

taining economic stability and self-sufficiency. He concluded by saying that the Secretary and himself would be glad to give considerations to Israel's problems.

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No. 11

Conference files, lot 59 D 96, CF 136

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

SECRET

TEL AVIV, May 14, 1953.

Subject: Economic Problems of Israel

Present: The Secretary, Mr. Stassen, Mr. Sharett and Messrs. Eshkol, Bernstein, Horowitz, Kollek, Avriel, Ben Dor, Sherman, MacArthur, Matteson, Russell, McDaniel, Evans, Street and Jones.

The meeting was opened with a brief outline of the economic policies and problems of Israel by Messrs. Eshkol, Bernstein and Horowitz. They all agreed that the most urgent of the problems was that of the external short term debt. Total external indebtedness was said to be approximately \$380 million of which approximately \$100 million would be maturing within the next 12 months. It was pointed out that a refunding operation, in the magnitude of the next 12 months maturities, would represent only about 1/3 of Israel's total imports at the present time. It was also pointed out that Israel's present short term borrowing was exceedingly expensive and that by refunding the short term debt and by discontinuing this short term borrowing, from \$15 to \$20 million would be saved annually in procurement. It was asserted that this saving would be enough to pay for the interest and amortization of such a refunding loan. The hope was also expressed that, if the United States were to assist Israel in such a refunding loan, it be done by some means other than through the U.S. Export-Import Bank. It was feared that the use of this agency for refunding purposes might preclude obtaining a further loan from this source at a later date for development purposes.

Mr. Stassen, in speaking on behalf of the Secretary and himself, first stated that the U.S. fiscal year 1954 budget had not yet been passed by Congress and that, consequently, neither the Secretary nor himself was in a position to speak in concrete terms with respect to economic assistance to Israel during the coming year. Mr.

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<sup>1</sup> This memorandum of conversation was sent to the Department as enclosure 2 to despatch 1194 from Tel Aviv. The conversation took place at the office of the Foreign Minister.