

propose intensified campaign to harm Israel in her present financial crisis.

DAVIS

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*The Acting United States High Commissioner for Germany
(Donnelly) to the Department of State*

SECRET NIACT

BONN, September 6, 1952--1 p. m.

1019. Chancellor sent word urgently this morning to tell us that Arab pressure against Israeli settlement is greatly increasing and is causing him serious difficulties here. Arab League States, headed apparently by Syria, are threatening to boycott FedRep, charging that Israel is still at war with them and deliveries and payments to Israel will increase latter's milit potential and thus constitute an unneutral act. Chief of Syrian polit Dept, who has been campaigning actively in Bonn against settlement, had addressed very sharp protest to Chancellor, adding that Arab League States are meeting in Cairo Sept 10 when decision to boycott FedRep will undoubtedly be taken.

This pressure is having its effect on some circles here, particularly those headed by Schaeffer who has long been opposed to settlement. Chancellor is nevertheless resolved to go ahead with it and the matter comes before Cabinet for decision Monday. Chancellor believes he can secure approval despite opposition but says his hand will be greatly strengthened if he could inform opposition that US is willing to use its good offices to try to abate Arab pressure and to endeavor to persuade at least some of Arab States to abandon their threats. He points out that settlement does not constitute direct subsidy to Israel but involves only reparation for Jewish property seized by Nazis and further that deliveries contain only 17-20 percent of hard goods. Chancellor recognizes difficulties which his request may create for US but has appealed urgently for assistance.

Any msg which may be sent us for him to use on Mon morning wld be most helpful. Pls instruct urgently.

DONNELLY