Israel calculates the price of peace: money and water

Economic interests in occupied territories may block future withdrawal

First of two articles on the costs to Israel of any withdrawal from remaining occupied territories

By Thomas Stauffer
Special to The Christian Science Monitor

Washington

Israel's economic interests in the Golan Heights, the West Bank, and the Gaza Strip have become large enough to constitute independent obstacles to any withdrawal quite aside from its historical claims to the areas.

The price of peace is losing the spoils of the 1967 war. And today these loom too valuable to be given up easily.

The trade, the cheap labor, and the tourist sites of the West Bank and Gaza, plus the water resources commanded by the strategically positioned Golan Heights, are of critical concern to Israel.

Indeed, given Israel's current economic malaise, triple-digit inflation, and rapidly depreciating currency, the water and economic resources of the occupied territories are strong incentives to hang on to them. They even are a powerful incentive for further expansion into south Lebanon to secure the waters of the Litani River, the last major water resource divertible into Israel.

Both money and water are immediately at stake for Israel.

If persuaded to yield the West Bank and Gaza, Israel loses well over $1 billion in trade and tourist revenues. This hard currency is sorely needed as an alternative to growing dependence upon United States aid.

In addition, control of the West Bank and the Golan jointly is necessary to protect one-third of Israel's total water consumption (some 500 million cubic meters per year) which is extracted from the Jordan River basin. This is siphoned off either via the underground aquifers discharging to the Mediterranean or through the 80-mile National Water Carrier, which moves Jordan River waters to the Negev Desert.

Finally, if persuaded to yield the Golan Heights, Israel also loses its steppingstone to the Litani River. The Golan Heights also form a geographical wedge blocking any possible Arab efforts to recapture the waters of the Upper Jordan.

Struggles for water predate Biblical history. Israel's concern today is no less urgent than earlier rivalries.

Israeli awareness of the costs of any further surrenders of territory is reflected in both the tone and the focus of the autonomy talks, and also in Menachem Begin's forward policy.

Israeli officials and parliamentarians point bitterly to the costly precedent in 1975 when the Ford administration forced them to hand back the Abu Rudeis, Belayim, and Alma oil fields — now worth $1.25 billion yearly. It was a double loss from the Israeli standpoint since Egypt benefited dollar for dollar from Israel's sacrifice.

Today, the Israeli economy is so precarious that any further losses only increase Israel's dependence upon the US and thus its vulnerability to any changing American political winds. All this adds up to clear and sufficient rationale for a hardened posture.

Moreover, while the 1975 return of the bulk of the Sinai Peninsula, once the oil fields had been stripped away, was relatively costless — all the more so when the US provided two special aid funds as consolation. The situation is different today.

Although not formally integrated into Israel, the remaining occupied territories are nonetheless economically important, as captive and profitable markets for Israeli goods and as sources of low-wage and less-unionized Arab labor. They also permit consolidation of Israeli control over Holy Land tourist sites.

Israel's export sales to the "administered territories" now gross about $600 million per year, according to the 1981 report of the Israeli military government. These are especially lucrative because their prices are geared to Israel's own high domestic prices (the occupied territories are within Israel's tariff boundaries) and because the sales are equivalent to exports (being paid for largely in hard currencies).

This valuable sustained trade imbalance between Israel and the occupied territories is the result of the idiosyncratic workings of the "Open Bridges" policy.

The occupied territories are constrained by tariffs and other controls to buy almost exclusively from Israel — only 12 percent of total imports come from other sources. But the areas in turn export heavily to Jordan and the Gulf states. About $100 million per year in fruits and vegetables now rolls across the Allenby Bridge to Jordan. And citrus production in the occupied lands equals one-quarter of Israel's total citrus exports.

In spite of the official Arab boycott of Israel, the Arab states condone this trade in order to support the Palestinian farmers living under Israeli occupation. Indeed, they even tacitly allow Jaffa oranges and other produce from Israel proper to be invoiced through, as if of West Bank provenance.

This is a newer wrinkle which Jordanian officials allege is now demanded by the Israelis as a condition for continuing the traffic.

Tourism is another major economic asset, and retaining east Jerusalem is of comparable importance in securing the growing tourist trade, which has increased tenfold since 1967. Tourism, including El Al airline receipts and related income, brought in over $1 billion in 1980.

While Jewish tourism is not expected to be much affected by loss of east Jerusalem or religious sites such as Bethlehem on the West Bank, package travel, especially from Europe, could suffer significantly.

Some observers estimate that as much as $500 million of tourism income is contingent upon Israel's keeping the West Bank.

Israelis expect sizable losses in tourism if the West Bank and Christian sites are handed back, even though there does exist, for example, an ad hoc arrangement presently under which tourists may travel one way between Jerusalem and Amman as part of a circuit of the Holy Land.

The third source of finance for Israel's trade advantages is the large inflow of remittances, pensions, and salaries which provides both disposable income and hard currencies to Arabs in the occupied territories, financing their purchases from Israel.

Jordan continues to pay those former Jordanian officials or pensioners still resident in the occupied territories as a curiously legalistic affirmation of its claims to sovereignty. These are remitted in Jordanian dinars, a hard currency, which the recipients must convert into Israeli shekels.

Further, at least 20,000 residents of the West Bank and Gaza, according to 1978 Israeli estimates, are employed in the Arab oil states. Remittances to families, plus gifts and transfers from other relatives, are thought to amount to $200 million annually.

The final exploitable resource in the occupied territories is the block of more than 75,000 laborers who migrate daily into Israel. Their wages are much less than Jewish workers and they do not receive the same benefits, which further reduces their cost.

While the potential loss from restoring the captured lands is more than $1 billion, Israeli analysts do not see any material savings to offset those real losses. They discount regional trade prospects, for political reasons and because few Israeli exports, except weapons and diamonds, are competitive without export subsidies.

In fact, US and Israeli military observers argue that withdrawal from the occupied territories would entail higher defense costs, overriding any cash savings due to pulling out the occupation forces.

The pre-1967 border is both longer and less defensible because of the 50-mile-long salient which juts westward to within artillery range of Tel Aviv.

This necessitates shorter reaction time and faster mobilization. Hence, it is argued no military costs are saved by withdrawal and still more troops might be needed — although they would spare themselves the impact of occupation duty on the morale of younger reservists.

This assessment contrasts starkly with Israel's earlier acquiescence in pulling out of the Sinai Peninsula once the valuable oil fields had been lost through Henry Kissinger's diplomatic strategems.

The contrast is crucial to understanding Israel's present intransigence. Without the oil fields, the remainder of the Sinai Peninsula lacked economic value and implied a costly stretching of Israel's military logistics. New missile technology makes it more efficient to contract the defense perimeter and relieve the Army of garrison duty in the remote, bleak bunkers of the Sinai.

Israel's acceptance of the Sinai withdrawal is thus no real precedent in either economic or military terms. The economic stakes in the West Bank alone help explain Israel's hardened position, independent of any historical or theological arguments.

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Egypt hopes firm stand on autonomy will draw it closer to Arab camp

By Olfat M. El Tohamy
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Cairo

Even before US Secretary of State Alexander M. Haig Jr. arrived here for his Jan. 12-13 visit, Egypt's leaders had made it plain that they would resist pressure to shift their stand on Palestinian autonomy.

They are concerned that any hurried new autonomy imposed after the late President Sadat signed the 1979 peace treaty with Israel.

Egypt's tendency to be extremely cautious on this point has been reinforced by Israel's virtual annexation of the Golan Heights. The Haig visit coincides with Arab efforts to orchestrate a campaign at the United Nations Security Council for sanctions to punish Israel for its Golan Heights move. (Egypt earlier deplored the Israeli action on the Golan, but the autonomy talks in return for information it could not [illegible] from Israel on the West Bank, previously under Jordanian administration. But lately the two Arab countries most concerned with Mideast peace have been exchanging views on how the Saudi views can be transformed into a viable Mideast settlement formula.

Against this background Prof. Leonard Binder of the University of Chicago agrees little can be done between now