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Subject: (Reuters) Netanyahu presents U.S. settlement plan to cabinet

JERUSALEM (Reuters) – Israeli Prime Minister Benjamin Netanyahu presented a U.S. plan to his cabinet November 14 that would extend a freeze on West Bank settlements for 90 days in return for diplomatic and security incentives.

Washington wants Israel to renew a freeze on settlement building in efforts to resume peace talks with Palestinians, who in September halted negotiations after just a few weeks when Israel refused to extend a 10-month settlement freeze.

Under the U.S. proposal, if Israel extended the freeze Washington would pledge not to seek further extensions and to veto any attempts at the United Nations to force a unilateral peace settlement.

U.S. security aid to Israel would also be upgraded.

"I will insist that in any proposal Israel's security needs will be addressed, both in the immediate term and regarding the threats facing us in the coming decade," Netanyahu said in public comments before the cabinet meeting.

The prime minister has previously said any settlement moratorium will not apply to areas around East Jerusalem that Israel captured during a 1967 war and the Palestinians want as the capital of a future state.

One official in Netanyahu's office said the proposal had "positive elements". Israeli political sources said a narrow majority in Netanyahu's security cabinet, which is ultimately responsible, would likely support accepting the U.S. proposal.

Secretary of State Hillary Clinton shared the plan at a meeting in New York last week, Netanyahu said, adding that U.S. and Israeli teams were still negotiating a final formula.

A spokesman for Palestinian President Mahmoud Abbas said there had been no official word regarding a renewed Israeli freeze on housing starts in the occupied West Bank.

"An official Palestinian commitment will come only after President Abbas hears officially from the American administration what is going on between them and the Israelis," Nabil Abu Rdainah told Reuters.

Palestinian officials in private have expressed anger over U.S. incentives to get Israel to prolong the partial freeze, saying they were effectively bribing Israel to fulfill basic international obligations.

Israeli officials said Netanyahu, who faces a tough political sell within his own coalition on the settlement issue, had pushed Clinton for the broad understandings.

Settler leaders, who said acceptance of the proposal would represent "a fundamental collapse" of the government's integrity, called an emergency meeting to discuss the issue.

Under the U.S. plan, Israel would declare a further, three month suspension of construction in the West Bank, land it captured in a 1967 war where Palestinians seek a state. Any building launched since the original moratorium ended late in September would be frozen, a diplomatic source said.

Among the pledges offered to Israel by Washington was a guarantee to veto any resolutions brought to the United Nations Security Council that seek "to impose a political settlement on Israel," the source said, speaking on condition of anonymity.

The United States would also undertake to veto resolutions deemed anti-Israel in the United Nations and other international organisations, a move that could make Israel less vulnerable to threats made by some Palestinians to declare statehood unilaterally in the event that peace talks fail.

The Obama Administration would also ask Congress to approve the supply of three billion dollars worth of advanced

warplanes to the Jewish state "to maintain its qualitative edge" in the region, the source added.

The United States would further sign a more comprehensive deal to enhance its substantial security aid to Israel as part of any agreement concluded with the Palestinians.