

No. 731

884A.00 TA/11-1753: Telegram

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

SECRET PRIORITY TEL AVIV, November 17, 1953—5 p. m.

598. Joint Embassy-USOM. With reference to Usfoto 205¹ and Embassy telegram 592,² USOM and Embassy officers met yesterday with Finance Ministry officials and Kollek, Director-General, Prime Minister's office, concerning Israel's short term debt. Despite our efforts to obtain specific data to support deficit estimates Finance Ministry was unable to present precise figures. Although some facets of this problem remain obscure and will be explored in more detail tomorrow when Israel officials will present more precise figures on October-December position, the following is the basic situation as it emerged from yesterday's discussion:

(1) Evidence submitted indicates that unexpected problem did not arise because expenditures have exceeded budget or from failure of most sources of income to equal budgeted amounts.

(2) The immediate situation, although difficult, is not as extreme as is reflected by gross figures submitted in Washington November requirements \$18,000,000 and revenues \$8.8 million. Actual set requirement new money to meet expenditure-receipt gap during balance of November was given by officials here as 44,000,000. None of these officials indicated that default was planned or necessary in the absence of United States Government's cash relief, although they were careful to point out that November-December situation was more difficult than they had anticipated because of the failure of their October operations to work out as planned. Furthermore, Israel officials made it clear that delay in release of grant-in-aid funds was not a primary factor in November-December payments problem. Finally, one of Israel officials implied that cash release was being pressed by Israel Embassy Washington in order not to let opportunity challenge section 105³ to go by default.

the Department his hope that the United States would continue to demonstrate a friendly attitude toward Syria by supporting in the Security Council the Syrian position with respect to the Israeli diversion project in the demilitarized zone. (683.84A322/11-1753)

¹ Not printed.

² Document 729.

³ Reference is presumably to section 105 of the Mutual Security Appropriations Act for the fiscal year ending June 30, 1954, approved Aug. 7, 1953 (P.L. 218; 67 Stat. 478). Section 105 of the Act reads in part as follows:

"None of the funds provided by this Act nor any of the counterpart funds generated as a result of assistance under this or any other Act shall be used to make payments on account of the principal or interest on any debt of any foreign government or on any loan made to such government by any other foreign government; nor shall any of these funds be expended for any purpose for which funds have been withdrawn by any recipient country to make payment on such debts."