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Draft as amended after receipt P.M's cable
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The Government of Israel has always upheld the necessity of a settlement with the neighboring Arab states.

It notes that the Secretary of State, in his Aide Memoire of November 21, advocates an "approach which involves concessions by Arab states as well as Israel". While the Israel Government believes that the legitimate interests of Israel and the Arab states are reconcilable as they stand, it fully accepts the view that if concessions are to be made they must be based on equality and reciprocity. The Aide Memoire, however, discusses a territorial concession by Israel, without specifying or even indicating the need for any corresponding territorial concession to be made by any Arab state.

If the Arab states prevent violence from their side of the demarcation line, Israel will maintain complete calm on its side. Israel's policy will also be to avoid reaction to provocation, except when such abstention would imperil the security of its population or the integrity of its territory. The assistance of the United States would be welcomed in securing the cessation of "commando" raids and other violent actions now being carried out principally on Egypt's responsibility.

Israel's only intentions in the Gulf of Aqaba are those of free

Egypt does not use force to impede passage in the Gulf, there is no reason to anticipate the use of force by Israel to ensure it. Otherwise Israel must reserve its freedom of action. Nevertheless, if Israel has real reason to believe that concrete steps are being taken towards a settlement, it will be prepared temporarily to postpone the use of its navigation rights in the Gulf of Aqaba.

The Government of Israel was interested to hear from the Secretary of State on November 21, that there is now a chance of a settlement, and that the United States is disposed to help advance this prospect. In order to assist the Secretary in his exploration, the Government of Israel submits its confidential views on the contribution which Israel might make in the context of a peace settlement:

1. Israel does not advance a claim to any of the territory held by Arab States under the General Armistice Agreements.

2. Israel is prepared to discuss mutual adjustments of the agreed armistice frontier, for the benefit of both parties, on the understanding that the integrity and continuity of its territory is not impaired.

3. Israel would be willing, in the context of a peace settlement, to contribute substantially to the opening of freer communications between all the States of the region. Such a development would greatly increase the economic strength and commercial

enterprise of the region, and would promote political and cultural understanding. These measures, which would in each case be carried out without change of existing territorial jurisdiction, might include on Israel's part:

(a) Provision for communication by air and railway between Egypt and Lebanon;

(b) Port facilities in Haifa for the Kingdom of Jordan, including transit rights by road to and from the Port;

(c) A transit arrangement to be agreed to by Israel for communication between Egypt and the Kingdom of Jordan, it being clearly understood that Israel will not cede territory, whether populated or unpopulated, in the Negev.

4.4. The Government of Israel recalls that it has already conveyed its affirmative attitude, subject to certain reservations, to the proposal on refugee compensation contained in Secretary Dulles' August 26 speech.

5. The United States is also aware of Israel's readiness to co-operate in an agreed plan for the co-ordinated use of the Jordan and Yarmuk Rivers, as elaborated by Ambassador Johnston.

The subjects proposed above for discussion and action represent a significant contribution by Israel to the establishment of peace with the Arab States. These States would, of course, have to make a

corresponding contribution in order to ensure fair conditions for a peaceful settlement on the basis of mutuality. Thus, freedom of transit for Arab traffic between Egypt and Lebanon would entail corresponding freedom for Israeli traffic northwards over Lebanon and southward over Egypt. Similarly, if the Kingdom of Jordan is to have free access to and from Haifa and port facilities therein, it should agree to restore free access to the Wailing Wall, the Mount of Olives and Mount Scopus. Similarly there should be a broad element of mutuality in any territorial adjustments. The parties should agree to abstain from blockades; practices of maritime interception; pressure and intimidation against countries or agencies wishing to trade with any country in the Middle East; and other forms of political and economic warfare.

In discussing the prospect of a peaceful settlement the Government of Israel cannot ignore the prejudicial effects of the increasing Arab preponderance in armed strength. Unless prompt steps are taken to reduce this perilous disparity, there will be an inevitable aggravation of Arab intransigeance and of Israel's apprehensions. In such circumstances it is difficult to conceive of any hopeful discussions on progress towards peace.