a result, Jordan still maintains a degree of control over the West Bank by impeding its development. The bridges also have a symbolic importance. They are the Israeli's blueprint for the future as the bridges remained open during the October 1973 war. They also serve as a safety valve and help keep

the Palestinians quiescent. Discontented or unemployed Arabs can always go to the East Bank whenever they wish. Economically, the Israelis receive certain advantages by keeping the bridges open. The West Bank's exports provide Israel with foreign exchange and help cover the West Bank's and Israel's trade deficits. In agricultural policy, the open bridges take pressure off oversupplied Israeli markets which would face great demand to accept more West Bank produce if ties with the east were cut.

Exports and Imports

The Occupied Territories have become a major outlet for manufactured goods from Israel. In 1975, 16 % of Israel's exports went to the West Bank. This total had declined to 10.4 % by 1980. However, this market remains very important to Israel. Israel exports more to the Occupied Territories than to either the United Kingdom or West Germany. In fact, the West Bank and the Gaza would make up 60 % of the American market. The Occupied Territories can be characterized as a protected market. It is restricted by high tariffs and the rigid policies of import licensing exclude all products except high priced, low quality Israeli products. Israeli products have the added advantage of being subsidized by the government which also reduces Arab sales by.

Agriculture

Agriculture has been traditionally the most important, stable, and productive branch of the West Bank's economy. Agriculture has accounted for approximately 30 % of the territory's GNP since 1968. In 1968, agriculture was 34.8 % of the West Bank's GNP and remained relatively constant at 29.2 % by 1980. However, there have been some fluctuations (as low as 21.9 % in 1977) which were due to climatic conditions and to the supply of available labor in the West Bank. In terms of the West Bank's GDP, agriculture has made up the following percentages : 35.1 % in 1970; 36.2 % in 1975; 31.4 % in 1977; and 35.0 % in 1980. The number of workers employed in the agricultural sector of the West Bank has declined in total numbers in recent years. In 1968, 42 % of the West Bank's workers were farmers but by 1980 the number of farmers had shrunk to 30 %.

In the Gaza Strip, agriculture has not played as essential a role as in the West Bank. In terms of GNP, the agricultural sector has declined from 28.1 % in 1968 to 12.3 % in 1980. The decline in the Gaza's GDP has not been as drastic. In 1968, 28.4 % of the territory's GDP was made up of agriculture and was 19.2 % by 1980. There was also a definite decline in agricultural labor in the Gaza. In 1969, 33 % of the total work force was made up of farmers. Eleven years later, their number had fallen to 18.2 %. From 1968 to 1981, the annual rate of increase in real terms of agricultural production was 9.6 % in the West Bank and 6.1 % in the Gaza.

During the same period, the annual rate of growth in value added was 9.2 % and 6.3 % respectively. The ratio of output to labor indicates increased productivity in the agricultural sector. Before 1967, agriculture made up 25 % of the West Bank's GNP and employed 50 % of the labor. These statistics were due to **low productivity**. Eventually productivity per worker doubled **between 1967 and 1973** in the West Bank and increased rapidly in the Gaza. This increased productivity was due to several factors : changes in the methods of cultivation; increased mechanization; technological innovations; increased investment in human capital; decreases in unemployment; phasing out of marginally cultivable lands; and replacement of low value crops with high value cash crops. Simultaneously with increased productivity, there was a substantial increase in the income of rural families. The average income of the rural population in the West Bank was \$ 133 in 1966, \$ 666 in 1974, and \$ 930 in 1975.

Despite the progress in agricultural production, there has been no radical change in the resource base. Since 1967, there has been no marked increase in the overall cultivated area in either the West Bank or the Gaza. The amount of irrigated land increased by only 1 % in the West Bank and 5 % in the Gaza between 1966 and 1981. It has been Israeli strategy to place a freeze on the agricultural resources available to the Palestinians. Through this policy, the Israelis plant to establish control over the Palestinian's growth potential. Arab agriculture has been permitted to develop as long as it did not compete

with Israeli interests or put any financial or economic strains on the Israeli system.

The result has been serious market uncertainty in the Occupied Territories due to their total dependence on Israeli and Jordanian trade policies. When Palestinian agricultural products become a threat to Israeli farmers, the Israeli government takes steps to protect Israeli farmers' interests. From 1967 to 1971, West Bank vegetable exports to Israel were prohibited. Plums and grapes are still prohibited for export to Israel. Winter tomatoes and cucumbers are under Israeli quotas. For the Israelis, these restrictions and quotas achieve better market planning and state that these policies are beneficial for the Arabs since they increase agricultural revenue. Yet the actual benefit is to the Israeli farmers, not Arabs. Israeli farmers enjoy minimum price guarantees and subsidies through a highly developed system of supports. Palestinian farmers, again, do not enjoy these same advantages and face unfair competition.

The alternative marketing outlet, the open bridge with Jordan, is also economically important to the Occupied Territories. Agricultural trade between the West Bank and Jordan has been maintained at pre - 1967 levels. However, Jordanian trade policies have been changed recently to protect the thriving agricultural sector in the East Jordanian Valley.

The Occupied Territories are caught between Jordanian and Israeli policies. Both sovereign states maintain trade policies aimed at benefiting their own populations. Palestinian farmers are treated as both indigenous and aliens, whichever view suits each state's self-interest at any given time.

Industry

Despite the rapid growth in the per capita income in the West Bank, there has not been a comparable growth in the industrial sector. Surprisingly, there has actually been a decline in industrial production. The industrial sector of the West Bank's economy accounted for 9.0 % of the West Bank's GDP in 1968, 8.2 % in 1975, and only 6.5 % in 1980. To state it simply, the West Bank's economy can be characterized as non

industrialized. Productivity (value added per worker) in industry in the West Bank was half the value added per worker in agriculture in 1980. The total number of workers has remained constant at approximately 15,000 since 1970. These workers are divided by the following industrial sectors: 22 % olive oil processing; 18 % textiles; 18 % quarrying; 14 % carpentry and tailoring (workshops); 10 % food industry; 6 % metallurgy (locksmiths); and 12 % other industries.

In absolute terms, there has been some modest growth in the industrial sector of the West Bank. Industry has grown at an average annual rate of 4.5 % whereas the rates in Israel and Jordan are 7.0 % and 8.0 % respectively. There is also a clear correlation between the West Bank's industrial growth and Israeli business cycles. This demonstrates the critical dependence of West Bank industry on the Israeli economy.

The West Bank's domestic market is the primary outlet for West Bank industrial products. Twice as many products manufactured in the West Bank are sold within the territory as are sold to Israel. There is little penetration of the Jewish market in finished retail goods except for shoes, textiles, and furniture. However, there is a substantial Israeli market for building material from the West Bank. There is also considerable subcontracting in footwear, carpentry, and clothing which accounted for 12 % of the total industrial revenue in the 1970's (though this percentage is now in decline). The Jordanian market is equally restricted. Total West Bank industrial exports to Jordan in 1981 did not differ significantly from 1970. The Jordanian government's policy has continued the institutionalized discrimination of the pre - 1967 period. Jordan favors the few firms that were established with Jordanian assistance during their rule. These firms are in the chocolate, samna, and plastic industries. Only 12 % of the factories in the West Bank export goods to the East Bank.

In terms of future markets, due to decreases in worker productivity, the West Bank cannot continue to compete in Israel and sales to Jordan will continue to decline. Only the domestic market promises to remain open. Yet despite an increased

standard of living in the West Bank, Palestinian industry will decrease. West Bank industry, like agriculture, is caught between a hammer and an anvil. Jordan prohibits the importation of textiles, stones, detergents, and pharmaceuticals : in public due to the Arab boycott while, in fact, implemented to protect infant Jordanian industries. Unlike Israeli industries, West Bank firms receive no government assistance, no development of infrastructure, and no subsidies, credit, or any other support. Palestinian industry is dependent on and controlled by the Israeli and Jordanian sectors. These sectors are developing very rapidly and could wipe out any future growth of the West Bank industries. If industrial growth does occur in the West Bank, it will be Israeli, not Arab.

Jewish Industries in the West Bank

By 1983, six Jewish industrial parks had been constructed in the West Bank. In these plants, a total of 2500 workers are employed of which 70 % are Jewish. Arabs are employed in the small, labor intensive establishments located in these parks. However, Israeli policy is to build only capital-intensive, sophisticated factories in the Occupied Territories. The result is a minimum need for Jewish settlers to commute to Israeli cities and also limit Arab employment. These Jewish industries are eligible for grants of 30 % and of 40 % of their investment at the real interest rate of 5 % (or when linked to the dollar, 6 %). These plants are entitled to free physical infrastructure and to short term credit facilities.

In terms of future Israeli industrial projects in the Occupied Territories, 1982 plans call for seven more industrial parks by 2010. These parks will create new jobs for 83,500 workers of which 25,000 will go to Arabs. In the short term, 8750 Jewish and 2200 Arab jobs are expected to be created by 1986. The Israeli planners anticipate a low proportion of Arab workers in these new industries for two reasons. First, these industries will be in high technology and capital-intensive thus employing few blue collar workers. Secondly, high technology plants are usually defense related and closed to Arab employment. Investment in the new Jewish industrial parks will be \$ 250 million over the next five years. The existing investment in Jewish

industries in the West Bank was \$ 328 million with government participation of \$ 400 million. Thus, an investment of \$ 50 million per year for the new industrial parks will seem quite modest. The new parks will be located within 15 miles of the Israeli industrial belt and receive assistance at the highest level. This means easier access to work for Jewish settlements in the West Bank and also a gradual suburbanization of industry itself in the West Bank.

ISRAELI SETTLEMENTS

By September 1983, 106 Israeli settlements had been established in the West Bank and the Gaza (but excluding East Jerusalem). Of these, 98 were located in the West Bank (15 were Nahal or paramilitary settlements) and the other eight were situated in the Gaza. By the Summer of 1983, there were 12,731 housing units in the Occupied Territories either occupied, vacant, or under construction. A total of 12,427 were built in the West Bank and the remaining 308 were constructed in the Gaza. The number of families settled in the West Bank by September 1983 was 6000 (or 27,500 people) while 200 (900 people) were living in the Gaza. Jewish families tended to be scattered throughout the West Bank region while the Jewish population in the Gaza were clustered in the southwest coastal area.

Israeli settlements can be put into three types of categories : urban-suburban, rural-semi-urban, and paramilitary. The urban-suburban category can be further broken down into three separate types : cities, *kiriya* (towns), and *toshava* (suburbs). A city can be described as a strong urban community that serves as a regional, industrial, service, and cultural center. Its population is made up of over 10,000 families or 42,000 people and an area of 7000 to 15,000 dunoms. A *kiriya* or town is an urban center made up of 3000 to 5000 families (12,000 to 20,000 people) and is designed as a subregional service center with low-density housing. Its area runs between 2500 and 5000 dunoms. A *toshava* or suburb is a satellite neighborhood which serves as a commuter dormitory with minimum local services but good access to major metropolitan areas. It is made up of 500 to 2000 families or 2500 to 8500 people and has an area of between 500 and 2000 dunoms.

The rural-semiurban category can also be broken down into three distinct types : the yishuv kehilati, the kibbutz or moshav, and the mercaz ikhlus or settlement center. The yishuv kehilati is a nonagricultural cooperative settlement established by the World Zionist Organization (WZO). The WZO provides its infrastructure, housing, and basic industries. The settlement is then handed over to a settlement group that forms a cooperative with its own internal regulations. New members must be approved and go through a year trial period. Employment for the settlers is found outside the settlement. Clusters of yishuv kehilati are planned to form a kiriya. Each yishuv kehilati has a planned population of 200 to 300 families or 800 to 1200 people and an area of 400 to 800 dunoms. These settlements are associated with the Gush Emunim settlement movement (Amana). The kibbutz or moshav is an agricultural cooperative based on the traditional forms of rural settlement. They are all based on agricultural or industrial production with on-site production facilities and collective ownership of the means of production. Their planned size is from 80 to 160 families (350 to 650 people) for built-up areas similar to the yishuv kehilati. The kibbutzim's cultivated area ranges from 3000 to 5000 dunoms. They are associated with agricultural movements and have ties with various national settlement movements with support from the WZO. A mercaz ikhlus or settlement center is an undefined housing estate that is planned to form the nucleus of a group of settlements. When a sufficient number of settlers are gathered, they decide on the type of permanent settlement they will develop.

The last category, the Nahal, can be characterized simply as paramilitary outposts. Armed settlers set up the nucleus of a settlement in hostile territory and develop a community over time.

Phases of Israeli Settlement

Jewish settlement of the Occupied Territories can be described as occurring in three phases or waves. The first was called the Allon Plan and lasted roughly from 1967 to 1973. It was followed by the Gush Emunim settlements which took off in 1975 and lasted until the early 1980's. The final phase, which began in the 1980's and is still underway, is based on suburban development.

Allon Settlement Plan

The initial Israeli settlement phase was based on the strategy and political concept embodied in the famous Allon Plan. It was submitted tentatively in July 1967 and the plan was approved by the Israeli cabinet in June 1968. The plan was conceived as a settlement strategy, not as a formal political territorial plan.

The Labor government left the door open for future territorial compromise with the Arabs. Allon argued that the permanent borders of Israel must be defensible from a strategic point of view and had to depend on topographical obstruction to withstand modern armies. As a result, these security borders had to become the political borders. To achieve this end, Jewish settlements had to be created in these areas. Allon suggested that the Israelis annex the 10 to 15 km. (later increased to 20 km.) strip of land that ran through the Jordan Valley to the Dead Sea, the wilderness of "Judea", the uninhabited parts of the Hebron Mountains, and the Etzion Block.

The Labor government supported this plan and called for the establishment of kibbutzim and moshavim in the designated areas. These early settlements were based on agriculture and light industry. In the Jordan valley, Nahal outposts were established in 1968. By 1971, ten settlements were built and within five years, two chains of settlements were established. One chain was set up on the rift bed and the other on the western slope of the Jordan Valley. A total of 14 moshavim, six kibbutzim, two Nahal, and one moshav were built. All of these settlements were farms and produced winter vegetables, bananas, citrus, and flowers. The total national investment in these settlements was between \$ 100 million and \$ 120 million, of which \$ 83 million was spent between 1974 and 1983. Yet these settlements are deep in debt as ten moshavim needed consolidation funds in 1981-82. These settlements had a population of 425 families (1800 people) in 1975 which had remained essentially the same in 1981. The population did increase to 700 families by 1983. The average growth rate was 6.6 % from 1977 to 1983. The Jordan Valley Development Plan calls for 970 families by 1988 and 1450 families by 1991. However, with the actual growth rate, the 1986 target will not be reached until 1992 when

the Israeli population should reach 4500 people in the Jordan Valley. The total Arab population in the area (Jericho and seven villages) was 28,000 in 1982.

Allon Plan settlements were also established in southern Judea. By 1983, four settlements and seven Nahals were set up with 100 families living in the settlements. The Southern Judea Regional Plan calls for 19 settlements with 620 families in the future. However, problems exist with the climate, the lack of cultivable land, and the close proximity of the Arab villages.

The Allon Plan petered out for one major reason. Ideological settlers favored by Zionist visions were in short supply for these settlements. Living off the land is a hard life that makes it very difficult to attract settlers. Despite the generous financial incentives to settlers and enormous investment, these settlements have now been assigned a low priority by the government.

Gush Emunim Settlements

When the October 1973 war began, there were 17 settlements in the West Bank, 13 in the rift valley, and four others. The resulting political upheaval in Israel and the disengagement talks with Egypt and Syria led to a temporary halt in settlement construction between October 1973 and October 1975. The Rabin government embarked on a new, ambitious settlement program after the second set of disengagement talks with Egypt. The new plan has confined originally to the territory marked out by the Allon Plan but encouraged the development of satellite towns 15 km around Jerusalem.

The main driving force of the 1975 to 1977 settlement program was Gush Emunim (Settlement Vanguard). It was founded in February 1974 with the objective to settle all parts of Eretz Israel. Gush Emunim is made up of right-wing nationalists and ultra-orthodox religious groups and received the support of the Likud Party. Gush Emunim set up illegal settlements in central "Samaria" in June 1974 that had to be removed by the army. Over time, the Rabin government with strong urg-

ing from the National Religious Party, gave in eventually to Gush Emunim. By the May 1977 elections, the Gush Emunim settlements had been built with the support of the military.

The Gush Emunim settlement plan called for the establishment of 60 settlements in the central massif and western foothills of the West Bank. After 1977, the plan became official policy of the WZO Department of Settlements. The Drobos Plan (1978, 1980, and 1981) articulated the settlement strategy of Gush Emunim and the Likud. It called for a dense chain of settlements across the central massif which would serve as a reliable barrier against Arab armies in the east. The adoption of the Gush Emunim-Likud settlement strategy marked a departure from the Labor policy of territorial compromise and the traditional concept of the pioneer settlement. Allon settlements were committed to manual labor and an agrarian lifestyle. The Gush Emunim settlements were semiurban, commuting, half-open yishuv kehillati that were to be merged into urban settlements and become dormitory suburbs. Gush Emunim was also eligible for Zionist financed support and settlers could receive grants and cheap loans for settlement construction. Aid would continue until the settlement reached self-sufficiency (which sometimes never happened) and then would pay the loans back.

Between 1977 and 1978, 24 Gush Emunim settlements were constructed but the trend was on the decline the following years. In 1979, four were built following by three in 1980, and nine in 1981. Of these settlements, 22 were yishuv kehillati and six were urban suburbs. Twenty-two settlements were constructed in the central massif. Investment in the Gush Emunim settlements were as follows : between 1978 and 1983, total investment in the Jordan rift was \$ 66.9 million and \$ 123.7 million in the West Bank. The total investment in settlements, for the decade was \$ 231 million with most of the cash flowing between 1978 and 1983 - \$ 205.3 million or 88.7 %. By kehillati, three were the nuclei of towns, and two were Nahal. The total number of families was 1350. The composition of the labor force underlined the trend away from the traditional kibbutz. Gush Emunim settlers tended to be white collar workers with high educations : 36 % were employed as educators and in the public

sector; 15 % worked in industrial positions, and 10 % worked in agriculture.

According to the planning projections, the total Jewish population in the massif region by 1990 should be 2350 families (10,000 people) in three urban settlements plus another 2000 families (8200 people) in 16 to 20 rural-semiurban settlements for a total of 18,200 Israelis. Jewish population in the rift settlements should be 5500 families (23,100 people) by the end of the decade. However, experts state that these numbers are far too optimistic. Even the scaled down WZO Plan for 1983-86 revised down their figures to 7045 families in 99 settlements by 1968.

The Gush Emunim plan met a fate similar to the Allon Plan. It did not prove successful because there was a lack of ideologically driven settlers who were ready and willing to move from Israeli cities to live in small, remote, and isolated settlements.

Public Financing

At this point, it is helpful to examine the degree of financing the Israelis have spent on their settlement program in the Occupied Territories. It is quite difficult to compile accurate public expenditure data. The total public capital investment on civilian projects in the West Bank amounted to \$ 1.5 billion between 1967 and 1983. Approximately \$ 750 million was spent under the Labor government (1967 to 1977) and \$ 805 million was expropriated by the Likud government. The heavy military capital investment in the Occupied Territories is confidential and cannot be estimated accurately.

By breaking down the various sectors, the Israelis have spent their investments in the following manner. In the construction sector, 12,400 housing units were built or under construction by 1984 at a total cost of nearly \$ 700 million. In industry, the cost of investment was \$ 328 million by 1983. The estimated cost per dunam of industrial land was \$ 260,000. The total cost of agricultural investment was \$ 55 million in 1983. The estimated cost of electrification of the West Bank was \$ 15

million as 120 km of high tension power lines were installed. In the communications sector, another \$ 15 million was laid out for the telephone network with an anticipated increase in the budget of \$ 13 million more. There is no firm data regarding road investment but between 1979 and 1981, 94 km of roads were constructed. When added to the estimated 200 km of new civilian roads constructed between 1967 and 1978, a total of \$ 75 million was probably invested. Between 1978 and 1982, an estimated \$ 68.2 million was invested in water works. An additional \$ 55 million was spent between 1967 and 1977 for a total of \$ 123 million. A total of 20 % of the total capital invested by the Israeli government was needed for infrastructure, land acquisition, and unknown items.

It has been estimated that it costs Israel between \$ 120,000 and \$ 150,000 for each Jew settled in the Occupied Territories. Israel plans for budget allocations of \$ 200 million per year to continue the settlement projects. Yet Israel is planning on embarking on several other national projects such as the Lavi fighter-bomber (\$ 2 billion) and the Dead Sea Canal (\$ 1.5 billion). The settlements projects, as well as the entire Israeli economy, will depend on the continuance of US foreign aid, at least at its present level.

Suburbia

At the beginning of the 1980's, Israel was well into the suburban era. There has been a trend in population away from the big cities. This began in Tel Aviv in the mid-1960's and gained momentum in the 1970's. Today, out-migration affects most Israeli cities as suburban towns are springing up within a radius of 24 km. Most suburbs are dormitory communities, however, they have been accompanied by industrial suburbanization to the north and east. Israeli suburbanization stems from the same socio-economic factors as in the West. Young, middle class families flee the congested cities to seek separate homes with garden and affordable price. Jerusalem began to develop suburbs in the 1970's. Until then, the city was confined to by the armistice lines. However, after the Six Day War, the Israeli government decided to build large neighborhoods around the city to "make it indivisible" with Israel proper.

The strategists of this new settlement phase intend to exploit precisely these centrifugal pulls in Israel's two metropolitan areas, Jerusalem and Tel Aviv. Their stated strategy is to achieve the "maximum distribution of a large Jewish population in areas of high settlement importance, with small national input and in a relatively short time, by the realization of the settlement potential of Judea and Samaria and through its integration in the nation's various systems". The plan is based on two set processes : the diffused process which results from natural demands and the nationally initiated or supported process. It demonstrates the change in focus in settlement development in the central rift and highlands to the metropolitan areas. These new plans will now account for 82.5 % of the total settlement investment, 80 % of the new housing construction, almost all of the industrial plants, and 91.6 % of the total commercial and financial services. This plan calls for an additional 80,00 Jewish settlers in the metropolitan areas by 1986.

This new development represents a transformation of Israel's value system from the original ideologically motivated Zionist settlers. Today Israel is a Western consumer society pursuing materialistic values. The Israeli government is more easily able to draw new settlers into the Occupied Territories by offering lucrative deals. Apartments are 15 % to 25 % cheaper than in Israel. The price of housing is also one-third to one-half cheaper. The government provides all infrastructure and basic services free of charge. Home financing in the Occupied Territories are equally attractive : 80 % can be obtained in long term loans (some on a never-never basis where as long as one lives, one does not have to repay). The government would give \$ 20,750 per unit for Israelis who lack housing in the form of \$ 3000 as a grant, \$ 2250 as an unlinked mortgage, \$11,750 as a mortgage without interest, and the remainder at 5.7 % interest. The quality of life and the level of services will be better in the new settlements than in Jerusalem or Tel Aviv. Finally, one can be a pioneer without risk.

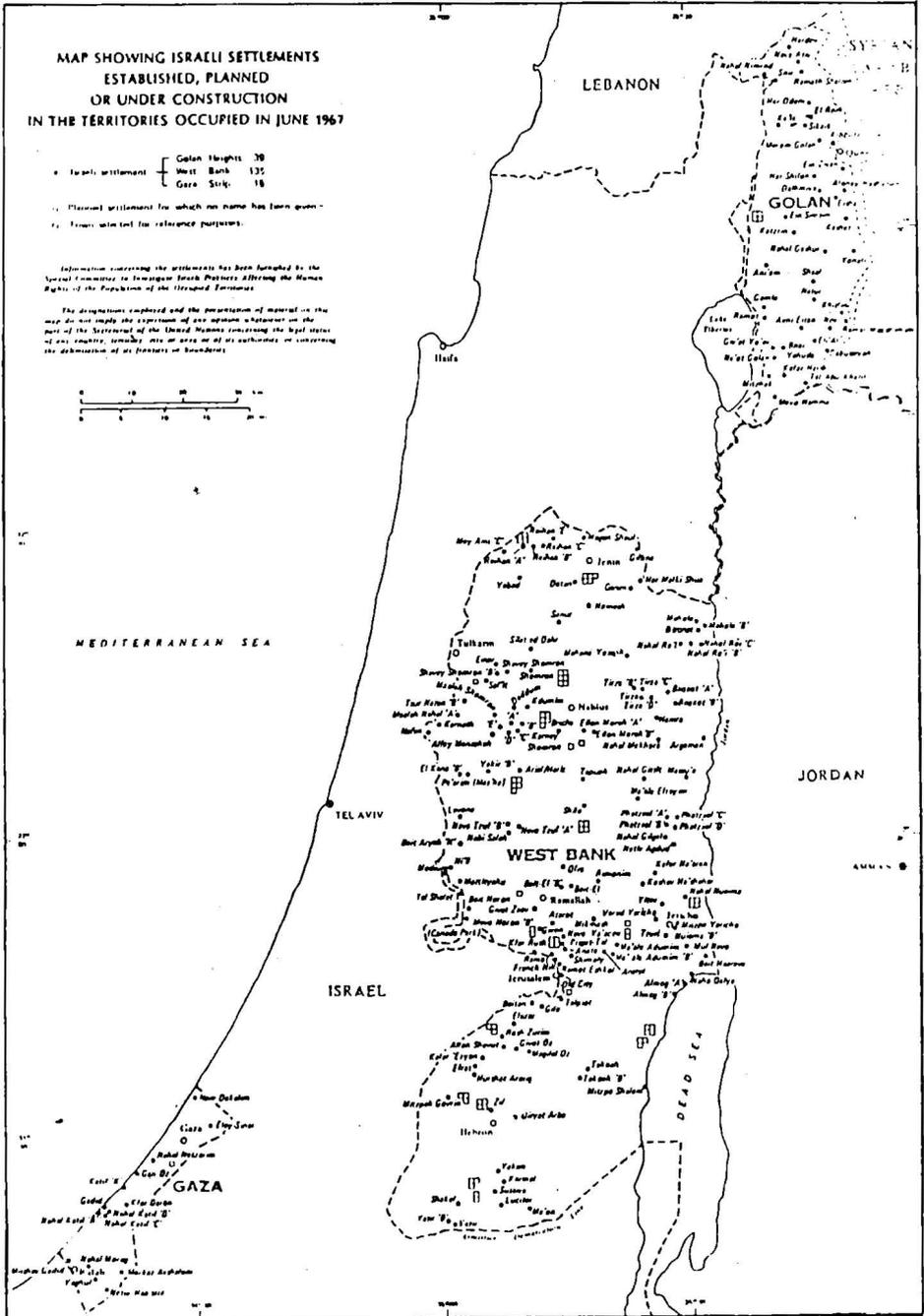
The Likud strategy was orientated demographically. It is believed the future will be determined by domestic political struggles within Israel, not from external military or political pressure. The Likud's settlement objective is to form a strong

domestic lobby composed of those who settled in the new suburbs of the West Bank or those with economic interests there. The Suburban Plan has a much better chance of success than either the Allon or Gush Emunim Plans had. It does not rely on a depleted pool of ideologically motivated settlers nor does it rely on an accelerated growth of the Israeli population through increased immigration (this growth is not expected to occur). The plan depends solely on continued suburbanization which is expected to last through the 1990's. The main constraints are presently in available housing, cheap mortgages, and road construction.

The Suburbia Development Plan calls for 17,618 housing units in the metropolitan areas by 1986. This would require construction at a rate of 4000 units annually and many experts consider that too high. Approximately 3000 new units per year would be the absolute maximum possible. Roads are of paramount importance in order for the plan to work. These roads must allow for easy access and fast commuting between the metropolitan areas and new settlements. The plan calls for the construction of 400 km of new roads (with 216 km within the metropolitan areas) within four years. Again, experts believe this goal has been set too high. In 1981, only 133 km of roads were completed throughout the whole of Israel.

The problems of Israeli settlement development become readily apparent when one compares one of the Allon type settlements with one of the Suburban settlements. Qiryat Shemona is located in northern Galilee. It was built in 1949 on the kibbutz concept to house the massive influx of Moroccan Jews and to help create a Jewish majority in Galilee. The population of Qiryat Shemona is 15,000 inhabitants today and the settlement is far from being stable or prosperous. Most people hold jobs in the low-wage sector of the economy, especially in light industry. For every person that lives there today, ten others have moved away since it was founded. Another settlement is Ariel in the West Bank. It has 360 families there today but another 1000 families are to follow. Ariel is a 45 minute drive from Tel Aviv and one hour from Jerusalem. There are five daily bus runs to Tel Aviv. There is a country club there with an olympic size swimming pool under construction.

ISRAELI SETTLEMENTS



Source : United Nations, General Assembly, Report of the Special Committee to Investigate Israeli Practices Affecting the Human Rights of the Population of the Occupied Territories (New York, 1983), p.137.

By the year 2000, Ariel will become a bedroom community of 175,000 professional and technical people. Despite the great differences in living conditions between the two settlements, Ariel receives the same benefits and aid as Qiryat Shemona. For example, Ariel receives the same subsidized mortgages and industrial aid as the stricken settlement to the north. The Israeli government provides up to 75 % financing for new industries in both settlements. The bottom line is that every suburbanite that moves to settlements like Ariel competes with settlers in towns similar to Qiryat Shemona for scarce resources.

As for the future of the Israeli settlements, the target of the WZO and the Israeli government is to settle 100,000 Jews in 165 settlements by the end of the century. Most critics state that this will be impossible since growth is expected to average 3000 families (12,500 people) annually unless construction around the metropolitan areas is accelerated. Settlements in the rift and massif region will continue to develop slowly to 5500 families (23,000 people) by 1990. The major settlement concentration will be in the metropolitan areas of Tel Aviv and Jerusalem where 23,000 families (100,000 people) could be settled with an accelerated program by 1990.

Benvenisti has predicted that in 1990, the Occupied Territories' demographics will have the following shape. In the Jordan rift and the eastern slopes of the highlands, the area will remain sparsely populated. A total of 4500 Israelis and 33,000 Arabs (with an annual growth rate of 2 %) will be settled in the area. There will be some local conflict over water resources but the area will be used predominantly as a defensive zone and for military training. The mountain massif, a narrow strip 100 km long and 10 to 20 km wide from Jenin to Hebron, will be densely populated by 500,000 to 550,000 Palestinians and will be built up heavily. There will be ten to 25 permanent Israeli settlements with 20,000 Jews (3.5 % of the population). Israel will control all of the natural resources and will be the only legitimate authority in the area. The most likely result will be ethnic friction, especially from the settlers that tend to be Zionist zealots. In the 15 km radius around Jerusalem, there will be a small Jewish minority of 56 % based in West Jerusalem.

However, the countryside will remain overwhelmingly Arab (86 %). The result will be a tribal map of alienated enclaves which could easily become points of friction. A dual system exists and is not expected to change. Jewish and Arab localities are subject to separate and unequal conditions administratively, politically, judicially, economically, and socially. Israel will continue the administrative, political, and welfare state system whereas the Arabs will remain under a military government and discriminated against. Finally, in the 60 km long, 20 km wide area along the Mediterranean coast near Tel Aviv, the vast, almost homogeneous Jewish The Tel Aviv area contains one-half of the Jewish population and three-fifths of Israel's industrial plants. It is a possibility, though unlikely, of potential ethnic friction.

Conclusion

To conclude, cost of the settlement policy in the Occupied Arab Territories may be divided into two separate categories. A cost to the Arab inhabitants in particular and a cost to the State of Israel. The first category includes the cost of displacing the Palestinians leaving the area as a direct consequence of Israeli settlements and thus the social and economic cost of the forced change in the demographic fabric of the Occupied Arab Territories. It also includes the value of expropriated Arab land used by Israeli settlers or for road constructions or other such facilities in the process of implementing the policy of Israeli settlements on Arab land. In addition, the loss of revenues which Arab inhabitants derived from the utilization of their expropriated land in agriculture, industry, trade or any other use. Obviously such costs to the Palestinians as a result of Israeli settlement will have a multiplier direct and indirect effect. Nevertheless, they represent a benefit to Jewish settlers and the Israeli economy. The second category is the cost to Israel itself in terms of budgets needed to be allocated for the implementation of the Israeli settlement policies. The Israeli economy in its current severe troubles will have the greatest impact on settlement policy. As long as the United States does not step up its economic aid to Israel, its budget restrictions will slow down the pace of settlement construction. If the next

election however will result in a victory for the Likud, construction of settlements in the Occupied Territories will be drastically increased no matter what the financial burdens to the Israeli economy be.

Based on cost-benefit analysis as well as political factors, it does not seem that the future of the Occupied Territories will be decided upon in the near future.

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