

largely a financial matter, and one for which he hopes Israel will be able to find a solution. Ambassador Eban, regarding compensation, said that his government considers there are three aspects of this problem: (1) assessment, (2) determination of the size of the debt, and (3) the payment. The latter is the only one of the three points that presents any particular problem. In response to a question, the Ambassador said that Israel is now willing to consider the concept of compensation as a problem in itself and separate from an overall peace settlement. Mr. Byroade said he was glad to learn this.

No. 492

674.84A/9-2352 Telegram

*The Ambassador in Egypt (Caffery) to the Department of State*¹

TOP SECRET

CAIRO, September 23, 1952—noon.

763. We have queried Aly Maher's Chief of Cabinet in FonOff who in fact drafted note which formed first encl Emb despatch 405 Sept 8. He says that Aly Maher had in mind "all" UN resolutions on Pal to which Israelis had not given compliance. Obviously Egypt Govt is most interested in resolutions re internationalization of Jerusalem and Arab refugees with particular emphasis on return to homes of latter. When Chief of Cabinet went on to say that by "all" Aly Maher also meant original UNGA res on partition of Pal, we pointed out that this seemed odd since Egypt and other Arab Govts were on record as fundamentally opposing that res.

Our estimate is that Aly Maher's ltr was not drafted with any great precision of thought. As our recent tels have indicated Egypt official interest has been so concentrated on domestic reform that peace with Israel has not occupied a primary place. However, we discerning trends both in official and in potentially official opinion to face up to fact that Egypt's interest will best be served by coming to peace settlement with Israel. Army offs in very tentative way have talked with us, and even with Brit, on mil advantages of calling off Israeli "war" and FonOff off cited above yestd said that eventually peace might be reached on line of present boundaries. Perhaps more significant was indication to me Sept 19 by former PriMin Sirry that "if he were made PriMin again" he wld be able to arrange peace with Israel. We also note as reported Embtel 760 Sept 22, rptd Tel Aviv 12,² that Aly Maher led opposition in Arab

¹ Repeated to Tel Aviv.

² Not printed.