

**STATEMENT OF PRINCIPLES**  
*(Signed by Ami Ayalon & Sari Nusseibeh on July 27, 2003)*

1. **Two states for two peoples:** Both sides will declare that Palestine is the only state of the Palestinian people and Israel is the only state of the Jewish people.
2. **Borders:** Permanent borders between the two states will be agreed upon on the basis of the June 4, 1967 lines, UN resolutions, and the Arab peace initiative (known as the Saudi initiative).
  - Border modifications will be based on an equitable and agreed-upon territorial exchange (1:1) in accordance with the vital needs of both sides, including security, territorial contiguity, and demographic considerations.
  - The Palestinian State will have a connection between its two geographic areas, the West Bank and the Gaza Strip.
  - After establishment of the agreed borders, no settlers will remain in the Palestinian State.
3. **Jerusalem:** Jerusalem will be an open city, the capital of two states. Freedom of religion and full access to holy sites will be guaranteed to all.
  - Arab neighborhoods in Jerusalem will come under Palestinian sovereignty, Jewish neighborhoods under Israeli sovereignty.
  - Neither side will exercise sovereignty over the holy places. The State of Palestine will be designated Guardian of al-Haram al-Sharif for the benefit of Muslims. Israel will be the Guardian of the Western Wall for the benefit of the Jewish people. The status quo on Christian holy site will be maintained. No excavation will take place in or underneath the holy sites without mutual consent.
4. **Right of return:** Recognizing the suffering and the plight of the Palestinian refugees, the international community, Israel, and the Palestinian State will initiate and contribute to an international fund to compensate them.
  - Palestinian refugees will return only to the State of Palestine; Jews will return only to the State of Israel.
  - The international community will offer to compensate toward bettering the lot of those refugees willing to remain in their present country of residence, or who wish to immigrate to third-party countries.
5. The Palestinian State will be demilitarized and the international community will guarantee its security and independence.
6. **End of conflict:** Upon the full implementation of these principles, all claims on both sides and the Israeli-Palestinian conflict will end.