

both the desire to keep the occupied territories and the needs of Israeli capitalism for Arab labour decided the issue in favour of the integrationists. The argument of the opposition was taken into account by Dayan's suggestion that the areas be incorporated into Israel without the extension of Israeli rule over them. After the 1973 October War this proposal came to be known as the functional division (as opposed to the territorial division) of the territories, by means of which Israel would maintain sovereignty over the two regions, ostensibly for security reasons, while Jordan would regain its administrative role of the pre-War period. The employment of Palestinian workers in Israel and the extension of the area's market for Israeli commodities to the rest of the Arab world were seen, in Israeli eyes, as the cementing bond of an eventual settlement.

Begin's 26-point plan concerning the future of the West Bank and Gaza, which was submitted in January 1978 to the Israeli Knesset, attested to the final recognition of the notion of functional division, and to the incorporation of Dayan's proposals into official policy (see especially items 17, 22 and 24 regulating the relationship of Gazans and West Bankers to the Jordanian regime; The Guardian Weekly, 1978).

Simultaneously, an extensive settlement policy was being implemented to forestall the consequences of Israel's having to withdraw from the occupied territories in the eventuality of a settlement. Under the Labour government the declared purpose of these Jewish settlements was defensive; that was the explanation given for the concentration of colonies along the Golan Heights, the Jordan Valley, the Rafah approaches, and even in the Latrun area. The exceptions to this policy were to be found in Jerusalem, where Judaisation was openly admitted, and in a few formerly Jewish settlements (such as Kfar Etzion, and Kiryat Arba' near Hebron) in which the government submitted to religious-nationalist sentiments. By 1977, approxi