

that would enable United States sustain military strength without threat of economic exhaustion.

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No. 10

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*Memorandum of Conversation, by the First Secretary of Embassy in Israel (Jones)*<sup>1</sup>

SECRET

TEL AVIV, May 13, 1953.

Subject: Economic Problems of Israel

Present: Mr. Stassen, Mr. Eshkol, Mr. McDaniel, Messrs. Matteson, Kollek, Avriel and Jones.

This meeting consisted largely of observations by Mr. Eshkol, some remarks by Mr. Kollek and several questions and a few final observations by Mr. Stassen.

After a long account of Israel's development program, and a brief account of the internal budgetary situation and of the Government's efforts to attain internal stability, Mr. Eshkol stated that the major problem now facing Israel was that of "debts". It was stated that the present external debt was approximately \$387 million dollars, that approximately \$100 million matures within one year and that the management of this debt takes an inordinate amount of time of key Ministry of Finance officials.

By way of background Mr. Kollek explained that the present debt situation grew out of Israel's rate of immigration, the Arab Economic Boycott, efforts on the part of the people of Israel to do too much in too short a time and their general inexperience. Mr. Kollek also stated that the effects of peace in the area and in lifting of the Arab Economic Boycott were very difficult to evaluate. He estimated however, that annual savings to Israel in foreign exchange of from \$30 to \$60 million might eventuate if a regional political settlement were made.

Mr. Stassen expressed a sympathetic interest in Israel's problems. He emphasized that US aid programs were governed by US foreign policy relationships with and by the economic policies of the recipient governments. He went on to say that for budgetary and other reasons the US Government was screening its foreign aid programs carefully this year and consequently was very much interested in the efforts recipient countries were making toward at-

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<sup>1</sup> This memorandum of conversation was sent to the Department as enclosure 1 to despatch 1194 from Tel Aviv. The conversation took place at the residence of the Foreign Minister.