

wld continue to help Israel, that Israel had recently made conciliatory moves toward Arabs and that we are genuinely concerned with Arab as well as Israeli problems. He then replied that the best way for US to help Israel is not through continuing financial subsidy for purpose of overcoming Arab econ boycott but to remove need of subsidy. This can be accomplished by urging Israel to give up some land taken by conquest after the UN resolutions were passed. If Israel did this a place wld thus be created to settle many Pal refugees and the Arabs wld be convinced that Israel was willing to be a law-abiding member of the community of ME nations. Once so convinced Israel wld be able to make her way economically in the Arab world without American subsidies.

BERRY

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*The British Embassy to the Department of State*

SECRET

AIDE MÉMOIRE

Her Majesty's Government thank the United States Government for informing them in confidence of the decision to declare Iraq eligible for cash re-imbursable military equipment under paragraph 408(e) of the Mutual Defence Act of 1949 (as subsequently amended). They have noted with satisfaction the two specific qualifications that aid should be a substitute for what cannot be furnished by the United Kingdom within a reasonable period of time, and that it would in fact be limited to modest quantities.

2. Her Majesty's Government feel it may be of advantage if they re-state their position for the information of the United States Government and would be grateful if the following considerations could be borne in mind:

(a) The United Kingdom is the traditional supplier of arms to Iraq. Her Majesty's Government are bound by the Anglo-Iraqi treaty to supply arms and Iraq is similarly bound to ensure that the armament of the Iraqi forces shall not differ in type from those of Her Majesty's Forces.

(b) It is in the common interest of the United Kingdom and Iraq that arms bought by Iraq should be for sterling. It is also indirectly a United States interest to avoid any additional drain of dollars from the sterling area.

(c) More equipment is becoming available for export from United Kingdom production than was looked for when this question was