

tion of the effect of the adverse forces in the Near East that such a decision sets in train.

Recommendations. That you advise Mr. Stassen: (1) The Department does not support any proffer of assistance, loan or grant, beyond amounts now contemplated in MSA legislation; (2) The Department has reluctantly concluded that it is not in U.S. interest to allow a default at this time, and therefore Mr. Stassen has our support in taking appropriate measures within the limitations of 1953 funds already voted for Israel to prevent such default; (3) Inter-agency discussion should continue on future policy with respect to Israel's financial problems. ⁴

⁴ According to a note of June 22 by D'Connor attached to this memorandum and addressed to Jernegan, "the Secretary agreed to \$7,000,000 only and disapproved the rest, after talking with Mr. Humphrey and Mr. Stassen." A handwritten notation indicates that the Secretary agreed with the three recommendations contained in the last paragraph of Jernegan's memorandum of June 18.

No. 628

864A.00 TA/6-253: Telegram

The Secretary of State to the Embassy in Israel ¹

CONFIDENTIAL

WASHINGTON, June 22, 1953—7:13 p. m.

1139. Joint State-DMS. Following principles should be considered as guidelines in operation grant program in Israel:

1. Primary objective of Aid Mission should be hastening viability of Israel. In administration of program we should seek to achieve maximum influence on the economic policies of GOI and maximum impact on economy as a whole, recognizing relationship internal conditions to external viability. US influence can be focused upon problems internal and external stability through (a) continuous consultation and review of Israel foreign exchange expenditures; and (b) vigorous control over amount, rate, and purposes of release both dollar and counterpart funds. Consultation machinery was established by IG note August 1952.

2. Following specific objectives should be sought by means outlined in (1) above:

(a) Achievement and maintenance of internal economic stability through encouraging GOI to adopt appropriate fiscal and monetary measures designed to retard inflation, bring about most effective use of resources and reduce need for external aid.

¹ Drafted in the Technical Cooperation Administration.