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*Memorandum of Conversation, by the Officer in Charge of
Palestine-Israel-Jordan Affairs (Waller)*

CONFIDENTIAL

[WASHINGTON,] June 17, 1952.

Subject: Visit of Ambassador Eban Regarding Middle East Problems and Israel's Financial Situation.

Participants: Ambassador Abba Eban, Israel Embassy
Miss Esther Herlitz, First Secretary, Israel Embassy
NEA—Mr. Byroade
NE—Mr. Waller

After expressions of welcome to Mr. Byroade on his return from his recent trip to the Near East, including Israel, the Ambassador asked Mr. Byroade what his impressions were. Mr. Byroade said that he had not been in Israel long enough to formulate opinions regarding Israel's difficulties but he had noted several things that caused him concern, one of which was the economic situation. He thought it a most formidable obstacle to Israel's future. He wondered whether mechanizations of agriculture had not been overdone and whether changes in some other aspects of Israel's economic life might be beneficial. Without replying to Mr. Byroade's speculation, Mr. Eban said that the specific matter which he wished to discuss was Israel's financial condition, particularly in view of the appointment of Israel's Foreign Minister, Mr. Sharett, with Secretary Acheson the following day.

Mr. Eban recalled his first visit to Mr. Byroade, shortly after the latter assumed office, when Mr. Byroade found means to assist Israel in solving the most recent of Israel's financial problems. He said the use of MSA funds in that connection was an expedient but not a healthy one. The money obtained was used for the repayment of debt purchases of such commodities as wheat and fuel and a power project south of Israel. The Ambassador also recalled that Congress has now passed a new Mutual Security Act authorizing some \$73 million for Israel during the fiscal year beginning July 1 and that Israel hopes to benefit from these funds as soon as possible.

In connection with the financial assistance given in late April and early May, Mr. Mikesell is proceeding to Israel to work with Israeli officials on Israel's balance of payments. Israel has accepted the position of Mr. Mikesell and will cooperate with him.

The present problem concerns Israel's short-term debt which, he stated, was approximately \$100 million and which becomes due