

(b) Adoption and maintenance (through periodic revision when necessary in light of foreign exchange position) of exchange budget in which current foreign exchange expenditures, including amortization payments on long-term debt, are balanced against foreign exchange income. In view various uncertainties respect income and debt turn-over foreign exchange budget should be subjected continuous review. Licensing and procurement system should be made sensitive to revised exchange budget;

(c) The allocation of the maximum amount of resources to investment designed to make Israel self-supporting in shortest possible time;

(d) This necessarily means minimizing consumption;

(e) Heavy exchange commitments by Government for industrial investment not based on local resources should be discouraged. Investment in industry should be made only after careful analysis full direct and indirect foreign exchange costs and with special encouragement to private capital investment; internal and external. Priorities should be developed on basis such analysis.

DULLES

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*The Ambassador in Egypt (Caffery) to the Director of the Office of
Near Eastern Affairs (Hart)*

TOP SECRET
OFFICIAL-INFORMAL

CAIRO, June 23, 1953.

DEAR PETE: I have read with interest your note of June 15 regarding the letter which Gamal Abd Al Nasir is supposed to have written to an Israeli addressee.

We have known for some time that Nasir has a friend in Israel, dating from Palestine War days. I therefore have had one of the Embassy officers ask him frankly but informally if there is anything to the story which you cited.

Abd Al Nasir's reply was: "I have written no letters since July 23" (1952). The inference is that he may very well have written such a letter at some time in the past but, if he did, it was in a purely personal capacity.

I continue to believe that there is little prospect at this juncture of the Arabs agreeing to an over-all peace settlement except on terms which Israel is clearly unprepared to accept. Furthermore the other Arab states, in return for their support of Egypt's stand on the Canal Zone issue, have obviously extracted in return the assurance that Egypt will not break the united Arab front against Israel. The hopes which we once held that Egypt might be induced