

culty of making constructive plans because credit problem interferes with ability plan effectively.

While recognizing these arguments, Department weighing other factors: (1) Severely adverse affect on U.S. relations with Arab world of such additional assistance to Israel; (2) Possibility that release Israel officials from discipline imposed by necessity turn over short-term loans may be premature, and result in less careful fiscal management; (3) It would be difficult, most likely impossible over extended period, for IG to avoid building up new short-term indebtedness as result improved credit position, thus nullifying long-term effect of operation; (4) Precedent of bailing out Israel creditors may lay U.S. open to heavy pressure to bail out other important and influential U.S. creditors at some future time and may also open U.S. to similar demands from other countries; (5) Practical difficulty finding funds this purpose because of scarcity of and legal limitations on grant-aid funds, and difficulty obtaining convincing demonstration that repayment loan funds would be assured. Further Embassy comments, particularly on factors (2) and (3) immediately preceding, will be welcomed.

Department has initiated discussions problem which include representatives Treasury and Export-Import Bank. Apparent from early conversations that it would be very difficult find Mutual Security Act or loan funds for this purpose before June 30, even if decision were made that U.S. assistance warranted. Decision unlikely immediately in view complexity matter. Department hopes take advantage Ambassador's return air problem thoroughly before final decision made.

DULLES

No. 588

689.84A/3-2553: Telegram

*The Ambassador in Syria (Moose) to the Department of State*¹

SECRET

DAMASCUS, March 25, 1953—4 p. m.

611. Pursuant Deptel 535, March 21 I saw Shishikli March 24 and made points outlined last paragraph refel. I expressed hope he would continue display leadership in eliminating points of friction with Israel. Shishikli summarized situation as follows:

1. He declared that Syria was first Arab country to endeavor remove troublesome points friction with Israel and said if Syrian

¹ Repeated to Tel Aviv, Amman, Baghdad, Beirut, Cairo, Jidda, London, Moscow, Paris, and Jerusalem.