

## No. 631

884A.00 TA/6-2633: Telegram

*The Chargé in Israel (Russell) to the Department of State*

SECRET

TEL AVIV, June 26, 1953—4 p. m.

1965. Joint Embassy-TCA message. At regular weekly meeting at Finance Ministry Wednesday, Embassy-TCA representatives and Mikesell presented elements of policy outlined in Department telegram 1139. <sup>1</sup> Israelis present at meeting were Eshkol, Kollier (members of Finance Ministry Staff). Principal points emphasized were: (1) objectives of hastening viability of Israel; (2) maximizing productive investment and minimizing consumptions; (3) need for attaining internal economic stability; (4) desire to consult on foreign exchange and development budgets with view to implementing objectives set forth in Department telegram 1139. United States representatives pointed out need for examining investment expenditures under government control on basis of priorities as to foreign exchange earning or saving potentialities and optimum utilization of human and material resources.

With regard to debt problem, United States representatives emphasized desirability of avoiding use of program funds for debt repayment, since such diversion would not contribute to viability. United States representatives stated Mission desires to follow very closely debt problem and to consult with Government of Israel regarding means of financing, but referred to statement of Dulles and Stassen that fundamental responsibility for this problem lies with Government of Israel.

In reply to United States representatives' statement of policy objectives outlined in Department telegram 1139, Eshkol spoke disparagingly of experts and their advice. He also defended Israel's deficit financing policies in past and stated United States should help Israel in dealing with past debts. Eshkol implied that Israel would continue to borrow as much as possible in future for rapid development of economy in a manner determined by statesmen motivated by faith in Israel and not by experts, bookkeepers and statisticians, and urged the United States to approach Israel's problem in that light. Eshkol's response appeared to be based on conviction either that Israel will receive a United States Government refunding loan or alternatively 1954 funds will be available in free dollars for debt management by approaches to Washington without reference to Mission.

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<sup>1</sup> Document 628.