

within which United States can influence Israeli policy but it is limited by these considerations.

RUSSELL

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No. 641

884A.00 TA/7-2253: Telegram

*The Secretary of State to the Embassy in Israel*<sup>1</sup>

SECRET

WASHINGTON, July 22, 1953—6:54 p. m.

61. Joint State-DMS. Deptel 55.<sup>2</sup> In discussion with Goitein and Lewin Israel Embassy on July 21, Stassen made these points:

1. US faced with serious budgetary deficit which it is endeavoring reduce.
2. Funding loan by Ex-Im Bank cannot be contemplated.
3. Israel should itself take firm financial measures meet its problem and can marshal other resources, especially German reparations, toward this end.
4. Use MSP funds for debt payment has been criticized in Congress.
5. Holders present indebtedness might accept negotiated extension maturity dates.
6. Israel will in long run be stronger for working out its own arrangements meet debts.
7. If Israel has difficulty with financial problems Embassy and aid mission in position provide useful advice.

Goitein and Lewin stressed inability GOI see way through difficulties without loan, pointing to (a) need meet debt problem to permit full use MSP funds for development (b) lack flexibility German reparations payments (c) judgment NY financial experts that negotiated or partial debt moratorium equivalent to default. Discussion closed on expression confidence by Stassen that Israel can meet its own problems and by reiteration Administration desire reduce expenditures.

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<sup>1</sup> Repeated by air pouch to the Arab capitals and Jerusalem.

<sup>2</sup> Telegram 55 to Tel Aviv, July 20, informed the Embassy that Stassen planned to notify Goitein on July 21 of the substance of paragraphs 2 and 4 of telegram 41 to Tel Aviv (Document 639). The Embassy was authorized to notify the Israeli Government simultaneously. It was suggested that the matter be discussed along the following lines: Careful study in Tel Aviv and Washington had indicated that the loan was inappropriate. Officials of the Export-Import Bank stated such a loan would have to meet the normal requirements for conditions of servicing, and the U.S. Government view was that Israel would not be able to meet these conditions. Under the circumstances, the Israeli Government would appear best advised to seek relief through arrangements with the present holders of its debt or other private sources. (884A.00 TA/7-2053)