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THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~

April 20, 1967

MEMORANDUM TO: Secretary of State
Secretary of Defense

Herewith extracts from a memorandum done especially for the President on U. S. policy towards Israel.

The President would wish to have your personal views on the positions taken at the 5:30 p.m. meeting today when the question of assistance to Israel will arise.

W. W. Rostow
W. W. Rostow

Attachments

DECLASSIFIED

Authority NSC 8-18-81 letter
By inf, NARS, Date 9-16-81

5. Conflicting U. S. Attitudes Toward
Military Aid For Israel

The Middle East today is one of the few areas in the world where there are no signs of a detente between the Soviet Union and the United States. The main victim is Israel since it must cope with massive Soviet support -- military, economic and political -- for the Arab States, within a larger framework of general Soviet opposition to U. S. interests in the area.

Israel believes that the U. S. must make absolutely clear that it stands for a policy of arms balance between Israel and the Arab States -- and will provide the necessary means to sustain it. Israel believes that the President has accepted this principle and, indeed, has made his position clear by personally authorizing the sale of tanks and planes to Israel. But within the State Department and the Pentagon, it has found powerful enclaves of resistance and suspicion towards any request by Israel for additional material or production know-how.

Some in the higher echelons of the Foreign Service still regard the establishment of Israel as a mistake and hold fast to the British Foreign Office-Bevin-Arabist

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viewpoint of 20 years ago. Within DoD the tendency is to argue that, man for man, the Israel army is one of the toughest in the world and on this basis justify a refusal to restore arms balance because "even with inferior equipment the Israelis can effectively defend themselves." The implied compliment is small consolation to the Israelis.

More important, State and DoD both continue to speak and act as if the U. S. itself had no interests of its own in the Middle East. Yet the truth seems to be that since the British withdrawal the United States has established itself in the Middle East, that it is present there no less than the Soviets, and that vital interests of the United States are now at stake there. There would be a Middle East problem even without Israel.

Israel has no desire to pile up unneeded armament. It pays for all of its arms and buys only what it believes is vitally necessary. It does not look to the United States as an exclusive supplier of arms and seeks to buy here only what it cannot buy elsewhere either because the items are not produced elsewhere or because their price elsewhere is beyond Israel's capacity to pay.

6. A Different Approach To Israel's
Military Aid Requirements

Israel has submitted specific requests to the U. S. for military aid including the purchase of 200 APC's [estimated cost \$7 million as against \$15 million if the Israelis are forced to buy more sophisticated equipment in France]; and some Hawk and tank spares (totalling \$16 million) on favorable credit terms. DoD questions the need for additional APC's partly because,

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within a relatively short time, Israel will need a complete APC re-equipment program and partly because, to the DoD, the immediate need is not sufficiently urgent.

- . The Israelis are convinced that immediate replacement of some of their World War II APC's is essential.
- . More important, they have recently recognized that they must begin now to make the necessary arrangements to replace all their APC's over the next ten years.
- . Finally, they face the question of the new generation of planes, tanks and related items which they will need in the early 1970's.

These points give rise to a new problem and may offer a new opportunity.

Before, the military aid impasse has always been solved but usually after protracted negotiations and rarely without White House intervention. This is understandable because responsibility for the conduct of foreign affairs -- and for its domestic political consequences -- are lodged in the White House. It may now be possible to work out an approach which will break through the burdensome process of bargaining under pressure which has characterized these negotiations in the past.

First, Israel says that she needs APC's and wished to buy them here. An alternative is for Israel to buy components and, with U. S. technical engineering assistance, build her own APC's and pay for them on a royalty basis. The partial assembly technique would

probably supply fewer vehicles per annum than direct procurement, but it would lay the foundation in Israel for the re-equipment program required some years hence and, at the same time, help put unemployed within Israel back to work.

Second, Israel must prepare for the day when her British Centurion tanks, which are already obsolescent, will be phased out. The Israelis believe that the armor and basic structure of these tanks is satisfactory enough and that, if the old motors could be replaced with new ones purchased in the United States, they would be able to avoid replacing the entire item, they would save foreign exchange, and the entire transaction would be considerably less conspicuous and dramatic.

Third, for the next generation of fighter planes, the Israelis would like to combine a late model French Mirage with a tested and safer American GE motor.

What the Israelis are now beginning to consider, therefore, is the possibility of extending their domestic arms industry in ways which would relieve both the U. S. and themselves of the frictions and delays of extended negotiations, minimize their foreign exchange expenditures, use their own resources more effectively and put more of their people to work. They also see a collateral opportunity to offer repair and rehabilitation services, and other support, to the U. S. military in Europe and in the Eastern Mediterranean, and perhaps in the Far East.

The first question is whether this kind of assistance would enlarge the U. S. involvement with Israel. If in fact a security commitment has already been given, such support would do no more than relieve the pressures for hardware and more formal guaranties, and reduce the risks of war.

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The second question is whether such assistance would escalate arms production in the Middle East. UAR already has an arms industry far larger than any contemplated here.

7. Strengthening The U. S. Warning Against Wars Of Liberation In The Middle East

President Johnson has said -- as did President Kennedy before him -- that in the event of aggression or threat of aggression against Israel the United States would act on its own as well as through the United Nations. This statement was repeated by Vice President Humphrey. The Israelis ask to have this policy made clear on the diplomatic level to the Soviet Union and to the Arab States so that they understand the U. S. will not acquiesce in the threatened "war of liberation".

If the public position of the President can be given a more formal public expression that could also have important results throughout the Middle East. The problem here is what kind of "public expression" is feasible since the treaty and Congressional Resolution routes seem clearly impracticable at this time.

8. Economic Aid: Food Purchases and DLF Loans

Israel is currently seeking economic aid through (a) the right to buy food surpluses at about last year's level (reduced however from \$33 million to about \$26 - \$27 million because no wheat will be bought) and (b) \$20 million of development loans (it received \$10 million last year).

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Last year Israel paid for 75% of the food surpluses in Israeli pounds (under Title I of P.L. 480) and for 25% of these purchases in U. S. dollars (under Title IV).

Problems:

- . Whether and at what rate purchases this year should be moved from Title I to Title IV?
- . Will Agriculture agree to the requested \$26 - \$27 million total?
- . Will AID agree to the 75% - 25% pound-dollar split (65-35)?
- . AID takes the position that it will grant no further development loans.
- . Interest rate to be paid on the dollar component (last year it was 2 1/2%, and 20 years including 2 years grace; no statutory reason why these terms can't be continued).

9. Economic Aid: Help In Stimulating Israeli Exports

a. Fertilizer

Israel wants the right to sell potash and phosphates to South Korea and South Viet Nam on AID account. It had this right before but it was taken away by AID Policy Directive 31. Israel is prepared to accept 50% payment of the CIF price in Israel pounds; no other country is prepared to bid on these terms.

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b. Repayments in Commodities

Israel is currently repaying the United States (AID and EXIM) for past loans at the rate of about \$10 - \$12 million per year (in addition to 50 to 60 million Israel pounds each year). Israel wants to pay the dollar debts, in whole or part, in goods and services which the U. S. would otherwise buy abroad. If this could be done, Israel would be willing to accelerate repayment of the loans, conserving foreign exchange and putting her own people to work. From the U. S. viewpoint there would be no loss of foreign exchange since the U. S. would, pro tanto, reduce its expenditures abroad.

c. Exports to the U. S.

Finally, and most important, Israel urgently wants to supply a portion of the goods and services which the U. S. Government and government agencies now buy abroad. There seems to be no opposition in principle from the U. S.

The U. S. now buys well over \$100 million per annum from developed Western European countries (this figure is an estimate); within two years Israel could supply a substantial portion of these requirements -- and would do so by enlarging industrial capacity, including capacity in areas of importance to the United States:

- . equipment and services for the Air Force;
- . potash and phosphates for AID;
- . small arms and other military materiel and ammunition;
- . agricultural products (including fruits and vegetables);

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A Presidential Directive to the Department of Commerce requesting a report on what has been done and what more can be done under existing legislation, could be very useful.

State and Defense would of course wish to weigh the costs of any such action as against the possible benefits.

12. Jewish Emigration From The Soviet Union

The problem here is whether any approaches can be made to the Soviet Government which neither jeopardize the U. S. interest in further relaxation of tensions nor stimulate reprisals against Jews within the Soviet Union. (About 300 Jews per month are now being permitted to leave the Soviet Union.)

Subject to these limitations, Israelis think that forthright official statements by U. S. representatives at suitable international forums (e.g., Human Rights Commission and the UN General Assembly) would be helpful. The question might also be raised in any direct dialogue between the U. S. and the Soviet Government. The thought is that the Soviet Union should understand that the Administration's problems on the Consular Treaty, the Outer Space Treaty, and in other areas, would have been and would be considerably simplified if, without cost to itself or to its ideology, the Soviet Union could ease the strain by quiet and modest changes in its Jewish policy, particularly in the area of the reunion of families in Israel.

Knowledge of those actions could be conveyed to American Jewish leaders on a discreet basis.

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13. The Desalination Project

January 1968 will mark the fourth anniversary of the President's speech in New York City in which he first put forward the idea of a desalting project to be established in Israel.

Ambassador Bunker visited Israel in December but has now withdrawn from the project; so far as we know, he has not yet prepared a report on his findings. If the project is to go forward, a successor is needed. Many names have been suggested, including Harriman, Dillon, Anderson, Oscar Chapman and others. Bill Moyers deserves consideration. Jack Valenti is a successor to Eric Johnston.

This project is of prime importance, politically and economically.

14. An "American University" In Israel

Under the AID program the U. S. has provided substantial funds for an American University in Beirut, for an American University in Cairo, for Roberts College in Turkey and for similar institutions elsewhere in the world. The establishment in Israel of an American University would constitute a new and important symbolic American presence.

The Weizmann Institute of Science in Rehovoth is dedicated to basic research in science and is moving into the field of graduate education in science. One possibility, therefore, is an American Graduate School of Science of which the Weizmann Institute would be part. In recent years the Institute has borrowed from AID (under the authority of P.L. 480, as amended) a substantial sum in U. S. owned P.L. 480 Israel pounds repayable in dollars by the Institute over a period of years and

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and guaranteed by an American Committee. A new university could be funded in large part by these dollar repayments if arrangements can be made to forgive the debt. These steps could probably be accomplished by executive action under existing law (although the action should probably be submitted to and lie before the Agriculture Committees of both Houses for the statutory 30-day period).

The new university would train graduates not only from Israel but from other less developed friendly countries, particularly from Africa, in scientific fields of particular concern to them. This would merely continue and enlarge a program, under U. S. auspices, which Israel itself has begun.

This item could have major collateral benefits both for the U. S. and for Israel.

15. The Nuclear Reactor At Dimona

The U. S. effort to bring the reactor at Dimona under the International Atomic Energy Agency has thus far not succeeded. The Israelis say that IAEA is not secure. The problem is so difficult that there may be doubt whether the Israeli government could cooperate even if it chose to do so.

There should be no difficulty working out the necessary U.S.-Israel arrangements; a visit from U.S. experts is expected this month. In the circumstances of Dimona, this degree of cooperation is unique.

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16. How Israel Can Help The United States

There are at least two areas in which Israel might take action on its own which could be of considerable value to the United States.

First: Israel today keeps a substantial portion of its foreign exchange reserves in the higher-interest paying countries of Europe. It maintains some reserves in the United States but generally not for the 13 months required to constitute the deposits a contribution to our balance of payments reserves. If a mutually agreed military aid and economic program is worked out, it should be possible, this year, for Israel to retain in the United States, for the necessary 13 month period, a sum ranging from, say, \$150 million to \$250 million, from its reserves in order to ease the U. S. balance of payments difficulties. (Israel has a foreign exchange reserve of something over \$600 million; its foreign debt is \$1.3 billion.)

Second: It may be possible for the Israeli Government (with difficulty, however) to take a more positive stand in relation to Viet Nam and perhaps send medical or teaching personnel to Viet Nam as evidence of support and solidarity. This action by Israel would be of importance to the Jewish community in the United States.

17. The White House Role

This is a small item but not unimportant. During the year there are large numbers of luncheons, dinners, meetings and signings and related affairs at or under the auspices of the White House. To what extent the leadership and opinion making element of the American Jewry has been brought into these groups, I don't know. Two points: first, these invitations are flattering and important; second, it is not helpful to

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invite a large number of Jews at the same time; understandably, they prefer to be received as individual Americans and not collectively as members of a minority group.

18. Visit To Israel By High-Level U. S. Officials: Summer 1967

In recent years the only visits to Israel have been by candidates and operating-level officials. It would, I'm certain, please the Israelis a great deal -- and have a useful impact on the American Jewish community -- if, say, Vice President Humphrey or Secretary Rusk or Undersecretary Katzenbach were to visit Israel this summer.

19. Visit By The Prime Minister Of Israel To The United States: Fall 1967

It has been nearly three years since the Prime Minister of Israel has visited the United States. He is ready to come here again soon; a visit of this sort would make clear to the American Jewish community the close relations between the United States and Israel. An official invitation could be extended or the President might take advantage of the fact that the Prime Minister is in any event expected here unofficially during early fall.

A day or two at Blair House, with conversations covering the more important problem areas, would be very useful.

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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

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April 20, 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Your Meeting with Mr. Feinberg at 11:30 a.m.

I have sent you a separate memo on the Israeli aid package. I recommend you not give Abe any answers until you have discussed this with Secretaries Rusk and McNamara. Your options on timing are:

1. Hold the whole package until after we get the report on our Dimona inspection about 28 April.
2. Release everything in the package except your decision on APC's until we're sure the Israelis have cooperated fully with our inspection team.
3. Release the whole package now.

The main reason for holding off is to demonstrate that you're serious about nuclear non-proliferation. Even this year's whole aid package wouldn't be enough to bargain with on this life-or-death issue (as Israel sees it). However, as we approach the time when we may need to press Israel to sign the NPT, we must consider how much leverage we need to hold in reserve. So far the Israelis have succeeded in keeping this apart from the rest of our relationship.

The only counter big enough to sway Eshkol, I suspect, will be the US-Israeli relationship itself. By purely foreign policy standards, we should be drawing back a little now to signal how seriously we take this issue. I realize this creates a domestic dilemma, but I should think the Jewish community itself with its liberal tendencies would be strongly attracted to the NPT.

Israel has never leveled with us on its nuclear intent. Our intelligence people have scattered--but as yet unconfirmed--evidence that Israel is quietly but steadily placing itself in a position to produce nuclear weapons on short notice. We also know that Israel is investing large sums in a French built surface-to-surface missile designed to carry a nuclear warhead. I must emphasize that we do not know exactly what Israel is doing or what its position on the NPT will be. But we know enough to be seriously concerned. Therefore, it may be wise to take special care with each step this year.

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Authority FRUS 64-68, vol. 18, #407
By JW, NARA, Date 5-30-00

W. W. Rostow
W. W. Rostow

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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

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Authority FRUS 64-68, vol. 18, #407, attached
By ju, NARA, Date 5/30/00 mcnt

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Thursday, April 20, 1967 -- 10:10 a.m.

Mr. President:

Hal Saunders and I have staffed out the paper done by Dave Ginsburg. I wanted you to have, as he did them during the night, Hal's direct comments on the paper -- including their flavor. Hal is an extremely well-balanced analyst of the Middle East.

I would divide my own comments into two parts: first, the items in David's paper which we had planned already to support or could support; second, our security relations with Israel.

1. This is the position with respect to David's non-military proposals:

- Food purchases: already provided for.
- Development loans: EX-IM is the proper source, given Israel's level of income and foreign exchange position; but there is no reason why Linder cannot be very generous.
- Stimulating Israeli fertilizer exports: provided for in our package.
- Repayment in commodities: a new proposal now being staffed out. It seems possible to me, especially if Israel would make the deal proposed by David in the first part of paragraph 16 (p. 17).
- Exports to the U.S.: DOD is pressing this as hard as it can; perhaps Bob McNamara could press it a little harder.
- Desalinization: This should go forward urgently: Jack Valenti would be fine but, as with Eric Johnston, he might need to put himself in the position to approach the Arabs with some kind of parallel project in order not to damage his moving picture interests in the Middle East. Such an approach was not ruled out in the Bunker terms of reference; but it may be more important for Jack than for Ellsworth. Katzenbach proposes Bowie; but Dillon and others are possibilities.
- An American University in Israel: Without intimate knowledge, Hal's marginal comment on page 15 seems wise; namely, that it is unlikely we could create a new institution up to high existing Israeli standards; but we might increase our already substantial support for Israeli institutions now in being. Nevertheless, an

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"American University" in Israel might be looked at afresh.

- Visits to Israel by high-level U.S. officials and a visit to the U.S. by Eshkol seem manageable.

2. Security problems.

a. In general David's paper does not recognize something which the Israeli government does recognize even if sometimes reluctantly; namely, the U.S. has legitimate interests throughout the Middle East and the maintenance of those interests is, by and large, in the long-run interest of Israel, because, where our influence is strong, we strengthen the hand of Arab moderates. It is odd that as thoughtful a man as David should not have made this point.

b. Our critical problem with Israel is that they have wanted the advantage of a U.S. guarantee but have simultaneously wanted to maintain a military establishment which could be effective if the U.S. guarantee did not operate in a crisis. The technical reason for the Israel position is their anxiety about a quick Arab strike against them -- from the air or on the ground -- ~~to~~ which we might be too slow to deal with. It is this ambiguity which has, quite understandably, in some ways led them to build up their military establishment in ways which made it easier for the Russians to have their offers of military aid accepted in the Middle East. The APC question relates to this. Bob McNamara and others think that APC purchases from the U.S. might open up another round of Soviet military credit sales to the Arabs in the Middle East. I am not sure that is necessarily so if the APC's are moved in on a clear replacement basis. There is another problem with certain members of Congress who have resisted our being an active part of the Middle East arms race.

c. The nuclear question. This is critical for large U.S. interests. We have been able to live with this ambiguous Israeli defense policy in terms of conventional weapons. Should they wish to have both a national nuclear capability and U.S. guarantees, we would be in an almost impossible position. Moreover, if they insisted on it, it might well destroy the possibilities of a non-proliferation treaty throughout the world. Therefore, we must develop a much deeper understanding with them on the nuclear question if we are to proceed with a policy of being, quite openly and without apology, their friends.

Walt
W. W. Rostow

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April 20, 1967

MEMORANDUM FOR WWR

SUBJECT: Comment on "American Jewry and Israel"

The only thorough way to comment is through the marginal notes I have written in the attached copy. However, the really important comment comes from pointing out the two large gaps in this paper:

- It completely ignores the broader question of what is a reasonable Presidential policy toward the whole Middle East. It addresses only how the US can do more for Israel. It does nothing to help the President decide how to do this without closing the door on 80 million Arabs.
- It describes a one-way street: What the US can do for Israel. The Israelis say they want the same kind of relationship with us that we have with the UK. But there is no reflection in this paper that they are willing to hold up their end of a partnership between equals.

I. A Middle East Policy Choice for the US. The paper's most startling statement is this: "State and DoD both continue to speak and act as if the US itself had no interests of its own in the Middle East....There would be a Middle East problem even without Israel." (p.7) In reality, it is this paper which assumes that our Middle East policy must revolve around Israel. It is State and DoD which go slow with Israel precisely because they are concerned about our interests elsewhere in the Middle East.

Our main choice in the Middle East today is whether to choose up sides or whether to try to avoid ringing down some sort of Iron Curtain there.

Friends on all sides call us to choose up, and others like the Egyptians say we already have. Faisal and Hussein want us to give up on Nasser and throw our lot in with them. Some Israelis tell us that Aden is where we must blunt the final Soviet thrust (via Nasser) in the Middle East. Other Israelis would have us throw our lot in with Israel against all the Arabs.

Our policy has been to avoid dividing the Middle East along any lines. Our great problem is that our interests there conflict. We are committed to Israel's survival. We have well over \$1 billion in oil investment in the Arab countries which yields almost \$1 billion in dollar earnings yearly. We have an interest there as everywhere in the evolution of compatible governments and in stemming the spread of Soviet power. With a set of conflicting interests like

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this, what reasonable policy is there except to try to keep our lines open to all camps?

This does not preclude a special relationship with Israel. The US has already contributed handsomely (and the President in recent years has had to violate aid criteria to do so). But it may require us to keep our help in quiet channels to antagonize the Arabs as little as possible. As long as we help in ways that count, must we be forced to throw our arms around Israel openly at the expense of our other interests? Of course, it often looks as if that is exactly what some Israelis want. But is that fair to the President?

II. US-Israeli Relations--a One-Way Street. The short section of the paper on "how Israel can help the US" (p.17) underscores how little Israel is prepared to do on the serious issues that concern the President most. The most obvious case is the suggestion that we warn the USSR and the Arabs that we will oppose a "war of liberation" against Israel--this while the Israeli Government takes no positive stand for our fight against a "war of liberation" in Viet Nam

[REDACTED]

With serious negotiations ahead on the Non-Proliferation Treaty, we will soon have to ask Israel to declare itself. This paper and the Israeli Government are completely silent on this issue which is of paramount concern to the President.

[REDACTED]

Conclusion: We can cull a number of positive steps from this paper. However, accepting the paper's basic premise--that a close relationship with Israel is our dominant interest in the Middle East--would amount to a major shift in our Middle East policy.

Hal

Hal Saunders

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file

For/Neil Saunders 98c

- a) reproduce self-marked sections - for memory*
- b) your evaluation of substance.*

PRELIMINARY DRAFT

MEMORANDUM FOR THE PRESIDENT

SUBJECT: 1968 - American Jewry and Israel

Introduction

This draft offers a checklist for a program (at the moment without specific recommendations) and provides some background against which individual elements can be judged. I have talked with friends whose judgment I respect -- without disclosing the purpose -- and there are others whom it may be useful to sound out. If you desire it, these views can be supplemented from time to time.

The following captions indicate the scope of the study:

1. Basic Attitudes
2. 1968 As Compared With The Previous Two Elections
3. Viet Nam ✓
4. Current Concerns ✓
5. Conflicting United States Attitudes Toward Military Aid To Israel ✓
6. A Different Approach To Israel's Military Aid Requirements ✓
7. Strengthening The U. S. Warning Against "Wars of Liberation" In The Middle East ✓

8. Economic Aid: Food Purchases And DLF Loans ✓
9. Economic Aid: Help In Stimulating Israeli Exports ✓
10. Arab Refugees ✓
11. Arab Boycott ✓
12. Jewish Emigration From The Soviet Union ✓
13. The Desalination Project ✓
14. An "American University" In Israel ✓
15. The Nuclear Reactor At Dimona ✓
16. How Israel Can Help The United States ✓
17. The White House Role
18. A Visit To Israel By High-Level U. S. Officials: Summer 1967 ✓
19. A Visit By The Prime Minister Of Israel To The United States: Fall 1967 ✓
20. A Forum For The President: Winter 1967
21. White House Coordination

1. Basic Attitudes

The nearly six million Jews in America comprise the largest Jewish community in any one country at any one time in Jewish history. Jews came here as immigrants with two main objectives: rooted citizenship with equal rights, and an opportunity to live and worship as their conscience directed. Recently religious ties have weakened and the process of assimilation has accelerated. But the passion for rooted equal citizenship remains deep and has led U. S. Jews to identify themselves, for the most part, with democratic political movements which stand for equal rights and equal opportunities for all citizens.

At home, Jewish voters have allied themselves more and more with progressive political forces. Abroad, American Jews generally support free and democratic regimes which strive for human advancement, human rights, and social and economic progress. These attitudes are reinforced by the close affinity Jews feel towards the intellectual community, which also identifies with progressive political forces.

In the 20th Century American Jews have also been moved by a spirit of heavy historic responsibility for their less privileged fellow Jews throughout the world. They were among the first to espouse the idea of the re-establishment of a Jewish State in Israel. From the days of Justice Brandeis and Justice Frankfurter to the days of Justice Goldberg and Justice Fortas, American Jewish leaders have deliberately identified themselves with this effort. Since the establishment of Israel in 1948, Jewish leaders have constantly sought to promote the economic and social consolidation of the State and its physical security.

This sense of responsibility for their fellow Jews received intense expression during the Nazi period and since the end of World War II. It also explains the growing anxiety within American Jewry for the future of the Jewish community in the Soviet Union.

During the last 20 years the Jews of America, for the most part, have united in three central efforts:

- . To promote a world order which will ensure that Nazism will never recur.
- . To establish the State of Israel as (a) a stable community permanently open to receive Jews who must still migrate to achieve a status of human and civic equality and (b) a spiritual center to replace the great centers of European Jewish life destroyed by the Nazis.
- . To assure for Jews in the Soviet Union, who constitute about one quarter of the Jews in the world, conditions of human equality and free expression primarily by making it possible for those who wish to do so to join their families in Israel.

The voting pattern of American Jews emerges from this background. Jews solidly supported FDR and the New Deal. Partly because they wanted to insure continuance of the New Deal and partly because they believed that Truman was more likely than Dewey to support an independent State of Israel, they voted for Truman in 1948. They preferred Stevenson to Eisenhower, though by a smaller margin.

2. 1968 As Compared With The Previous Two Elections

Goldwater, regardless of any elements of Jewishness in his origins, was looked upon by the vast majority of Jewish voters as a symbol of reaction. For 1968 there is evidence to suggest that whoever the Republican candidate may be, he will be presented as a man who believes in equal rights and equal opportunities. It is noteworthy, in recent elections, that many Jews found it possible to identify themselves with Republicans like Romney, Percy, Shaffer of Pennsylvania, Rockefeller of New York and Brooke in Massachusetts. All of these men received some Jewish votes and some active Jewish support.

JFK had problems with the Jews in 1960. For some, his faith stirred tragic memories of a distant past. Others remembered the attitude of his father toward the Nazis during his service as the American Ambassador to Britain. Others recalled that during his early days in Washington, JFK was withdrawn in his attitude to Israel and ambivalent in his attitude to McCarthy. When RFK ran against Keating in New York some of his actions as Attorney General and certain of his personality traits stirred fears in the Jewish community and the bulk of the Jewish vote went to Keating.

JFK knew that these problems existed and took active steps to deal with them. In 1960 he spoke before a Zionist Convention and made clear that his support for Israel was unequivocal. He met regularly with important groups of representative Jewish leaders throughout the United States and went to great pains to remove doubts as to the views of his father. He took these steps even though he could rely upon the fact that to most Jewish voters Nixon was generally unacceptable partly for what he was and partly because he was identified with what most Jewish voters regarded as the Eisenhower-Dulles double standard policy against Israel during the Suez crisis.

In 1960 Nixon tried to change these attitudes. Although he did not speak out openly, he met often with groups of Jewish leaders. Recently he has shown signs of being more alert to this problem than in the past. Nixon visited Israel last year; he is planning another visit to Israel soon. In 1968 we are likely to see the Republican candidate portrayed not only as a progressive but as deeply concerned with Israel and its problems.

In 1968, therefore, the Democratic candidate, must not simply rely upon the record but make clear, by action, that he truly understands -- and will seek to deal with -- the deep-seated historic Jewish concerns. The Johnson Administration, with its wholehearted commitments to civil rights, civil liberties and the progressive forces in American life enjoys great support among Jews in the United States. Economic and military aid to Israel has strengthened that support. What criticism exists seems confined to three areas:

- . "over-reaction" by the United States Delegation in the Security Council on the censuring of Israel last November.
- . State Department policies calling for the return of Arab refugees, and
- . supply of arms to Arab States without clear maintenance of "adequate balance".

3. Viet Nam

Viet Nam is a serious problem area. Orthodox and Conservative Jews generally support the Administration. Some elements in Reformed Jewry -- particularly within the rabbinate -- are dubious and troubled.

The category of "Reformed Jews" includes many of the alienated and non-affiliated intellectual Jews who are politically and socially emancipated. Also included are teachers, second and third-generation professionals, writers, political activists, and some students. However, even those who are opposed to Viet Nam will not support a reactionary Republican candidate. Nixon, whatever his publicly stated positions, would probably command little support. Rockefeller is another matter.

Because relatively large numbers of Jews are teachers or serve in the ranks of the civil rights and civil liberties movements Jews may appear to be more prominent than others among opponents of our Viet Nam policies.

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4. Current Concerns

American Jews, at this time seem worried about:

a. The Arab war of infiltration against Israel from Syria and, at the inspiration of the Syrians, across the Jordanian border.

b. The continued flow of Soviet arms to the UAR and Syria.

- c. The increased Soviet penetration of Syria.
- d. The deteriorating economic situation in Israel (which largely results from having taken in over 300,000 Jewish immigrants in the last six years).
- e. Israel's colossal military burden.
- f. The problem of Arab Refugees.
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5. Conflicting U. S Attitudes Toward
Military Aid For Israel

The Middle East today is one of the few areas in the world where there are no signs of a detente between the Soviet Union and the United States. The main victim is Israel since it must cope with massive Soviet support -- military, economic and political -- for the Arab States, within a larger framework of general Soviet opposition to U. S. interests in the area.

Israel believes that the U. S. must make absolutely clear that it stands for a policy of arms balance between Israel and the Arab States -- and will provide the necessary means to sustain it. Israel believes that the President has accepted this principle and, indeed, has made his position clear by personally authorizing the sale of tanks and planes to Israel. But within the State Department and the Pentagon, it has found powerful enclaves of resistance and suspicion towards any request by Israel for additional materiel or production know-how.

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viewpoint of 20 years ago. Within DoD the tendency is to argue that, man for man, the Israel army is one of the toughest in the world and on this basis justify a refusal to restore arms balance because "even with inferior equipment the Israelis can effectively defend themselves." The implied compliment is small consolation to the Israelis.

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Problems:

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9. Economic Aid: Help In Stimulating Israeli Exports

a. Fertilizer

Israel wants the right to sell potash and phosphates to South Korea and South Viet Nam on AID account. It had this right before but it was taken away by AID Policy Directive 31. Israel is prepared to accept 50% payment of the CIF price in Israel pounds; no other country is prepared to bid on these terms.

b. Repayments in Commodities

Israel is currently repaying the United States (AID and EXIM) for past loans at the rate of about \$10 - \$12 million per year (in addition to 50 to 60 million Israel pounds each year). Israel wants to pay the dollar debts, in whole or part, in goods and services which the U. S. would otherwise buy abroad. If this could be done, Israel would be willing to accelerate repayment of the loans, conserving foreign exchange and putting her own people to work. From the U. S. viewpoint there would be no loss of foreign exchange since the U. S. would, pro tanto, reduce its expenditures abroad.

c. Exports to the U. S.

Finally, and most important, Israel urgently wants to supply a portion of the goods and services which the U. S. Government and government agencies now buy abroad. There seems to be no opposition in principle from the U. S.

The U. S. now buys well over \$100 million per annum from developed Western European countries (this figure is an estimate); within two years Israel could supply a substantial portion of these requirements -- and would do so by enlarging industrial capacity, including capacity in areas of importance to the United States:

- . equipment and services for the Air Force;
- . potash and phosphates for AID;
- . small arms and other military materiel and ammunition;
- . agricultural products (including fruits and vegetables); .

- . port and related shipyard repair facilities; and
- . overhaul of communications equipment and other repair services and facilities.

For all of the foregoing, I believe that we could get Israel to accept Israeli currency in payment for the local labor costs and to buy any needed components or raw materials from the U. S. In effect, therefore, these transactions would be without foreign exchange costs to the U. S.

10. Arab Refugees

In general, the American Jewish community has supported U. S. efforts, through the UN, to ameliorate the difficulties of the Arab refugees. It has recently become evident, however, that aid is being provided without sufficient safeguards and that the problem, far from being relieved, is being aggravated. Hatred is nurtured in the camps. Refugees are being recruited for a Palestine Liberation Army. The reaction is heightened when State Department spokesmen speak freely of obligating Israel to accept the return of large numbers of these refugees.

11. Arab Boycott

This has been an irritating problem for years. The American Jewish community seems to feel that more could be done than is being done, but acceptable specific suggestions have been lacking.

A Presidential Directive to the Department of Commerce requesting a report on what has been done and what more can be done under existing legislation, could be very useful.

State and Defense would of course wish to weigh the costs of any such action as against the possible benefits.

12. Jewish Emigration From The Soviet Union

The problem here is whether any approaches can be made to the Soviet Government which neither jeopardize the U. S. interest in further relaxation of tensions nor stimulate reprisals against Jews within the Soviet Union. (About 300 Jews per month are now being permitted to leave the Soviet Union.)

Subject to these limitations, Israelis think that forthright official statements by U. S. representatives at suitable international forums (e.g., Human Rights Commission and the UN General Assembly) would be helpful. The question might also be raised in any direct dialogue between the U. S. and the Soviet Government. The thought is that the Soviet Union should understand that the Administration's problems on the Consular Treaty, the Outer Space Treaty, and in other areas, would have been and would be considerably simplified if, without cost to itself or to its ideology, the Soviet Union could ease the strain by quiet and modest changes in its Jewish policy, particularly in the area of the reunion of families in Israel.

Knowledge of those actions could be conveyed to American Jewish leaders on a discreet basis.

13. The Desalination Project

January 1968 will mark the fourth anniversary of the President's speech in New York City in which he first put forward the idea of a desalting project to be established in Israel.

Ambassador Bunker visited Israel in December but has now withdrawn from the project; so far as we know, he has not yet prepared a report on his findings. If the project is to go forward, a successor is needed. Many names have been suggested, including Harriman, Dillon, Anderson, Oscar Chapman and others. Bill Moyers deserves consideration. Jack Valenti is a successor to Eric Johnston.

This project is of prime importance, politically and economically.

14. An "American University" In Israel

Under the AID program the U. S. has provided substantial funds for an American University in Beirut, for an American University in Cairo, for Roberts College in Turkey and for similar institutions elsewhere in the world. The establishment in Israel of an American University would constitute a new and important symbolic American presence.

The Weizmann Institute of Science in Rehovoth is dedicated to basic research in science and is moving into the field of graduate education in science. One possibility, therefore, is an American Graduate School of Science of which the Weizmann Institute would be part. In recent years the Institute has borrowed from AID (under the authority of P.L. 480, as amended) a substantial sum in U. S. owned P.L. 480 Israel pounds repayable in dollars by the Institute over a period of years and

and guaranteed by an American Committee. A new university could be funded in large part by these dollar repayments if arrangements can be made to forgive the debt. These steps could probably be accomplished by executive action under existing law (although the action should probably be submitted to and lie before the Agriculture Committees of both Houses for the statutory 30-day period).

The new university would train graduates not only from Israel but from other less developed friendly countries, particularly from Africa, in scientific fields of particular concern to them. This would merely continue and enlarge a program, under U. S. auspices, which Israel itself has begun.

This item could have major collateral benefits both for the U. S. and for Israel.

15. The Nuclear Reactor At Dimona

The U. S. effort to bring the reactor at Dimona under the International Atomic Energy Agency has thus far not succeeded. The Israelis say that IAEA is not secure. The problem is so difficult that there may be doubt whether the Israeli government could cooperate even if it chose to do so.

There should be no difficulty working out the necessary U.S.-Israel arrangements; a visit from U.S. experts is expected this month. In the circumstances of Dimona, this degree of cooperation is unique.

16. How Israel Can Help The United States

There are at least two areas in which Israel might take action on its own which could be of considerable value to the United States.

First: Israel today keeps a substantial portion of its foreign exchange reserves in the higher-interest paying countries of Europe. It maintains some reserves in the United States but generally not for the 13 months required to constitute the deposits a contribution to our balance of payments reserves. If a mutually agreed military aid and economic program is worked out, it should be possible, this year, for Israel to retain in the United States, for the necessary 13 month period, a sum ranging from, say, \$150 million to \$250 million, from its reserves in order to ease the U. S. balance of payments difficulties. (Israel has a foreign exchange reserve of something over \$600 million; its foreign debt is \$1.3 billion.)

Second: It may be possible for the Israeli Government (with difficulty, however) to take a more positive stand in relation to Viet Nam and perhaps send medical or teaching personnel to Viet Nam as evidence of support and solidarity. This action by Israel would be of importance to the Jewish community in the United States.

17. The White House Role

This is a small item but not unimportant. During the year there are large numbers of luncheons, dinners, meetings and signings and related affairs at or under the auspices of the White House. To what extent the leadership and opinion making element of the American Jewry has been brought into these groups, I don't know. Two points: first, these invitations are flattering and important; second, it is not helpful to

invite a large number of Jews at the same time: understandably, they prefer to be received as individual Americans and not collectively as members of a minority group.

18. Visit To Israel By High-Level U. S.
Officials: Summer 1967

In recent years the only visits to Israel have been by candidates and operating-level officials. It would, I'm certain, please the Israelis a great deal -- and have a useful impact on the American Jewish community -- if, say, Vice President Humphrey or Secretary Rusk or Undersecretary Katzenbach were to visit Israel this summer.

19. Visit By The Prime Minister Of Israel
To The United States: Fall 1967

It has been nearly three years since the Prime Minister of Israel has visited the United States. He is ready to come here again soon; a visit of this sort would make clear to the American Jewish community the close relations between the United States and Israel. An official invitation could be extended or the President might take advantage of the fact that the Prime Minister is in any event expected here unofficially during early fall.

A day or two at Blair House, with conversations covering the more important problem areas, would be very useful.

20. A Forum For The President: Winter 1967

Some time this winter the President should probably make a public appearance before a Jewish forum, using the occasion to define his views of the proper relations between Israel and the United States, and setting forth actions taken and practical proposals for future action. The most suitable forum would probably be the National Conference of the UJA which will be held in December in New York and which will be attended by about 3,000 top level representatives of Jewish communities from all over the United States.

This conference has nothing to do with Israel Bonds; it is a responsibility of the American Jewish community, not Israel. A message delivered on such an occasion would have wide, direct and positive repercussions.

21. White House Coordination

A program of this kind cannot be accomplished without a focal point for coordination. I believe coordination must come from the White House. Involved in the more important items are the State Department, AID, Treasury and DoD as well as the President and Congress. Without coordination, and the guidance, consultation and prodding that can come only from one man designated by the President, optimum results cannot be achieved.

PROCESSING NOTE

On this date, it was discovered that document #98d had been misfiled in NSF, Country File, "Israel, Volume 8," box 141. Archival staff returned it to the correct location in Volume 6.

Jennifer Cuddeback

3/14/15

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PRELIMINARY DRAFT

MEMORANDUM FOR THE PRESIDENT

SUBJECT: 1968 - American Jewry and Israel (JL)

Introduction

This draft offers a checklist for a program (at the moment without specific recommendations) and provides some background against which individual elements can be judged. I have talked with friends whose judgment I respect -- without disclosing the purpose -- and there are others whom it may be useful to sound out. If you desire it, these views can be supplemented from time to time.

The following captions indicate the scope of the study:

1. Basic Attitudes
2. 1968 As Compared With The Previous Two Elections
3. Viet Nam
4. Current Concerns
5. Conflicting United States Attitudes Toward Military Aid To Israel
6. A Different Approach To Israel's Military Aid Requirements
7. Strengthening The U. S. Warning Against "Wars of Liberation" In The Middle East

8. Economic Aid: Food Purchases And DLF Loans
9. Economic Aid: Help In Stimulating Israeli Exports
10. Arab Refugees
11. Arab Boycott
12. Jewish Emigration From The Soviet Union
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21. White House Coordination

1. Basic Attitudes

The nearly six million Jews in America comprise the largest Jewish community in any one country at any one time in Jewish history. Jews came here as immigrants with two main objectives: rooted citizenship with equal rights, and an opportunity to live and worship as their conscience directed. Recently religious ties have weakened and the process of assimilation has accelerated. But the passion for rooted equal citizenship remains deep and has led U. S. Jews to identify themselves, for the most part, with democratic political movements which stand for equal rights and equal opportunities for all citizens.

At home, Jewish voters have allied themselves more and more with progressive political forces. Abroad, American Jews generally support free and democratic regimes which strive for human advancement, human rights, and social and economic progress. These attitudes are reinforced by the close affinity Jews feel towards the intellectual community, which also identifies with progressive political forces.

In the 20th Century American Jews have also been moved by a spirit of heavy historic responsibility for their less privileged fellow Jews throughout the world. They were among the first to espouse the idea of the re-establishment of a Jewish State in Israel. From the days of Justice Brandeis and Justice Frankfurter to the days of Justice Goldberg and Justice Fortas, American Jewish leaders have deliberately identified themselves with this effort. Since the establishment of Israel in 1948, Jewish leaders have constantly sought to promote the economic and social consolidation of the State and its physical security.

This sense of responsibility for their fellow Jews received intense expression during the Nazi period and since the end of World War II. It also explains the growing anxiety within American Jewry for the future of the Jewish community in the Soviet Union.

During the last 20 years the Jews of America, for the most part, have united in three central efforts:

- . To promote a world order which will ensure that Nazism will never recur.
- . To establish the State of Israel as (a) a stable community permanently open to receive Jews who must still migrate to achieve a status of human and civic equality and (b) a spiritual center to replace the great centers of European Jewish life destroyed by the Nazis.
- . To assure for Jews in the Soviet Union, who constitute about one quarter of the Jews in the world, conditions of human equality and free expression primarily by making it possible for those who wish to do so to join their families in Israel.

The voting pattern of American Jews emerges from this background. Jews solidly supported FDR and the New Deal. Partly because they wanted to insure continuance of the New Deal and partly because they believed that Truman was more likely than Dewey to support an independent State of Israel, they voted for Truman in 1948. They preferred Stevenson to Eisenhower, though by a smaller margin.

2. 1968 As Compared With The Previous Two Elections

Goldwater, regardless of any elements of Jewishness in his origins, was looked upon by the vast majority of Jewish voters as a symbol of reaction. For 1968 there is evidence to suggest that whoever the Republican candidate may be, he will be presented as a man who believes in equal rights and equal opportunities. It is noteworthy, in recent elections, that many Jews found it possible to identify themselves with Republicans like Romney, Percy, Shaffer of Pennsylvania, Rockefeller of New York and Brooke in Massachusetts. All of these men received some Jewish votes and some active Jewish support.

JFK had problems with the Jews in 1960. For some, his faith stirred tragic memories of a distant past. Others remembered the attitude of his father toward the Nazis during his service as the American Ambassador to Britain. Others recalled that during his early days in Washington, JFK was withdrawn in his attitude to Israel and ambivalent in his attitude to McCarthy. When RFK ran against Keating in New York some of his actions as Attorney General and certain of his personality traits stirred fears in the Jewish community and the bulk of the Jewish vote went to Keating.

JFK knew that these problems existed and took active steps to deal with them. In 1960 he spoke before a Zionist Convention and made clear that his support for Israel was unequivocal. He met regularly with important groups of representative Jewish leaders throughout the United States and went to great pains to remove doubts as to the views of his father. He took these steps even though he could rely upon the fact that to most Jewish voters Nixon was generally unacceptable partly for what he was and partly because he was identified with what most Jewish voters regarded as the Eisenhower-Dulles double standard policy against Israel during the Suez crisis.

In 1960 Nixon tried to change these attitudes. Although he did not speak out openly, he met often with groups of Jewish leaders. Recently he has shown signs of being more alert to this problem than in the past. Nixon visited Israel last year; he is planning another visit to Israel soon. In 1968 we are likely to see the Republican candidate portrayed not only as a progressive but as deeply concerned with Israel and its problems.

In 1968, therefore, the Democratic candidate, must not simply rely upon the record but make clear, by action, that ~~he~~ truly understands -- and will seek to deal with -- the deep-seated historic Jewish concerns. The Johnson Administration, with its wholehearted commitments to civil rights, civil liberties and the progressive forces in American life enjoys great support among Jews in the United States. Economic and military aid to Israel has strengthened that support. What criticism exists seems confined to three areas:

- . "over-reaction" by the United States Delegation in the Security Council on the censuring of Israel last November.
- . State Department policies calling for the return of Arab refugees, and
- . supply of arms to Arab States without clear maintenance of "adequate balance".

3. Viet Nam

Viet Nam is a serious problem area. Orthodox and Conservative Jews generally support the Administration. Some elements in Reformed Jewry -- particularly within the rabbinate -- are dubious and troubled.

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9. Economic Aid: Help In Stimulating Israeli Exports

a. Fertilizer

Israel wants the right to sell potash and phosphates to South Korea and South Viet Nam on AID account. It had this right before but it was taken away by AID Policy Directive 31. Israel is prepared to accept 50% payment of the CIF price in Israel pounds; no other country is prepared to bid on these terms.

b. Repayments in Commodities

Israel is currently repaying the United States (AID and EXIM) for past loans at the rate of about \$10 - \$12 million per year (in addition to 50 to 60 million Israel pounds each year). Israel wants to pay the dollar debts, in whole or part, in goods and services which the U. S. would otherwise buy abroad. If this could be done, Israel would be willing to accelerate repayment of the loans, conserving foreign exchange and putting her own people to work. From the U. S. viewpoint there would be no loss of foreign exchange since the U. S. would, pro tanto, reduce its expenditures abroad.

c. Exports to the U. S.

Finally, and most important, Israel urgently wants to supply a portion of the goods and services which the U. S. Government and government agencies now buy abroad. There seems to be no opposition in principle from the U. S.

The U. S. now buys well over \$100 million per annum from developed Western European countries (this figure is an estimate); within two years Israel could supply a substantial portion of these requirements -- and would do so by enlarging industrial capacity, including capacity in areas of importance to the United States:

- . equipment and services for the Air Force;
- . potash and phosphates for AID;
- . small arms and other military materiel and ammunition;
- . agricultural products (including fruits and vegetables);

- . port and related shipyard repair facilities; and
- . overhaul of communications equipment and other repair services and facilities.

For all of the foregoing, I believe that we could get Israel to accept Israeli currency in payment for the local labor costs and to buy any needed components or raw materials from the U. S. In effect, therefore, these transactions would be without foreign exchange costs to the U. S.

10. Arab Refugees

In general, the American Jewish community has supported U. S. efforts, through the UN, to ameliorate the difficulties of the Arab refugees. It has recently become evident, however, that aid is being provided without sufficient safeguards and that the problem, far from being relieved, is being aggravated. Hatred is nurtured in the camps. Refugees are being recruited for a Palestine Liberation Army. The reaction is heightened when State Department spokesmen speak freely of obligating Israel to accept the return of large numbers of these refugees.

11. Arab Boycott

This has been an irritating problem for years. The American Jewish community seems to feel that more could be done than is being done, but acceptable specific suggestions have been lacking.

A Presidential Directive to the Department of Commerce requesting a report on what has been done and what more can be done under existing legislation, could be very useful.

State and Defense would of course wish to weigh the costs of any such action as against the possible benefits.

12. Jewish Emigration From The Soviet Union

The problem here is whether any approaches can be made to the Soviet Government which neither jeopardize the U. S. interest in further relaxation of tensions nor stimulate reprisals against Jews within the Soviet Union. (About 300 Jews per month are now being permitted to leave the Soviet Union.)

Subject to these limitations, Israelis think that forthright official statements by U. S. representatives at suitable international forums (e.g., Human Rights Commission and the UN General Assembly) would be helpful. The question might also be raised in any direct dialogue between the U. S. and the Soviet Government. The thought is that the Soviet Union should understand that the Administration's problems on the Consular Treaty, the Outer Space Treaty, and in other areas, would have been and would be considerably simplified if, without cost to itself or to its ideology, the Soviet Union could ease the strain by quiet and modest changes in its Jewish policy, particularly in the area of the reunion of families in Israel.

Knowledge of those actions could be conveyed to American Jewish leaders on a discreet basis.

13. The Desalination Project

January 1968 will mark the fourth anniversary of the President's speech in New York City in which he first put forward the idea of a desalting project to be established in Israel.

Ambassador Bunker visited Israel in December but has now withdrawn from the project; so far as we know, he has not yet prepared a report on his findings. If the project is to go forward, a successor is needed. Many names have been suggested, including Harriman, Dillon, Anderson, Oscar Chapman and others. Bill Moyers deserves consideration. Jack Valenti is a successor to Eric Johnston.

This project is of prime importance, politically and economically.

14. An "American University" In Israel

Under the AID program the U. S. has provided substantial funds for an American University in Beirut, for an American University in Cairo, for Roberts College in Turkey and for similar institutions elsewhere in the world. The establishment in Israel of an American University would constitute a new and important symbolic American presence.

The Weizmann Institute of Science in Rehovoth is dedicated to basic research in science and is moving into the field of graduate education in science. One possibility, therefore, is an American Graduate School of Science of which the Weizmann Institute would be part. In recent years the Institute has borrowed from AID (under the authority of P.L. 480, as amended) a substantial sum in U. S. owned P.L. 480 Israel pounds repayable in dollars by the Institute over a period of years and

and guaranteed by an American Committee. A new university could be funded in large part by these dollar repayments if arrangements can be made to forgive the debt. These steps could probably be accomplished by executive action under existing law (although the action should probably be submitted to and lie before the Agriculture Committees of both Houses for the statutory 30-day period).

The new university would train graduates not only from Israel but from other less developed friendly countries, particularly from Africa, in scientific fields of particular concern to them. This would merely continue and enlarge a program, under U. S. auspices, which Israel itself has begun.

This item could have major collateral benefits both for the U. S. and for Israel.

15. The Nuclear Reactor At Dimona

The U. S. effort to bring the reactor at Dimona under the International Atomic Energy Agency has thus far not succeeded. The Israelis say that IAEA is not secure. The problem is so difficult that there may be doubt whether the Israeli government could cooperate even if it chose to do so.

There should be no difficulty working out the necessary U.S.-Israel arrangements; a visit from U.S. experts is expected this month. In the circumstances of Dimona, this degree of cooperation is unique.

16. How Israel Can Help The United States

There are at least two areas in which Israel might take action on its own which could be of considerable value to the United States.

First: Israel today keeps a substantial portion of its foreign exchange reserves in the higher-interest paying countries of Europe. It maintains some reserves in the United States but generally not for the 13 months required to constitute the deposits a contribution to our balance of payments reserves. If a mutually agreed military aid and economic program is worked out, it should be possible, this year, for Israel to retain in the United States, for the necessary 13 month period, a sum ranging from, say, \$150 million to \$250 million, from its reserves in order to ease the U. S. balance of payments difficulties. (Israel has a foreign exchange reserve of something over \$600 million; its foreign debt is \$1.3 billion.)

Second: It may be possible for the Israeli Government (with difficulty, however) to take a more positive stand in relation to Viet Nam and perhaps send medical or teaching personnel to Viet Nam as evidence of support and solidarity. This action by Israel would be of importance to the Jewish community in the United States.

17. The White House Role

This is a small item but not unimportant. During the year there are large numbers of luncheons, dinners, meetings and signings and related affairs at or under the auspices of the White House. To what extent the leadership and opinion making element of the American Jewry has been brought into these groups, I don't know. Two points: first, these invitations are flattering and important; second, it is not helpful to

invite a large number of Jews at the same time: understandably, they prefer to be received as individual Americans and not collectively as members of a minority group.

18. Visit To Israel By High-Level U. S.
Officials: Summer 1967

In recent years the only visits to Israel have been by candidates and operating-level officials. It would, I'm certain, please the Israelis a great deal -- and have a useful impact on the American Jewish community -- if, say, Vice President Humphrey or Secretary Rusk or Undersecretary Katzenbach were to visit Israel this summer.

19. Visit By The Prime Minister Of Israel
To The United States: Fall 1967

It has been nearly three years since the Prime Minister of Israel has visited the United States. He is ready to come here again soon; a visit of this sort would make clear to the American Jewish community the close relations between the United States and Israel. An official invitation could be extended or the President might take advantage of the fact that the Prime Minister is in any event expected here unofficially during early fall.

A day or two at Blair House, with conversations covering the more important problem areas, would be very useful.

20. A Forum For The President: Winter 1967

Some time this winter the President should probably make a public appearance before a Jewish forum, using the occasion to define his views of the proper relations between Israel and the United States, and setting forth actions taken and practical proposals for future action. The most suitable forum would probably be the National Conference of the UJA which will be held in December in New York and which will be attended by about 3,000 top level representatives of Jewish communities from all over the United States.

This conference has nothing to do with Israel Bonds; it is a responsibility of the American Jewish community, not Israel. A message delivered on such an occasion would have wide, direct and positive repercussions.

21. White House Coordination

A program of this kind cannot be accomplished without a focal point for coordination. I believe coordination must come from the White House. Involved in the more important items are the State Department, AID, Treasury and DoD as well as the President and Congress. Without coordination, and the guidance, consultation and prodding that can come only from one man designated by the President, optimum results cannot be achieved.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

~~SECRET~~

Tuesday, April 18, 1967
6:45 p. m.

MR. PRESIDENT:

Here is a useful analysis of the views and options open on Israel.

From your point of view -- which I fully understand -- I would not worry excessively about the generous package you proposed except for the question of Dimona, and the Israeli position on the non-proliferation treaty. Right now, I would hold the APC's until after 28 April -- in fact, if it is politically feasible, I would hold the whole package until then. I would then have Sect. Rusk accelerate our consultations on the NPT. Of the countries which might develop a nuclear capability soon, we have had the least dialogue with Israel. They could be a problem. We shall need to hold some bargaining counters in reserve for the bargaining. The big one is nuclear de-salting; but I think they owe us a good inspection of Dimona with a report in Washington by April 28.

W.L.R.

DECLASSIFIED
E.O. 12958 Sec. 3.5
NLG-8 28601
By *hg/cbm*, NARA, Date *5-28-02*

PRESERVATION COPY

~~SECRET - EXDIS~~

April 18, 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Israeli Aid Package

The attached table reviews where we stand. Three issues remain. You may want to discuss the APC's with Secretaries Rusk and McNamara Thursday afternoon. Whatever you decide, I recommend you hold them until after 28 April when we'll have a report on this weekend's inspection of the Dimona nuclear plant.

I. Armed Personnel Carriers. Secretaries McNamara (Tab A) and Katzenbach (Tab B) have reconsidered and still recommend against. Their arguments boil down to:

A. Uneasiness about fueling any arms race. Congress is concerned. Our India-Pak decision tried to restrain that buildup, and we've kept our Middle East programs to the minimum. APC's would not seriously affect the arms balance, but no one wants to start another round of sales. In the context of the Non-Proliferation talks, we may even try for tacit Soviet agreement to hold down arms shipments to the Middle East. This sale wouldn't upset that effort, but our skirts would be cleaner without it.

B. Concern over too close a military relationship while Israel's nuclear intentions are in doubt. Our intelligence people suspect--on uncertain evidence--that Israel may be building a separation plant. Our inspection team will visit Dimona this weekend for the first time in over a year. With the NPT ahead of us, we may need a clear expression of Israel's position. We can't bargain with APC's, but we could hold them until we're sure our inspection team gets full cooperation.

Our dilemma is that foreign policy interests argue against a sale now, but the Israelis will treat a "no" as a broken promise. Israel could do without APC's this year, but Eshkol believes that we promised something in return for their keeping quiet on our Jordan package last December.

If we go ahead, Secretary Katzenbach recommends we minimize repercussions by selling only 100. He suggests stretching delivery through 1970, but after our airlift to Jordan, I'm afraid that won't work.

~~SECRET - EXDIS~~

DECLASSIFIED

Authority FRUS, Vol. XVIII, #406
By cbm, NARA, Date 5-29-02

In any case, we must control publicity and timing. Defense tentatively concludes that Israel could set up an assembly line using some US-supplied parts, but Secretary Katzenbach believes this would make our relationship too close.

You may want to hear argument before deciding. On foreign policy grounds alone, I would recommend telling the Israelis we can't sell APC's now, but would reconsider next year. But if you want to go ahead, I recommend 75-100 now and promising to discuss assembly in Israel.

Hold APC's until after 28 April; go ahead with the rest of the package now _____

I want to move on 100 APC's and assembly; ask for a scenario _____

I'm willing to say "not now" _____

II. Amount and terms of PL 480. Secretary Katzenbach recommended \$23.5 million because Agriculture judged that Israel will need less than it asked for. Your figure was \$28 million--the full Israeli request. One way to avoid rushing more scarce grain than needed would be to negotiate \$23.5 million now but say we'll go up to \$28 million if Israel needs more.

In view of Congressional pressure to tighten terms, Secretary Katzenbach recommended 75% dollar sale at about 4.5% interest (last year 25% at 2.5%). Normally, we would figure on moving to 50% dollar sale at maybe 3.5% as an appropriate transitional step. You initially preferred last year's terms, but you may want to consider slight hardening this year to put us on a better footing with Congress.

\$23.5 million now; will amend up to \$28 million _____

Up to \$28 million now _____

25% dollar sale _____

2.5% interest _____

50% dollar sale _____

3.5% interest _____

75% dollar sale _____

4.5% interest _____

III. Moving on Bunker's successor might improve the package. Bob Bowie is a good possibility, but we might ask Douglas Dillon again.

See if Dillon is available _____

Sound out Feinberg on Bowie _____

Give me other names _____

~~SECRET/SENSITIVE~~

May 8, 1967

ISRAELI AID PACKAGEISRAELI REQUESTKATZENBACH-McNAMARA-GOLDBERG
PROPOSALYOUR DECISION

1. Military grant
 - a. \$7.4 million for 200 APC's
 - b. \$2 million for tank spares.
2. Military credit: \$14 million
in Hawk and tank spares.
3. Food: \$27.6 million; local
currency (or some dollar
sales--20 years at 2.5%).
4. AID Loans: \$20 million.

1. No grant; sell 100 APC's (\$3.7 million)
 - a. Katzenbach recommends cash sale.
Goldberg, non-concessional credit.
 - b. No grant.
2. \$14 million on 3.5% terms of original
deal (Alternative: current terms, 5-6%).
3. \$26.5 million; 50% dollar, 20 years at
2.5% interest. (Alternative: 3.5-4.5%)
4. No AID loans; up to \$20 million Ex-Im.
(Goldberg suggests \$10 million in AID
but is not adamant.)

1. a. No APC's now _____
Sell 100 for cash _____
Sell 100 for credit _____
- b. Approve _____
2. Approve 3.5% _____
Current terms _____
3. Approve proposal _____
3.5% interest _____
4. Approve Ex-Im _____
\$10 million AID _____
5. Approve _____
6. Approve _____
7. Approve _____

1.3(a)(5)

5.
6. Hawk missile maintenance--
administrative clearance.
7. Off-shore procurement for
US aid programs.

6. Agree.
7. Agree for 12 months.

TOTAL - \$76 million.

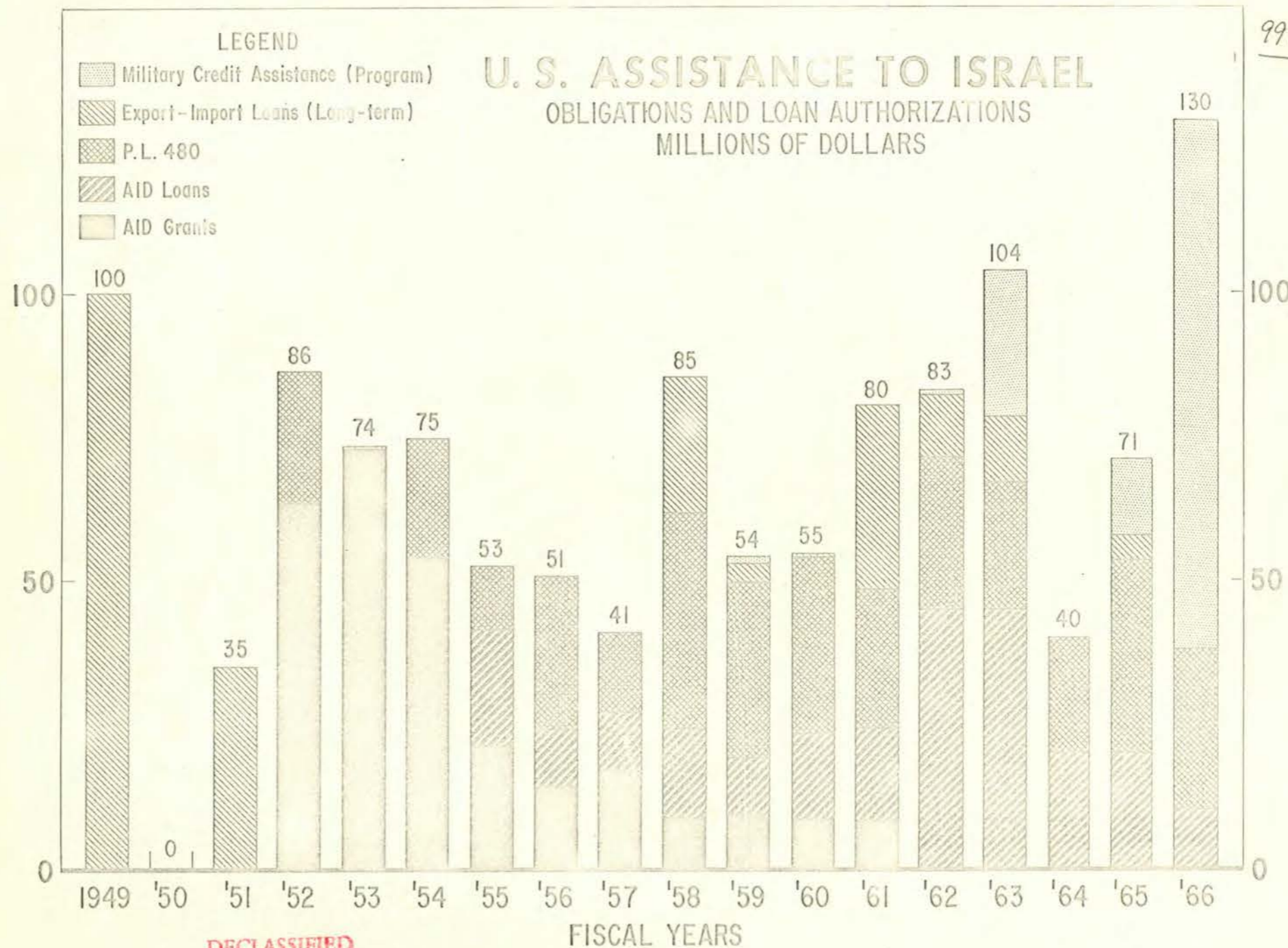
TOTAL - \$65.5 - 69.2 million.

SANITIZED
 Authority NJ-001-145-4-4
 By ip/cbm NARA, Date 5-29-02

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~~SECRET~~

DECLASSIFIED
Authority AID letter 1/18/78
By hmg/cbm NARA, Date 5-29-02

A.I.D. July 18, 1966

~~SECRET~~
THE SECRETARY OF DEFENSE
WASHINGTON

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17 APR 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Israeli Arms Requests

DECLASSIFIED

Authority FRS 64-68, vol. 18, #405
By fw, NARA, Date 5-30-80

I believe you are familiar with the recommendation of the Inter-departmental Regional Group for Near East-South Asia (IRG/NESA) that we should not accede to Israel's request for 200 armored personnel carriers (APCs), on either a grant aid or sales basis.

I personally support that recommendation, and believe it would be a serious mistake for us to provide APCs to Israel at this time, either 200 or any lesser number. I recognize our interest in the maintenance by Israel of an adequate deterrent against attack by any of its Arab neighbors, but the present and prospective military balance in the Middle East strongly favors Israel. The Joint Chiefs of Staff have recently confirmed their view that Israel will be militarily unchallengeable by any combination of Arab states at least during the next five years. As presently trained and equipped, the armed forces of Israel are greatly superior in effectiveness and firepower to those of their potential opponents, individually or collectively.

Israeli security is also strengthened by the US policy of maintaining a controlled military supply relationship with those Arab states who show moderation toward Israel and who resist opportunities to acquire Soviet equipment; this helps to avoid a polarization of the Arab-Israeli dispute along East-West lines. Our dramatic airlift of equipment to Jordan last winter was necessary to save King Hussein's regime, which had been badly undermined by the unfortunate Israeli raid against Samu in November. Our failure to act could have led to a rapid deterioration in Jordan, involving the introduction of Egyptian armed forces and Soviet advisers and equipment. Provision of additional APCs to Israel at this time could, in my judgment, only serve to undercut the good effect of what we did for Jordan, to "pay twice" for the Israeli miscalculation at Samu, and to agitate a situation that is now relatively quiescent.

In the agreement of March 1966 for the purchase of Skyhawk aircraft, Israel explicitly recognized that that sale did not constitute a precedent for future U.S. action, and further agreed "to continue to look to Europe for the bulk of its military requirements and not to regard the U.S. as a major arms supplier." In making its current request for APCs, the Israelis would appear to be disregarding these conditions which they accepted just over a year ago. In my judgment, our recent supplementary aid to Jordan has not altered the validity of these conditions.

~~SECRET~~

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[Sec Def Cont Nr. X-_____]

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I therefore recommend that we turn down the Israeli request for APCs, and suggest that they should look to Western European sources if they consider it necessary to purchase APCs at this time.

Robert S. McManis

~~SECRET~~

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DEPARTMENT OF STATE
WASHINGTON

April 17, 1967

~~SECRET~~ EXDIS

MEMORANDUM FOR THE PRESIDENT

Subject: Military Assistance to Israel

You asked me to take another look at the military side of Israel's aid requests, which were discussed in my memorandum of April 4. I have reviewed the matter and have these further thoughts.

As you are aware, the Department of Defense for a variety of reasons is very strongly opposed to the grant or sale of American armored personnel carriers to Israel. Apart from what Defense considers is a lack of military need for this equipment, the following considerations are relevant:

1. Repercussions in the Arab States of a sale to Israel. On balance, we do not think the over-all reaction in the Arab world, though adverse, would affect our interests significantly. Arab reaction to our 1965-66 sales of Patton tanks and Skyhawk aircraft to Israel was bitter but short-lived, and we would not expect sale of the relatively non-lethal personnel carriers to make as much impact as did those earlier sales. Also, the fact that we have sold Iraq as well as Jordan the same type of APCs might further temper Arab reaction. Perhaps the unhappiest consequence of a sale of APCs to Israel would be that for Jordan and King Hussein our action would be a particular source of embarrassment and an additional tarnish on Hussein's image; it would be read as one more in a series of cases in which the United States has paved the way for an important military transaction with Israel by first supplying some military items to a "tame Arab state" as a pretext.

~~SECRET~~ EXDIS
GROUP 3

Downgraded at 12-year intervals;
not automatically declassified.

SANITIZED
E.O. 12958, Sec. 3.6
NLJ/RAC 00-300
By SJ, NARA, Date 8-19-03

2. Probable Congressional and public attitude toward our making a major military equipment sale into an area of tension when the need cannot be justified militarily. As we read the mood of opinion in the Congress and in the country generally, there is an increasing repugnance toward any United States action to fuel an arms race. Particularly coming on the heels of our decision to withdraw from the Indian-Pakistani arms race, a sale to Israel of military hardware the need for which is highly questionable might draw substantial unfavorable reaction domestically. This may, therefore, be a more vital consideration than the question of Arab reaction.

We have considered the alternative of providing Israel with the basic plant and equipment to enable it to produce its own personnel carriers. A cursory study of this possibility just completed by the Department of Defense shows that this course is not feasible. An assembly plant using largely U.S.-supplied components could be set up but would raise the same problems indicated in the above paragraph. In addition, assembly of a major item of United States military equipment on a continuing basis rather than supply through occasional sales would further identify the United States with Israel's armed forces to the serious disadvantage of our relations with the Arab states.

If you conclude that we ought to meet Israel's request, I have the following suggestions for minimizing the possible repercussions both here and abroad. We might limit the sale to up to 100 APCs--i.e., half the number Israel has requested on a grant basis--on current, non-concessional credit terms. We might offer stretched-out delivery through 1970 rather than a delivery schedule based simply on availability. We should request that Israel limit or avoid publicity on the transaction--insisting in any case that publicity be closely coordinated by our two governments as in the case of our 1966 aircraft transaction. We should brief key Congressmen well in advance, using modernization needs as the basic justification for the sale.

If you conclude that we should not be forthcoming with APCs, a range of possible arguments to use in relaying our decision to the Israelis is set forth below.

1. We do not think Israel has a valid military need for new APCs at this time. If Israel, however, does not share this conclusion, comparable equipment is available from England, France, and other European suppliers. We recall that at the time of the 1966 aircraft transaction Israel committed itself to look to Europe for the bulk of its military requirements.

2. Being unconvinced that new APCs are militarily essential for Israel at this time, and in line with our policy of exercising the maximum possible restraint with regard to military supply in areas of tension, we feel unable to meet this request. However, in an effort to be helpful to Israel--and particularly bearing in mind Israel's currently strained economic situation--we are willing to make an exception to policy on a one-time basis to provide credit for up to \$9 million of Hawk missile and Patton tank spares. This should ease the financial burden in case Israel feels obliged to purchase APCs elsewhere at this time.

3. It remains our policy to avoid the direct supply of arms to the Near East except when selective sales are necessary in the interest of area stability. To supply the requested APCs to Israel would run contrary to the restraint that is an essential part of our policy.

As a final note, I think we should bear in mind that we are now on the eve of our first inspection of Israel's Dimona nuclear reactor in over a year. Because of this and

3.3(b)(1)

to Israel's requests until the Department and the AEC get a preliminary debriefing from our inspection team. This would be available by about April 28. At a minimum, the response to the APC request could be withheld until after that date.

Richard L. Helms
Under Secretary

MEMORANDUM FOR ✓ WWR

100
April 13, 1967

SUBJECT: Eshkol Interview in US News

Although there is nothing earth-shaking in this interview, you will want to be aware of its existence. I have sidelined the six points that might attract attention:

1. The tone of the whole article is pretty blunt, and his comments on his Arab neighbors will undoubtedly be picked up in the Middle East press. He singles out Bourguiba as the champion of reconciliation but also points to Lebanon and Jordan as the next breaks in the Arab dyke. While he says nothing uncomplimentary to Nasser personally, he pulls no punches about Nasser's loss of prestige.
2. He says Israel can not afford its own nuclear bomb.
3. He credits the Soviet Union with realism in recognizing that Israel is here to stay but does not ignore the fact that the USSR is steadily strengthening its position in the Middle East by economic, military and technical assistance.
4. He is outspoken about expecting US help if Israel's existence is seriously threatened. However, he is equally blunt in voicing the usual Israeli argument that Israel must depend on no one but itself for its own defense. The Arab press will undoubtedly pick up his comment on US promises -- "The Sixth Fleet is here." We have already had one protest from our embassy in Beirut from Dwight Porter.
5. Eshkol's description of our commitment to help on desalting goes pretty far but is fairly accurate. When Battle and I saw him last month, he said the President had "half promised" to help with desalting. Here he cites the President's great interest, the fact that the President has not said what the US could do and Israel's need for help with soft loans.
6. Eshkol hopes that Israel's population will increase to four or five million by the end of the century. For any reasonable Arab, this should allay fears of a violent, expansionist Israel.



Hal Saunders

Interview With
Prime Minister Levi Eshkol

TROUBLES FOR ISRAEL IN HOSTILE MIDEAST



What's in store for Israel now? Do leaders see a big war likely with the Arabs? Is there worry about Egypt's missiles?

How can Israel really prosper as a modern industrial state when so much of its area is desert? Is help coming from the United States?

For an expert's view of the latest develop-

ments in Israel and the Middle East in general, William MacDougall of the International Staff of "U. S. News & World Report" interviewed Prime Minister Levi Eshkol of Israel.

In answers to questions, Mr. Eshkol tells why Israelis are confident they can hold off the Arabs—and make the desert bloom.

At JERUSALEM

Q Mr. Prime Minister, it's been 19 years since Israel became a nation. Just how secure does Israel feel today as a tiny country in the midst of a hostile Arab world?

A First of all, I would like to make a correction. We have been a nation for 4,000 years—although I know that Americans consider that a nation and a state are almost the same. We have been a stateless nation for hundreds of years, and we revived the state 19 years ago.

How secure do we feel? We feel quite secure, even though we are a nation of only 2.6 million people. Ask the man in the street. Recently a tractor operator from a settlement on the border was killed by a bomb planted by Arab infiltrators. Our people feel angry about such things, but they have learned to take them in their stride. They know that they are protected from more serious things.

Q Do you think there will be full-scale war with Egypt or Syria or Jordan?

A It is difficult to say. I don't know any leader in the world who can tell you what will happen 10 years from today. But I don't think there will be full-scale war in the next few years—although we are, of course, preparing for such a possibility, and I say that openly to the world. We can call up our Army very quickly. It is not a big standing Army, but we can mobilize ourselves.

Q Does it worry you that Egypt may be building missiles?

A It worries us very much. The Egyptians talk about equipping their missiles with atomic and chemical warheads, and they use gas in the Yemen. So the danger exists.

Of course, Nasser's situation in Egypt is not what it was eight years ago, when he appeared like a meteor before the Arab world—the great hero, with tremendous prestige. He's lost some of his prestige in the Yemen. And he knows it would be quite a different thing to fight a war with Israel—which is very efficient in defending itself—than it is to fight in the Yemen.

Q What about reports that Israel might want to build its own nuclear bomb?

A A nuclear bomb? I'm afraid it's not for our purse.

Q Are there any hopeful signs in your relations with the Arab world?

A There are hopeful signs from such leaders as President Bourguiba, of Tunisia, and other Arab leaders. We have always believed that Lebanon and Jordan would be the first to move in the direction of more-normal relations with Israel. Some of the states, we believe, are at different stages of hatred toward us, and with some it may eventually prove possible to become friendly.

Q How long will it be before you have peace with your neighbors?

A This is very difficult to predict. Bourguiba was the first to move in this direction and say that perhaps the Arab countries ought to take a new look at the Israel situation. Although not all he said satisfies us, nevertheless he had courage. He did away with Nasser and with all his desire to be the leader. As former President Nkrumah of Ghana once told me: "Don't be afraid. Nasser thinks he will be the leader of Africa and all colored people in the area. He doesn't know that there are some other people who would like to be the same."

Q What do you think President Nasser's future relations with Israel will be?

A I hope he will come to his senses and understand that Israel is here to stay. It is clear that the rest of the world—including the Soviet Union—believes Israel will not be destroyed.

Q What is the Soviet Union's position in the Middle East?

A They are trying to strengthen their position. The massive supply of arms to these countries continues, and these arms may be used against Israel. The Soviet Union is very strong in Egypt and Syria. There is also quite a Chinese influence in Syria.

The Soviet Union is trying to establish itself in the Middle East by building dams, by giving arms, and by sending people in by the hundreds. They have about 2,000 experts and technicians in Egypt and Syria.

Q If Israel were attacked in force by its neighbors,
(continued on next page)

TRoubles FOR I AEL

[continued from preceding page]

would you expect help from the United States and possibly Britain and France?

A Surely, we expect such help—but we would rely primarily on our own Army. I wouldn't want American mothers crying about the blood of their sons being shed here. But I would surely expect such help, especially if I take into consideration all the solemn promises that have been made to Israel.

We get these promises when we ask the United States for arms and are told: "Don't spend your money. We are here. The Sixth Fleet is here."

My reply to this advice is that the Sixth Fleet might not be available fast enough for one reason or another, so Israel must be strong on its own. This is why we spend so much money on arms proportionately to our population.

Q Are you currently buying arms from the United States?

A Yes.

Q What kinds?

A Skyhawk fighter planes.

Q How many?

A I can't say, because it is a military secret. But I can say we hope to have these planes in about a year.

Q How is your industry doing?

A There is still much to do. We have to work to be more productive and sell more products abroad. We must also export more services and brainpower, especially to underdeveloped countries. At the moment, we have an annual deficit in foreign currency of 400 million to 450 million dollars, but, of this gap, only half is that which we owe to somebody. The second half is imported money that we don't owe—unremittable foreign currency.

Q What do you mean by that?

A You know that we are being helped and have been helped by Jews the world over, because they look upon this enterprise of the homecoming as a joint venture of the Jewish people throughout the world. They have helped with about 100 million dollars a year in donations to assist Jewish immigrants to Israel from close to 100 countries—including more than 90 per cent who came penniless. Many were from the Arab countries and from countries behind the Iron Curtain.

Imported money has also come in the form of 150 million dollars in private reparations from Germany.

Q How much money in gifts has come from America?

A Nearly 1 billion dollars in these close-to-20 years has come from North and South America.

Q How much from the United States?

A I would say at least three quarters of the billion.

INDUSTRIES LIKELY TO GROW—

Q What sort of industry do you think is most promising for Israel?

A I should say, first of all, that we are going to have to cut down on the number of enterprises we now have.

One of the industries that has done very well is diamond processing, in which we are second in the world. It is a pity we do not have our own diamonds. As it stands, we import diamonds from Africa, and mainly we are engaged in polishing them, with 25 per cent value added.

As much as we can now foresee the future, we will develop heavily in textiles—more and more in fashion goods. Our fashion shows are attracting buyers from much of the world, and we are exporting and selling fashions for millions of dollars.

Q Is tourism a big industry?

A Very much so. It is growing from year to year, especially in transportation and hotels, which account for about half of our exports of services, worth 319 million dollars.

Q What about such fields as electronics and chemicals?

A We are moving ahead quite fast in the chemical industry. In this, at least, we are helped by nature. We have phosphates, gas and a little oil, for example. I say "a little" because we already use much more for our own purposes, and we import unrefined petroleum which we refine here.

In the past 10 years, we have developed a chemical industry which we are going to double, so that in two to four years we may reach an export level of 1 billion tons a year.

We are also making progress in the pharmaceutical and plastics fields.

Q Is there much work in metallurgy?

A Yes, we also export metal products.

Regrettably, we have had to buy and build armaments, which has produced a considerable metallurgical industry, not only for arms. Now we are able to sell arms and military equipment to many countries, including France and the United States.

Q What arms are you selling to the United States?

A Various items, such as detachable fuel tanks.

Q What arms do you sell to other countries?

A The famous Uzzi automatic gun and small ammunition. We also produce mortars.

Q Where do you sell them?

A Mainly Africa and Asia, but it is better not to mention the names of the countries. Submachine guns to Europe and the Scandinavian countries.

"A HEALTHY RECESSION"—

Q Mr. Prime Minister, despite the boom over the past two decades, Israel is now said to be experiencing a recession. How serious is it?

A We are, indeed, having a recession—a healthy recession. Over the past years we have had a boom through immigration, when tens of thousands of persons poured in. One year we took in 200,000 immigrants. So we developed a fast-growing building industry. We started from small huts and houses and now you see all the modern houses and apartments in the cities and even in the rural areas.

Q Has this dropped off?

A Construction has dropped off, and so have many allied businesses, such as glass and cement factories.

Q What about consumer buying?

A It has dropped off a little bit, and this is good. Until two years ago, we were in a position where private consumption reached an annual increase of 6 per cent, which is unheard of in the world, and we prayed and preached to the people: "Please, please—save more and spend less."

Q Are you trying to reduce costs and improve productivity?

A Actually, the crisis itself is helping by showing the people that we can't go on as we have in the past. Last year the annual increase in consumption dropped to between 1 and 2 per cent.

Productivity is rising. This year in factories we had an increase of production of between 20 and 40 per cent. This is due to better, more and newer mechanization, and more careful attention of the workers. You must remember that many of our present factory workers came here with no experience from countries such as Morocco and the Yemen, and we had to train them.

The same goes also for the owners of the factories. Some were industrialists in their countries of origin, but a great

... Sought from U.S.: "Help with desalinization of seawater"

majority were not. So they had to make their own way, the hard way, with their money and loans from the Government.

Now they have learned, and productivity is growing.

Q Where do you expect Israel's biggest market to be in the future?

A Europe, unquestionably. That is why we have applied for an associate membership in the Common Market.

To begin with, we made an arrangement with the Common Market about five years ago that gave us concessions in customs duties on a number of products. We knew then that the agreement was worth very little, but we were told by our friends that it would be good to have our foot in the door.

WHY ISRAEL NEEDS EUROPE—

Q What would membership do for Israel?

A It would provide us with a very big market, especially if Great Britain and some others come in, too. We would be able to sell on an equal footing with all other members. Then, I believe, we would become truly self-sufficient economically.

Q When is the earliest you think you could enter the Common Market?

A I certainly hope by 1968 or 1969. Otherwise, things will be very bad for us.

Q What alternatives are there for Israel outside the Common Market?

A There is no alternative. We are trying to reach the African markets, but they are still underdeveloped countries, and their buying facilities are not very big.

I have my doubts if the United States could replace the European market for us, when you consider how close Europe's 200 million to 300 million buyers are.

Q Are opportunities opening up at all to sell to Arab countries?

A No. That is why we are looking for ways to reach the African markets, which are the next closest. There we have established very good relations. We are working there in such fields as construction and irrigation. Irrigation has made it possible for us to sell pipes and appliances for sprinkling, and various other commodities. You will also find our tires sold widely in Africa.

Q How much a year do you sell to Africa?

A At least 10 to 15 per cent of all our industrial exports—about 25 to 30 million dollars—and that started only recently.

Speaking of exports, I would like to call to your attention that one of our finest exports is that of young men and women who are serving as technicians and advisers in many countries on a very small salary—much like your Peace Corps. We were first with that kind of program, and it now includes close to 700 people.

Q In what countries do they serve?

A In some 25 countries in Africa, such as the Ivory Coast and Ethiopia; in about 15 countries in Latin America, and in some countries in the Mediterranean region.

Q Are there any in Asia?

A Fewer, but we do have people in Cambodia, Nepal, Laos, South Korea and Thailand. We want to extend our help to more of Asia. It is not only a way to reach markets. It is also a way to make new friends, and that is the reason we started it.

Q How long has this been going on?

A Ghana was the first, 10 or 12 years ago.

Q What is Israel doing to develop water resources?

A We are working hard on several approaches to the problem. First of all, we learned that you can economize in water. Water can be saved by using less than we were accustomed to using in agriculture and industry. We also discovered we could save a great deal of water by cutting down on leakage of pipes in the big cities.

The most important thing is that I have evidence of the great interest of the President, when I visited Washington, that the United States would help us with the desalinization of seawater—and, thank God, we have enough seawater. This could be done by conventional power or nuclear power. The question is the price.

Q What help did the President offer?

A He has not said, but we need help in unconventional financing in order to go ahead with establishing a desalinization plant. I am saying "unconventional." I don't say donations or contributions, but financing with a very, very low rate of interest.

Q Do you foresee the day when the Negev Desert will be green from north to south?

A No doubt. It is already started in some areas. In some places, we have found underground water. The climate is very favorable for agriculture.

Q When do you think that the Negev will be fully developed?

A In 10 to 15 years—although maybe not 100 per cent. There will also be more industry in the Negev.

MORE PEOPLE WANTED—

Q You indicated earlier that a drop in immigration has caused a problem. What brought about this drop?

A We have long concentrated on the immigration of the poorest of the poor from the Arab countries, although the original idea many years ago was to get people out of the European ghettos. Then Hitler came and murdered 6 million Jews, and we were left for immigrants mainly the Jews in the Arab world. So we took in almost all of them. There are still about 250,000 in these countries, and some Jews in the Iron Curtain countries. We believe there are about 10 to 11 million Jews in the world outside Israel today.

Q What is the largest potential group that might immigrate to Israel?

A One of the countries with the largest Jewish population is the Soviet Union. We are sure that if Jews were allowed to come from there, they would immigrate in the tens of thousands.

Q Would you like to see more Jews emigrating from the United States to Israel?

A Very much so.

Q Do you think many American Jews will actually come?

A I expect so. We have even today a trickle of immigration every year from the Anglo-Saxon countries of about 2,500 to 3,000. Students and other young people come for a year or so and learn the Hebrew language and Jewish history. Some of them stay and marry here.

In addition, there are very few Jews coming here as tourists who leave the country untouched, and they come for a second and third time. There are about 7 million Jews in North and South America, with a natural population increase of at least 140,000 a year. If we would get only a part of the increase every year—say, 20,000 to 40,000—we would be very happy.

My dream is that Israel will have a population of 4 to 5 million by the end of this century.

[END]

101
~~SECRET~~/SENSITIVE

MEMORANDUM FOR WWR

April 7, 1967

SUBJECT: The Real Problem in US-Israeli Relations

The real issue between us and the Israelis is not so much what we say to each other but how we say it.

The Israelis desperately want to feel that they have a special relationship with us--almost as close and candid as the US-UK tie. The NEA (and Defense) professionals treat them with the same cool even-handedness they show the Arabs. This is what really hurts the Israelis and drives Israel's friends to attack the Department as anti-Israeli.

This is largely a question of style on both sides. I know we have our Arab world interests in the balance, and it's a matter of policy not to be drawn into too close a tie with Israel. But I'm not sure even that requires the puritan coolness of NEA. On Israel's side, the posture of always pushing, exploiting every opening and pulling political strings gets our professionals' backs up and makes them all the more cool and correct.

Part of our problem is that we do in fact have a special relationship with Israel. Trying to keep the Israelis at arms length is something like the US and UK trying to keep distance so as not to hurt Britain's chances of entering the EEC. How we express this relationship through our day-to-day diplomatic contacts--without getting sucked into backing Israel down the line against the Arabs--is the problem.

What this adds up to this week is underscoring my suggestion that we be extra careful about how we give the Israelis our answer on their aid package--especially if we refuse APC's. NEA giving this answer would make the Israelis hopping mad. Katzenbach with a little reason and warmth--rather than with a straight NEA brief--might go a long way toward making them swallow our answer. We could provide an appropriate gloss in the wings. I'd be glad to provide talking points.

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By fw, NARA, Date 6-1-00

Hal
Hal Saunders

~~SECRET~~/SENSITIVE

~~SECRET~~

April 7, 1967

MEMORANDUM FOR WWR

SUBJECT: Israeli Aid Package

My formulation differs from Katzenbach's in (a) using his fallback on credit sales for spares and (b) suggesting softer terms on PL 480. I've also added two points:

1. Let's offer Bunker's successor with this package. Battle hears that Bowie has been asked to read himself in. If not Bowie, we might try Dillon again. Other possibilities include Mann and Killian. But hope of progress might offset the lower aid level this year.
2. If we refuse APC's, let's say, "Not right now," instead of "no." The only way to handle the sharp Israeli reaction to a turndown --other than battenning down the hatches-- is to have a good reason that isn't anti-Israeli. The best reason is that we want to maintain a pause in Middle East arms sales to try to get a grip on the arms race.

You asked some time ago what might get the Israelis to sign the NPT. I see only (a) a US security guarantee and (b) a US-USSR freeze on arms sales to maintain the current arms balance. The Sovs haven't responded to our past probes, but they might if this is the price of Israel's signature. It's a long shot but worth a try (Fisher is willing) once we have a treaty. This rationale won't dampen Israeli reaction, but it might strengthen our conviction in standing up to it.

In any case, we'd better think twice about how we tell the Israelis. NEA's cold, evenhanded, official manner drives them up the walls. They think they have a special relationship with us. In fact they do, but most of the USG denies it. We can save the President a lot of grief with a soft, reasonable but firm answer.

Before going to the President, you ought to ask Katzenbach whether he can defend this package in New York--especially, in view of whatever he or Goldberg half-promised in December. He probably ought to ask Goldberg too since we owe the President a good reading on how much kickback to expect.


Hal Saunders

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*For answer, if possible,
by Wednesday 2:00 p.m.*

March 21, 1967

MEMORANDUM FOR WWR

SUBJECT: Next Step on Israeli Aid Package

As I understand the President's instructions to you after his talk with Feinberg, our next step is to bring State, Defense and AID together on an agreed package. Defense doesn't know about the fall-back position Katzenbach proposed in his NODIS memo. Our job is to get a similar memo with Defense and AID blessing. That's what I had asked for in the first place.

We could handle this in either of two ways:

a. I could formally request an agreed fallback recommendation at tomorrow's (22 March) IRG, where we'll be discussing a related subject.

b. Without referring to Katzenbach's memo, you could ask McNamara for a similar recommendation of his own on a fall-back. Or you could ask Katzenbach to get together with McNamara on a fallback.

I prefer the first approach because that's the only way we'll get a recommendation that fairly balances all the possible trade-offs between economic and military aid. But I'll need to say this request comes from you.

I propose not going back to the President until we have this agreed fallback. There are two additional reasons for holding off: (1) We have a cable from Barbour holding out hope for an answer on the Dimona visit this week. (2) Finance Minister Sapir made a new economic proposal to Barbour and me 10 days ago which should be included in the proposal to the President, since the Israelis have made a big thing of it and he should take it into account before he makes his decision.

Attached is a memo answering two questions you put to Howard Friday. They're relevant for your background. But asking State-Defense-AID for a formal fallback proposal should avoid your assuming responsibility for the tricky judgment on military sales.

Ask the IRG for a fallback position _____

Harold H. Saunders
Harold H. Saunders

No; see me _____

~~SECRET~~

~~SECRET~~

March 21, 1967

MEMORANDUM FOR WWR

SUBJECT: Your Questions on Israeli Aid Package

I. The general intra-USG objections to supplying APC's to Israel on any terms run like this:

--We want to keep from becoming Israel's main arms supplier in order to preserve some balance in our Near East posture. The Israelis have long tried to get us formally to underwrite their security. Failing to get a security guarantee, they've tried to make us their major arms supplier. They considered our aircraft sale an important breakthrough, even though we made them agree in writing that "this sale does not constitute a precedent for future United States action" and that the GOI would "continue to look to Europe for the bulk of its military requirements and will not regard the U.S. as a major arms supplier." State and Defense see the request for APC's as a clear Israeli effort to draw us further down the path to becoming a major supplier. Ultimately, there are 1,000 APC's to be replaced. Since APC's are easily available in Europe-- aircraft of the right characteristics and cost were not--they believe we should turn Israel to Europe for these items. Comment: This is a fair argument and the main reason why we should tread carefully.

--It's still too soon after the Samua raid to appear to reward the Israelis. We told them then we'd reconsider our whole military supply policy if they caused another blowup. They won't take us seriously if we move too quickly and we'll lose our credibility in warning against another attack. Comment: While this is a fair argument, it doesn't take into account the simple political fact that--like it or not--Katzenbach and Goldberg half promised to balance off the Jordanian package with something for Israel. However, we can salvage some of our dignity by cutting the request in half and by manipulating timing and publicity.

--JCS claims there's no military requirement for APC's, largely on grounds that our shipments to Jordan did not upset the Arab-Israel military balance. Comment: I find this argument somewhat self-serving, JCS concedes that the GOI will have to begin modernizing this class of vehicle--all World War II vintage--in 3-5 years, and there's an 18-24 month leadtime. So it's not unreasonable for them to begin planning modernization now. Besides, in Jordan we justified the APC's as contributing to border security. It's inconsistent to classify it an offensive weapon in the hands of the Israelis (though it is) when their border patrol needs are even greater. Syrian terrorism is a serious problem. Anything we do to help ought to improve our leverage, in opposing largescale retaliation (though our influence will be marginal at best).

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- 2 -

Conclusion: There's good policy reason for going slow even on the sale of APC's. However, given the facts that this is top-Israeli priority, that we've half promised to do something and that border security is Israel's main concern, there will be tremendous continuing pressure on this item. If we go ahead, we should insist on secrecy till delivery. We might also try to make them agree to buy one APC in Western Europe for every one we sell.

II. In addition to these general objections to providing APC's on any terms, there are special objections to giving them via grant.

--Grant would amount to starting a MAP program in Israel, since all previous deals have been credit or commercial sales. This would be a major change of policy. State, Defense and AID "see no economic, military or political justification." I agree.

--Grant smacks too much of direct payoff for keeping quiet on our Jordan package. This is both undignified and unwarranted, since Israel's blunder in picking the wrong target was the sole reason for the Jordan package. Goldberg proposed a direct payoff, but that really sticks in the craw. We don't have to go that far to achieve our end.

Conclusion: Grant is out of the question, and the Israelis know it. Like Feinberg, I'm sure the GOI would accept credit sale. Evron as much as told me so off the record.

III. Commodity Composition of PL 480 Deal. The Israelis now say they could do without any wheat at all, though it was included in their initial request last fall. Evron's informal proposal was 375,000 tons of feedgrain (\$20-21 million) and 15,000 tons of oil (\$4 million). "Feedgrain" to the Israelis means a combination of sorghum and corn. State's \$19 million proposal cleared with USDA includes these plus tobacco.

Hal Saunders

~~SECRET~~

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~

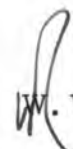
104
file
March 17, 1967

MEMORANDUM FOR THE RECORD

In conversation with Mr. Abe Feinberg yesterday the President indicated:

1. That before we moved on the Israel package, we would like a date set for a visit to Dimona.
2. Without making it explicitly contingent, he referred to the failure of Eshkol to respond to the President's letter of March 21, 1965 recommending accepting IAEA safeguards.
3. He indicated some of the headings of a possible Israeli package, pointing out that unresolved disagreements existed within the government.
4. He said he would get to it after Guam.
5. He instructed me to assure that State, Defense, and AID came closer together on an agreed package.

Mr. Feinberg said that he had strongly made the case that Israel could not expect U. S. grants in the military field; that the APC's were extremely important to give a sense of security in the face of continuing Syrian raids and incidents; he pressed hard for feed grains rather than wheat in the PL 480 program.

 W. W. Rostow

cc: State Dept
Howard Wriggins

~~CONFIDENTIAL~~

DECLASSIFIED

Authority FRUS 64-68, vol. 18, #397
By JW, NARA, Date 5-30-00

AMERICAN BANK & TRUST COMPANY
SEVENTY WALL STREET
NEW YORK, N. Y. 10005

ABRAHAM FEINBERG
CHAIRMAN OF THE EXECUTIVE COMMITTEE

March 13, 1967

File 105
CC
~~HW~~
return
↑ Fg

Mr. Walt W. Rostow
The White House
Washington, D. C.

Dear Walt:

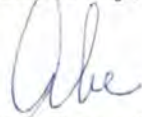
The enclosed photostats show a detailed record for December, January and part of February of various incidents which have occurred on the border.

I mentioned these to you when we last met. I am sending them, however, to help you gain some perspective concerning the dimensions of the problem which Prime Minister Eshkol has in meeting his obligations to remain quiet during this most difficult period. The pressures from his people and from the Press are not easy to withstand.

Hence, Feinberg comes to see Rostow.

With warmest regards, I am

Sincerely,



Abraham Feinberg

AF:JK

105a
DECEMBER 66
=====

- 2.12 - Syrian machine-gun fire on Ashmura (E. Galilee)
- 9.12 - Two mines found on patrol track near Amatsia. (Lakhish Region)
- 12.12 - Shots fired at hikers in Nahal-Arugot (near Ein-Gedi)
- 28.12 - Mine found on patrol track opposite Tel-Dan.
- 29.12 - Mine found near Tel-Dan.
- 30.12 - Machine-gun fire on tractor of kibbutz Ha'on (E. Galilee).

XEROX FROM QUICK COPY

1056

JANUARY 67
=====

- 1.1 - Tank shells on tractor of kibbutz Ha'on (E. Galilee).
- 3.1 - Light machine-gun fire from Darbashia position on foot patrol near Notera. (Galilee)
- 3.1 - Sabotage of work-tools shack near Idmit (W. Galilee)
- 3.1 - A Bedouin tractorist shot and killed by infiltrators in Arad area.
- 4.1 - Syrian fire at two members of kibbutz Ein-Gev.
- 6.1 - Tank shells and machine-gun fire at Tel-Katsir.
- 6.1 - 31 Tank shells at Almagor.
- 6.1 - Crossing of the border by one Syrian in Korazim area followed by Syrian Tank fire (3 shells).
- 7.1 - A Syrian tractor and three men infiltrated into the northern Demilitarized - Zone (Dafna region - E. Galilee)
- 8.1 - Machine-gun fire at tractor of kibbutz Shamir. Two kibbutz members wounded. (E. Galilee)
- 9.1 - Machine gun fire at Ashmura (E. Galilee)
- 10.1 - Fire bursts from Tel Hillal and Gelabina position at Ashmura.
- 10.1 - Fire bursts from Tawafik at Tel-Katsir.
- 10.1. - Fire bursts from Darbashia position at Notera.
- 11.1. - Tank shells from Darbashia position at Notera. Two Israelis wounded.
- 13.1. - Explosive charges found in Moshav Dishon.
- 14.1. - Anti personnel mine kills one person and wounds two at Dishon Moshav (Galilee)
- 14.1. - Machine-gun fire from eastern shore of Lake Kinneret at Israeli fishing boats.
- 15.1. - Recoiless gun fire at police boat in Lake Kinneret.
- 16.16 - 3 explosive charges exploded under a water culvert near Idmit.
- 16.1. - 3 mines found and detonators dismantled near Tel Katsir.
- 17.1. - Fire ~~opened~~ at army patrol in Ben-Shemen area.

- 18.1. - Fire appered at army patrol in Eilath (3 wounded).
- 20.1. - Mine found on Patrol-track near Kefar-Szold (E. Galilee).
- 27.1. - Mine found not far from She'ar Yashuv (E. Galilee).
- 28.1. - Explosive charge found near beith Govrin.

XEROX FROM QUICK COPY

1054

February 1967

- 6.2. - Plastic Mine found near Amatsia
- 6.2. - Mine found at the entrance to Bedouin school (E. Galilee)
- 8.2. - Mine found and detonator sidmantled near Nechusha (Lakish area).
- 13.2. - Syrian infiltrations into (the) Dmilitarized zone, Dan area (E. Galilee).
- 14.2. - 5 Syrians cross the border into (the) Dmilitarized Zone, Dan area.
- 14.2. - Fire on army patrol, Dan area.
- 15.2. - Fire from Darbashia position at Patrol track.
- 15.2. - Patrol encountered group of infiltrators in Zar'it area (E. Galilee).
- 18.2. - Patrol encountered group of infiltrators in Darbashia area (E. Galilee)
- 19.2. - Explosion in cultivated field near Arad (Lakish area).

XEROX FROM QUICK COPY

~~SECRET~~ NODIS

March 8, 1967

TO W. W. Rostow

FROM: Howard Wriggins

SUBJECT: Aid to Israel

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ/RAC 00-301
By iss, NARA, Date 10-9-02

First: Background the Israelis would like us to forget

A. Samu and its aftermath:

You will recall that at the time of the Israeli raid on Samu and our package to Jordan (which cost the USG roughly \$8 million plus the cost of U.S. Airforce personnel deployment) you and Nick explained the necessities to Abe Feinberg, and to others in New York. They understood the problem at that time. When Eban was in, he was part apologetic and admitted Israel had as much of a stake in preserving the King as we did.

According to Nick's record of your talks, you offered (a) to try to speed up the delivery of Skyhawks, and (b) to assist in working out improved static defense; (c) and on aid, while we couldn't commit ourselves to any dollar-for-dollar offset, we would take an increased commitment to Jordan into account "in giving sympathetic consideration to Israeli requests for assistance", for example, in Africa.

We did start work on static defense, tried to speed up plane deliveries but could not because of Vietnam, and you know the score on assistance for African activities.

But in truth, the Israelis do not have much of a claim on us for the steps we took to help sustain Hussein. (To refresh your memory on this episode, Nick's memo is attached. Arthur argues that this is not an accurate record, since we (or more likely he) agreed to more.)

B. In the meantime, we've upped their textile import quota by some 60%, worth roughly \$2.5 million foreign exchange earnings per year.

C. On their part, however, they have only reluctantly gone for static defense discussion, and more important, they continue to stall on the next visit to Dimona.

Secondly: Specifics of their present requests

After laying low for several weeks following Samu, they've been increasingly active in pressing a number of requests. State, Defense

~~SECRET~~ NODIS

and AID have been studying the gamut. A combined recommendation has just gone to the 7th Floor of State, but Secretary Rusk has not yet approved.

1. Grant for purchase of 200 APC's (value \$7.4 million) and Patton spares (value - \$2 million)

Reason: JCS says additional defensive aid to Jordan did not shift local balance of power; and to provide such grants would reverse longstanding policy of no grant MAP to Israel.

Recommendation: not approve.

2. \$14 million concessionary credit for Hawk missile and Patton Tank spares

Reason: We don't provide credit for follow-on spares anywhere.

Recommendation: not approve.

3. "Fifth echelon" - i.e. maintenance -- facilities for Hawk missile system.

Recommendation: approve.

4. Development Loan of \$20 million. Recommendation: not approved, but Ex-Im loan for a fertilizer plant feasible and to be encouraged.
5. Permission to bid on sale of potash and phosphate fertilizer for South Korea and Vietnam (so-called "Exception to Policy Determination 31") Recommendation: approve.

6. PL 480 commodities - Last year they received \$32 million worth in food and other commodities. Recommendation: agree now to \$15 million for non-wheat, and agree to some wheat later when the crop position is clearer.

Thirdly: Possible fall-backs

An additional memo is in preparation, SecState to President. NODIS, suggesting possible fallbacks. I can discuss these with you.

5219
106a

THE UNDER SECRETARY OF STATE
WASHINGTON

December 12, 1966

~~SECRET~~

MEMORANDUM FOR THE PRESIDENT

Subject: Military Assistance to Jordan

I have the following recommendations with respect to increased military assistance to Jordan. I have discussed these with Ambassador Goldberg and he is in agreement.

1. We should proceed with the recommendations in the attached memorandum which expedite current programmed MAP assistance and include an increment, primarily of defensive weapons, totalling \$6 to \$7 Million.
2. We should candidly inform the Israeli Government about this program. Based on my conversation with Foreign Minister Abba Eban, I believe that the Israeli Government will accept this program as necessary to support the regime of King Hussein. Eban quite candidly said that the Israelis had as much of a stake in preserving the King as we did.
3. Ambassador Goldberg believes that we are likely to have a sizable domestic problem with respect to the increment even if the Israeli Government quietly agrees to it. He believes, and I agree, that in presenting this to the Israelis (and to the Jewish community in this country) it would be helpful to give something to the Israeli side of the ledger: We recommend
 - a. We tell the Israelis that we will make every effort to speed up deliveries of Skyhawks (A4's). Bob McNamara has no objection to this

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DECLASSIFIED

Authority FRUS 64-68, vol. 18, #365

" ju , NARA, Date 5-30-80

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-2-

commitment and believes delivery probably can be speeded up somewhat to enable some delivery in advance of the scheduled date.

b. We tell the Israeli Government that we will attempt to assist them in working out static defense plans and, to the extent possible, help with hardware to make this effective. We should further state to them that while we cannot presently commit ourselves to any dollar-for-dollar offsetting through AID or otherwise of our increased commitments to Jordan, we will take this into account in giving sympathetic consideration to Israeli requests for assistance; for example, we might be able to subsidize some of their African operations which indirectly benefit us. (There is a good deal of opposition to any firm commitment in this respect and many Government officials believe that we should not really offer anything in this regard to Israel at this time. Ambassador Goldberg and I believe, however, that to meet the sensibilities of the Israelis (and their domestic supporters) that we should make this general commitment as an appropriate response. The amount is not large and such a commitment would help the Israelis and help us domestically. We believe this can be worked out to the satisfaction of all, particularly since it is not necessary to do this simultaneously with the Jordanian move and can be worked out at a later date.)

Ambassador Goldberg would be happy to take this up with Ambassador Harman, who could help us greatly here with the Jewish community.

Respectfully,

William B. Hufsch
Acting Secretary

attachment

Approve _____

Disapprove _____

~~SECRET~~

~~SECRET~~

February 17, 1967

MEMORANDUM FOR WALT ROSTOW
HOWARD WRIGGINS

SUBJECT: Israeli Aid Requests

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By ju, NARA, Date 6-1-00

My memo for Feinberg's meeting with the President earlier this week spelled out the details and status of the Israeli package, so I won't repeat here. State is pushing to have a memo of recommendations for the President next week. But since I'll be away, I want to leave these facts and reflections with you as an aid in constructing a final aid level for the President:

1. Ambassador Goldberg says Jewish pressures are building up in support of Israel's military aid requests. In part, Tim Hoopes' tentatively negative response to Harman probably triggered this, and Feinberg's call on the President may have been part of it. Goldberg is asking Katzenbach's permission to tell McNamara that the pressures focus on speeding up delivery of four jets and on the APC's.

But the main point for you to remember is that the paper coming from State probably will not reflect the Katzenbach-Rostow settlement with the Jewish leaders in New York that cold December afternoon when Walt tried to quiet them on our Jordan arms package. I have pressed Hoopes and Davies to come up with a military sales option for the President--even though they won't recommend one--because I assume that December deal included some compensation in military terms. At least the Jewish leaders seem to believe so. You will have to surface this element in your covering memo for the President.

2. My notion of a possible response to their \$75 million request is a package somewhere around \$45 million, though you could juggle to produce anything from a low option of about \$25-30 million on up to the full \$75 million. It might look something like this:

- \$25 million PL 480 on harder terms. Last year we offered \$32 million, but there are Congressional and conscience reasons for cutting. Nevertheless this is the biggest chunk of aid we'll find anywhere short of desalting. But one way to give the President a low option would be to cut by \$5-10 million.
- \$10 million in military credits. My figure may be a little high. However, I see rockbottom as the sale of half (100) the APC's they asked for (\$3.5 million). I've sounded Harman

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- 2 -

and Evron on their priorities. It's clear they'd settle for credit sale (they asked for grant), but it's also clear the APC's are their top priority request. Eshkol himself wants them. JCS says there's no military requirement but admits the Israelis will have to modernize this class of vehicle in at least 3-5 years. The Israelis say they're starting modernization. The second element in the military package could be some credit sale of spares. Defense resists, but if we want to give, that's an inconspicuous place because no visible new hardware is involved.

--\$10 million Ex-Im. They've asked for this much in DL for a fertilizer plant. The plant may not make sense until they improve their markets. But I think this is the year to get out of DL altogether (not 1968), and some Ex-Im will be necessary to ease the transition. I think Harman sees the handwriting on the wall on DL. We've already given them the \$6 million left over from FY 63. It's tough to count it this year since we counted it in FY 63 too, but we have paid a price in Congress for it because it required putting Israel on the extra-country list.

--\$1.5 million in AID fertilizer procurement.

--I don't have a dollar figure but we might put one on the textile quota increase. It's not large. It's not aid. But it's something to mention along with Hawk maintenance.

Conclusion: With the big aircraft sale just behind us and with desalting possibly ahead, I don't see why ^{the} level this year should go above \$45 million, and you could probably even shave that by \$5 million or so if you want to. Last year's level was \$52 million economic (\$32^{PL 480}, \$10 million DL, \$10 million Ex-Im) and about \$75 million for the plane sale. Whether you throw the aircraft figure all into FY 66 is a bit arbitrary. But however we slice it, we ought not to let them forget that we can continue to take credit for that over several years (that's the way the Pentagon will end up financing it).

3. When you're getting the President's decision, you'll need also to get his thoughts on how we pass it to the Israelis. In past years, we've normally done it in the White House, though Bell did it once, I think. The President may want a Feinberg or two told, but these are USG decisions

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- 3 -

on Israeli government requests. I could see a WWR-Harman or a Katzenbach-Harman session to give them the whole set of decisions as one aid level. Bob Komer did this last year.

Howard will have our last year's memo for the President to show how we've handled this with him. The best way is to give him choices among various aid levels rather than to subject him to the details of each decision.



Hal Saunders

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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

107



~~SECRET~~

February 28, 1967

MEMORANDUM FOR MR. ROSTOW

I have informed Jim Jones as follows:

The PL 480 allocation for Israel is on its way to the President for ~~discussion~~^{decision}, i. e., no final action has been taken.

The mistaken belief that the allocation was final and can be communicated to the Israeli government and Mr. James Novy, a Texas businessman now visiting in Israel, arose from a BOB official informing Jones that Charlie Schultz has signed a letter to Secretary Rusk approving an overall allocation figure.

Before the action becomes final, State will make a recommendation, the paper will go back through the BOB and come to you for a covering memorandum which requests Presidential approval.

BKS
Bromley Smith

DECLASSIFIED

Authority 75C 8-18-81 letter
By rip, NARS, Date 9-16-81

~~SECRET~~



EMBASSY
OF THE
UNITED STATES OF AMERICA

Tel Aviv, Israel

February 20, 1967

The Honorable
W. W. Rostow
The White House
Washington, D. C.

Dear Walt:

Thank you for your letter of February 4 informing me of Hal Saunder's plans. I am delighted that he is taking a swing around the parish before assuming his new status in your office and it will be a pleasure to discuss with him current aspects of the persistent problems here.

Despite your negative comment I still hope that you yourself will be able to come this way one of these days. I feel strongly that you would find it worthwhile and would of course welcome an opportunity to get together.

Sincerely,

Wally
Walworth Barbour

~~SECRET~~

February 17, 1967

*Orig To Wriggins
3/8/67*

107

MEMORANDUM FOR WALT ROSTOW
HOWARD WRIGGINS

SUBJECT: Israeli Aid Requests

My memo for Feinberg's meeting with the President earlier this week spelled out the details and status of the Israeli package, so I won't repeat here. State is pushing to have a memo of recommendations for the President next week. But since I'll be away, I want to leave these facts and reflections with you as an aid in constructing a final aid level for the President:

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But the main point for you to remember is that the paper coming from State probably will not reflect the Katzenbach-Rostow settlement with the Jewish leaders in New York that cold December afternoon when Walt tried to quiet them on our Jordan arms package. I have pressed Hoopes and Davies to come up with a military sales option for the President--even though they won't recommend one--because I assume that December deal included some compensation in military terms. At least the Jewish leaders seem to believe so. You will have to surface this element in your covering memo for the President.

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DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By W, NARA, Date 6-1-00

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- 2 -

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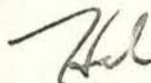
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- 3 -

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Hal Saunders

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~~SECRET/EXDIS~~

February 15, 1967

MEMORANDUM FOR BILL MACOMBER
TOWNSEND HOOPES
RODGER DAVIES

Israeli Minister Evron came in yesterday to deliver some general economic data Mr. Rostow had asked for in his last talk with Ambassador Harman. I inferred from our short conversation the following points relevant to the memo you are now writing on Israel's aid requests:

1. We will almost certainly get a request for credit sale of the APC's if we refuse grant. Eshkol personally considers them important. He sees them--in addition to their psychological value--as the beginning of the modernization process which will soon become necessary in this class of vehicles. Everything Evron said added up to a major push to get these here.

Comment: In the light of this probability, I wonder whether it's good enough in your memo for the President simply to say we'll consider sale if they ask. The President himself may very well want to play it that way, but it seems to me we owe him a choice. If a sale were likely sometime this year, he might skimp on something else. I'm not arguing for selling, but I do feel your memo will be more helpful to him if it tells him what he could do in this line if he decided to do something. It might even be worth giving him the arguments for choosing between credit for maintenance items and credit for APC's, since the Israelis may press the APC's if they see a showdown choice coming.

2. Israel could use up to \$25 million in PL 480 even without wheat. This revises our notion at the IRC last week that we might have to drop to around \$15 million without wheat. As I understand it, they might use as much as 375,000 tons of feedgrain (\$20-21 million) and 15,000 tons of oil (\$4 million).

A bit of incidental information worth checking with USDA and perhaps including in the memo for the President (since this is a point of major interest these days) is that Israel is buying about \$60 million in agriculture commodities here commercially this year.

DECLASSIFIED
E.O. 12958 Sec. 3.5
NLJ-S 98001cc: Walt Rostow
Mr. AthertonBy clm, NARA, Date 6-3-02 Harold H. Saunders~~SECRET/EXDIS~~

Mr. Kestow
111 Israel

February 14, 1967

1. Basic attitudes--the background for aid.

- a. Economic. The USG admires what Israel has done economically. Officials speak quite genuinely about Israel's progress as something of an economic miracle. They therefore tend to view Israel's problems in somewhat the same light as they view their own--as the problems of a mature economy to be worked through via sophisticated economic policies rather than by simple reliance on outside aid.
- b. Political-military. There is sympathy in Washington for Israel's dilemma in dealing with terrorism. However, there is still a residue of shock over the choice of target and the scale of Israel's 13 November raid on Jordan. This necessarily causes serious thinking about military requests from either side.
- c. US-Israeli relationship. Because of its basic commitment to Israel's survival, the USG has helped Israel substantially since 1948. One need only cite as indicative of what it has done \$1.1 billion in aid, substantial military sales and, last year, the highest single-year aid level ever. But there is some feeling in Washington that this has been pretty much a one-way street. With all possible sympathy for Israel's problems, some officials note that Israel has not made significant concessions on the Arab-Israel dispute or on other important issues such as arms control, despite the fact that they've made clear ~~our~~ deep concern for a more forthcoming attitude. This, of course, is not an unmixed picture, but there is a basic feeling in Washington that Israel asks much more than it's ready to give.

2. Against this special background, Israel's aid requests must compete with other pressing Washington priorities and tight appropriations.

- a. Grant military aid is a near impossibility with today's tight budgets for a country at Israel's level of development. But entirely apart from this, the President is beset by persistent Congressional and editorial criticism from those who oppose involvement in any arms race. The Administration may disagree with much of this opinion, but the opposition is shrill. Even selling arms in the Middle East is increasingly difficult to defend politically. Where credit is made available, there is a strong feeling that it should not go to finance running maintenance costs.

2/14/67
Sent to Abraham Feinberg
American Bank & Trust Co
70 Wall Street, NYC, in plain
envelope - air mail Special Delivery

- b. Development lending for Israel may well have come to an end. The Foreign Assistance Act limits the number of countries for lending and requires the President to justify in writing any countries added to the list beyond that limit. It's hard for him in good conscience to justify--in the face of increasing Congressional criticism--loans for a country like Israel with a per capita GNP as high as that in some Western European countries.
- c. Food aid is also tighter than ever. Few people understand the major national decision the US Congress made last fall in enacting the President's Food for Freedom program. The US food aid program is no longer a surplus disposal program; there are no more surpluses in the old sense in most commodities. Last fall, the US Congress decided that the US should grow food for the express purpose of sending it abroad as food aid to help those countries making a genuine effort to bridge the gap between today's deficits and tomorrow's sufficiency. The point is that food aid now costs appropriated dollars just like development aid and must be justified largely as a part of an agricultural development program--not just as general budget support.
3. The conclusion to be drawn from this is that the USG--under heavy budgetary pressures from the Viet Nam war and domestic programs which are close to the President's heart--faces a tight year in all its aid programs. As far as Israel is concerned, the combination of military sales and economic aid in Fiscal Year 1966 made the US aid level in that year the highest ever by 25%--more than 2 or 3 times what would have been called a reasonable level over the past three years or so. The USG realizes that Israel has its own economic problems right now and understands why it is seeking aid. But the USG hopes Israel will understand that last year's exceptionally high level may justify a very modest level this year.

Serial

112

THE WHITE HOUSE
WASHINGTON

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February 13, 1967

WWR:

The President sees Feinberg tomorrow (Tuesday) at 1:00 p.m. I wrote the attached both to bring you up to date and to put the President on his guard.

I hesitated before recommending that the President see Feinberg. We understand the Israeli pitch well enough so that it doesn't need to be made to the President too. However, circumstances may force the President to come out well below last year's \$52 million economic aid level and will surely leave him far below the \$75 million military level. I thought the best defense might be for the President himself to lay the groundwork by describing his problems. The attached is drafted to put him in a position to do this.

Hal

Hal Saunders

DECLASSIFIED

Authority NSC 8-18-81 letter

By inf, NARS, Date 9-16-81

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THE WHITE HOUSE
WASHINGTON

→ Mr. Stevens

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ISRAEL

Lois:

Your copies.

Hal S.

Chart missing

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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

113a
DECLASSIFIED
E.O. 12356, Sec. 3.4
NEJ 91-323
By ig, NARA, Date 1-10-94

~~SECRET~~

February 13, 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Your Talk with Feinberg--1:00 p.m. Tuesday, 14 February

In preparation for your talk with Abe Feinberg, you ought to know where we stand on this year's Israeli aid requests. State, Defense and AID are putting them all together, and Secretary Rusk will have one package of recommendations for you in the next two weeks.

My preliminary feeling is that aid for them will be tough this year and that you may want to use your talk with Feinberg to lay the groundwork for a slim response. We need not feel defensive about this since our aid in FY 1966 was the highest single year ever by 25% because of the plane sale (see attached chart).

The Israelis argue that they need continued help over the next 2-3 years while they work their way through the austere economic measures necessary to make them more competitive in European markets and help close their trade gap. They point to their especially high debt repayments and their heavy defense burden. But given their substantial foreign exchange reserves, some of their points are exaggerated by normal aid standards.

These austerity measures have thrown Israel into a recession, which we expect to be short-lived. The government allowed Israel's growth rate to slip to 7% in 1965 (previously over 10%) but was shocked when it slumped to 1-2% in 1966. This is probably a main reason for their aid requests.

They've made six separate requests, totaling at least \$75 million:

1. Grant military aid--\$9.4 million. They've asked for 200 armed personnel carriers and \$2 million in spares for tanks we've already sold. They are clearly trying to match our December Jordan package. Since their raid caused that package, no one here wants to give in on this. Besides, we've never given grant military aid to Israel, and no one feels we should break that precedent, especially so soon after the Israeli raid. JCS sees no serious military requirement for the APCs. However, Eshkol considers the APCs important, and we'll undoubtedly end up considering a credit sale, though State and Defense oppose.

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2. Credits of \$14 million to buy maintenance items for Hawk missiles and tanks. They want the same terms we gave on the 1962 Hawk sale (10% down, 10 years, 3.5%). Defense doesn't believe we should finance maintenance and, in any case, couldn't come close to 1962 terms today. However, if you feel it's essential to come up with some military help, there might be a little give here with harder terms.

3. Development loans of \$20 million. They got only \$10 million last year (plus \$10 million Ex-Im), and we've already given them that \$6 million left over from FY 1963. With today's even tighter aid criteria it will be tough to justify any AID lending at all, though Ex-Im loans are still possible. Even the Israelis know this request is unrealistic.

4. PL 480--\$32 million (same as last year). Congress has been increasingly critical of highly concessional sales to Israel where per capita GNP is already higher than in several European countries. However, we could probably come up with \$23 million on harder terms, even without wheat.

5. Deliver 8 aircraft next December instead of the 4 now scheduled. We all feel this would be desirable but, since these are new production items needed in VietNam, we'll want to hear Secretary McNamara's final view.

6. An exception to AID policy to let Israel bid on AID-financed fertilizer purchases for Korea and VietNam. AID will probably come around on this since we can pay half in dollars and half in excess Israeli pounds.

In addition, we have just agreed to increase their cotton textile quota by 35%.

In the background is desalting. Ambassador Bunker's report will be ready shortly. His economic study appears to show that for either a nuclear or an oil-fueled plant an outright grant of some \$50 million would be required to produce water at realistic cost. He found Eshkol more relaxed on the timetable than he had expected. It doesn't look as if we'll be spending much money on this in FY 1967, but if we ever decide to go ahead, it will cost us quite a bit. Of course, you will want to hear from Bunker before you say anything to Feinberg that could be read as a commitment.

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What this adds up to is that--with last year's high aid level behind and desalting possibly still ahead of us--we ought to be able to make a low year stick this year. Therefore, I'd propose leveling with Abe, explaining your problems and asking his help in making them clear to others.

If you have a moment, it would be worth your time to skim the attached description of the overall US-Israeli balance sheet. It was done for our panel of outside consultants on Middle Eastern affairs who met here over the weekend. It's a neat and straightforward statement of what we've done for Israel and how our relationship has been pretty much a one-way street. You might want to get this balance across to Abe as a means of letting him know there are limits.

W. A. R. Rostow

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U.S. - ISRAEL RELATIONSWhat We Have Done for Israel?

Since 1948 a key feature of U.S. policy in the Near East has been our close relations and identification with the state of Israel. Given Israel's small size and lack of strategic importance, our support over the years can only be described as massive.

We have, first of all, given Israel a security guarantee, albeit de facto rather than de jure. Beginning with the Tripartite Declaration in 1950, and extending up to President Kennedy's statement of May 1963, which has been reaffirmed by President Johnson, we have publicly and privately committed ourselves to the independence and integrity of Israel.

Secondly, we have recognized Israel's need to modernize and strengthen her arsenal in the face of obsolescence and Soviet arms sales to Arab states. We have recently made some significant contributions to Israel's security needs: in 1962 we sold Hawk missiles to Israel; in 1965 more than 200 Patton tanks; and in 1966 we agreed to sell a limited number of advanced combat aircraft. All of these sales were on concessionary credit terms.

Third, we have provided Israel with economic assistance totalling \$1.1 billion in public grants, loans, and concessionary credits. Our assistance has been an important factor in Israel's "economic miracle".

Finally, we have given Israel broad political support on a wide range of issues, such as: safeguarding Israel's access to a fair share of the Jordan waters; urging acceptance of Israel in international forums and organizations; encouraging a more realistic and stabilizing Arab attitude on the Arab-Israel dispute.

Is this a One-Way Street?

In terms of tangible quid pro quos, there is little to cite in the way of returns for this support. Notably, Israel has not made significant concessions on the Arab-Israel dispute, in spite of the fact that at various times we have made clear our deep interest in a more forthcoming Israeli attitude. The Israeli rejection of the Joseph Johnson initiative on the refugee problem was more emphatic (and official!) than the Arab rejection. On arms control, another high priority U.S. objective in the area, we have been equally unsuccessful in obtaining significant Israeli concessions. In spite of repeated U.S. urgings Israel has refused to accept IAEA safeguards over its reactor at Dimona, and on certain other arms control matters we have the impression that Israel is not entirely leveling with us. The Israeli Government has also not refrained from stirring concern and agitation among Israel's supporters in the U.S. on our Near East policies, particularly those policies designed to maintain the U.S. position in the Arab states.

DECLASSIFIED

E.O. 12356, Sec. 3.4

NLJ 91-266

~~CONFIDENTIAL~~By ing, NARA, Date 1-14-92

On the other hand, there are some important pluses in this equation. Although not forswearing military reprisal as an answer to border provocation, Israel is aware of our deep disapproval and knows there is much to lose if it resorts to this measure too readily. In spite of the absence of tangible arms control concessions, the Israeli Government is aware of the gravity of our concern over the possibility of nuclear proliferation and we believe this a factor influencing the Israeli Government toward restraint. On international issues, Israel generally takes a pro-West position in contrast to the non-aligned, and in some cases pro-Soviet, attitude of many of the Arab states. Finally, as Israelis themselves so frequently point out, Israel is a parliamentary democracy sharing Western concepts and cultural values.

Could We Be Dealing Differently with Israel?

Are these gains worth the very considerable price we are paying, not only in terms of direct assistance to Israel but the indirect political losses we are sustaining in the Arab world as a result of our policy? Does the USG have the freedom to do otherwise? The existence of a large, well-organized group of Israel sympathizers within the U.S. body politic obviously puts a limit on the degree to which the USG might contemplate a different policy. The question is whether, within these realistic limits, we can or should be attempting to moderate the degree of our support for Israel. Would this win votes for us in the Arab states? Would a somewhat tougher policy towards Israel be likely to elicit greater Israeli concessions on matters which are important to us (most often the very issues that bear vitally on Israel's security)? Would a high level briefing of the principal contributors to the Zionist-Israel establishment on the political realities in the Near East reduce pressures occasionally mounted against policy?

Conversely, we might ask whether we have not been over-sensitive to the possible repercussions in the Arab states caused by U.S. actions in favor of Israel. The Arab reaction to our sales of tanks and aircraft to Israel was surprisingly mild. Our relations in certain Arab states (UAR, Iraq, Algeria) may already be at such a minimal point that we do not stand to lose much by further actions in support of Israel. This also raises the question whether an even more forthcoming U.S. attitude toward Israel would be likely to elicit a greater Israeli response to our own policy objectives.

NEA/IAI:2/8/67

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January 20, 1967

MEMORANDUM FOR WWR

SUBJECT: This Year's Israeli Aid Request

The Israelis are re-launching their FY 67 aid drive. Harman and Evron laid the groundwork in October. It looked as if they were building up a head of steam before our November election. But the President's Asian trip and his operation threw them off stride. Then their own raid on Jordan forced them to lie low for awhile. Now the year is wearing on, and they probably feel current Syrian provocations strengthen their hand.

They are pushing on five fronts:

1. Development loans. On 22 December, the Israeli Embassy made formal application for \$20 million in development loans--\$10 million for a chemical fertilizer complex at Arad and \$10 million for relending to small industry. They undoubtedly know from what we told them last spring that the full \$20 million from AID is probably not in the cards, and ~~and~~ they probably would be quite happy with a 50-50 split between AID and Exim Bank. AID, however, will resist doing anything at all for Israel on the familiar ground that Israel should have graduated from the AID list several years ago.

2. Military Aid. Harman gave Katzenbach on Wednesday a request for \$6 million worth of Armed Personnel Carriers (grant), \$2 million in tank spares (grant), and \$14 million in soft credit for other tank and HAWK missile spares. They had proposed the credit last October, but now they've added the grant items, presumably to balance our Jordan package. Defense opposes the credit item, feeling that ongoing maintenance ought to be covered by yearly Israeli revenues and not by borrowing. There is no formal JCS reaction to the equipment list yet, but the informal ISA reaction is that there's no real military requirement for the APC's.

3. PL 480. At the end of December, the Embassy gave AID a formal request for the same quantities they got last year (125,000 tons wheat, 375,000 tons feed grain, 120 tons tobacco, 20,000 tons of oil and a small quantity of rice) for a total of about \$32 million. USDA has only begun staffing this, but the AID-Budget-Agriculture review last summer allocated only 70,000 tons of wheat for Israel.

DECLASSIFIED
E.O. 12958 Sec. 3.5
NLJ-S 98001

By cbm, NARA, Date 6-3-02

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4. Fertilizer Procurement. Ever since December 1965 when we cut Israel off the list of eligible countries for off-shore procurement, the Israelis have pressed to get back on. They have a substantial quantity of fertilizer raw materials that they've been unable to move on the world market largely for political reasons. (India, Pakistan and Taiwan all value Arab support too much to antagonize the Arabs; India has even rejected a straight barter offer for political reasons.) That leaves Korea and South Vietnam as prime remaining customers, and AID underwrites most of the procurement there. AID has been adamant against returning Israel to the PD 31 list, but Handley is still fighting to keep the issue open. This would amount to only about \$2 million, but the Israelis are pressing hard.

5. Cotton Textile Agreement. The Israelis have requested: (a) an increase in their annual quota from 14.5 to 23 million square yards, (b) a one-shot import of 17 million square yards, and (c) lenient treatment of their overshipment of textiles to the US last year. In negotiations now going on, State has agreed to the quota increase, rejected the one-shot at Commerce insistence and is now negotiating with Commerce over how lenient we should be in penalizing Israel for its overshipments.

The Israelis are still pushing for the one-shot, but are probably resigned to its rejection. (Evron called me yesterday on Harman's instructions to ask me to inform you of this problem.) State says there can be no give on this. State had to give in to Commerce to get Commerce to agree to the quota increase to honor a somewhat shaky high level commitment in 1964. Our market is weak enough that Commerce isn't giving one-shots to anyone.

The one place there is give is on the handling of the overshipments. Harry McPherson is calling Commerce to urge a fair hearing for Israel's problems. There's only about \$1 million at stake, but the real problem is unemployment in Israeli mills.

I have asked State to assume responsibility for putting together over the next few weeks a memo for the President running down of all of our possible responses to these requests. Normally, each of the agencies involved would handle these requests in its own way according to its own criteria. Except for the PL 480 requests and some flexibility

SECRET

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- 3 -

in the textile agreement, most of the departmental answers would be negative. This being Israel, however, we all know that we won't drop from a Presidentially-approved non-military aid level of \$52 million in FY 66 to zero in FY 67. The problem is to put all these together into a package so that the President can decide for himself.

The purpose of this memo is simply to give everyone the whole picture at the outset so we won't get nibbled to death before we're ready.



Harold H. Saunders

cc: Bob Komer
cc: Harry McPherson

~~SECRET~~

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

January 16, 1967

~~SECRET~~

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Another Israeli Raid?

Prime Minister Eshkol's informal message to you this morning makes it plain that the Israelis are not going to repeat the mistake they made in November. Our reaction to their raid on Jordan shook them badly. This time, they're carefully warning us that their patience with Syria has about run out.

Despite Eshkol's restraint, Israel is either on the brink of another attack or is pushing us to curb Syria. Israeli Charge Evron warned State this morning that "continuation of Syria's policy would force Israel to take action." Eban said about the same publicly.

Since the first of the year, the Israelis have built a full record in the UN of Syrian-based attacks. To strengthen their case further, they've accepted U Thant's appeal for an emergency meeting of the Israel-Syria Mixed Armistice Commission. This costs little since press reports suggest that Syria will reject or sidestep the appeal.

We probably can't stop the Israelis from another attack without laying our whole relationship on the line. We've offered border control equipment for them to test, but any system is months off. However, we're pulling out the stops short of a showdown to encourage continued restraint:

--Katzenbach told representatives of the Jewish Council of Presidents this morning that an Israeli strike would consolidate support for the deteriorating Syrian regime.

--We endorsed U Thant's appeal in a New York Statement.

--We're instructing Ambassador Smythe to tell the Syrians we believe Israel is on the brink of an attack and they can't count on us to hold Israel back. We'll say the same in Cairo.

--We'll have a response to Eshkol for you shortly.

DECLASSIFIED

Authority FRUS 64-68, vol. 18, #380

By JW, NARA, Date 5-30-00

W. Clark Rostow

~~SECRET~~

115a

EVRON'S ORAL DEMARCHE TO HANDLEY

January 16, 1967

1. The brutal mining incident at Dishon came as a shocking end to a two-weeks' period marked by constant Syrian provocation. These provocations included illegal incursions across the international border, small arms firing at Israeli citizens, interference with land cultivation which has never been disputed before, shelling with tank guns of inhabited areas outside the demilitarized zone, laying of mines in settlements and on roads, mining of a soccer field during a game, and shooting at an Israeli boat on Lake Kinnereth.

2. The Syrian objective was to cause more fatalities than have actually occurred. But even what has been achieved by the Syrians is tragic and intolerable. The continuation of this aggressive policy will force Israel to take action in self defense as is her international right and national duty.

3. Syria, as well as anyone who has any influence in Damascus, now has a chance to put an end to a very dangerous trend. For the past fortnight Israel has endeavored to contain and to limit the tension caused by the Syrian policy. The criminal sabotage at Dishon has made it very difficult for Israel to continue in its present position. Israel asked of friendly powers a thorough understanding of its self restraint in the past, as well as a clear realization that if, as a result of the continuation of aggression, Israel is forced to take action, then this will only be because Syria does not show any consideration for the dangerous course for which it is responsible.

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MEMORANDUM FOR WWR

January 16, 1967

FROM: Wriggins - Saunders *HS*

SUBJECT: Israel-Syria--Raid or Talk?

Yesterday, Israeli charge Evron requested an urgent meeting with Bill Handley at 12:30 p.m. today. This could have either of two purposes--one potentially constructive, one dangerous:

1. It could signal an Israeli raid on Syria. An Israeli boy was killed by a mine explosion over the weekend to top off two weeks of firing across the border. Eshkol has said he could hold his hand against the Syrians only until their activities caused an Israeli death. Evron said he was coming in on instructions (to arrive this morning) "to avoid another breakdown in communications such as occurred last November." At the very least, Evron could be bringing a final warning--such as Eban's this morning--that one more incident will trigger reprisal. Ominous!

2. It could, however, be an Israeli response to U Thant's appeal yesterday. The heart of his appeal is for an emergency meeting of the Israel/Syria Mixed Armistice Commission, which hasn't sat since the early 1950's. Eban this morning repeated Israel's offer for an informal meeting and defended Israel against U Thant's charges of an Israeli military buildup. In any case, we've urged the Israelis right along to get the ISMAC working again, and State is trying to crank up a public endorsement of U Thant's appeal for the noon briefing. Getting the Israelis and Syrians talking would achieve the kind of big breakthrough we've been trying to forge out of the current tension. However, the odds are against the Syrians being reasonable in their present state of irrationality.

We'll keep you posted but wanted to alert you that this morning there's some chance of another Israeli attack--or/least an ultimatum. We'll know more early afternoon.

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 00-228
By Cb, **NARA Date** 10-27-00

116a
ISRAEL-SYRIA

JERUSALEM (AP)-FOREIGN MINISTER ABBA EBAN WARNED TODAY THAT ISRAEL CANNOT TOLERATE ANY MORE "AGGRESSIVE ACTS" BY SYRIA AND THAT IT HAS "BOTH THE WILL AND THE STRENGTH TO HALT THE ACTIVITIES."

SPEAKING TO FOREIGN NEWSMEN, EBAN REPEATED AN ISRAELI OFFER FOR AN INFORMAL EMERGENCY MEETING OF THE SYRIAN-ISRAEL MIXED ARMISTICE COMMISSION TO DISCUSS OUTSTANDING ISSUES, BUT SAID "SHOOTING AND BOMBING HAS FIRST TO STOP TO MAKE SUCH A MEETING POSSIBLE."

U.N. SECRETARY-GENERAL U THANT APPEALED YESTERDAY TO BOTH SYRIA AND ISRAEL TO RESTRAIN THEIR MILITARY FORCES, WARNING THAT A LARGE-SCALE CLASH COULD RESULT FROM CONTINUING TENSION ALONG THEIR BORDER.

THANT'S APPEAL SAID HE HAD RECEIVED WORD OF A BIG MILITARY BUILDUP ALONG THE BORDER FROM LT. GEN. ODD BULL OF NORWAY, CHIEF OF STAFF OF THE U.N. TRUCE SUPERVISION ORGANIZATION IN PALESTINE.

EBAN SAID THE BUILDUP "WAS ORIGINALLY CAUSED BY SYRIANS ESTABLISHING TANKS AND HEAVY ARMOR IN DEFENSIVE AREAS ON THE SYRIAN SIDE OF THE BORDER AND BY ACTIVATION OF THEIR ARMS AGAINST ISRAEL...WE WERE COMPELLED ALSO TO BRING TANKS INTO OUR DEFENSIVE AREA--RELUCTANTLY, BUT INEVITABLY."

DEPLOYMENT OF TROOPS, HEAVY ARMS AND ARMORED VEHICLES ALONG THE 50-MILE-LONG BORDER AREA WAS REPORTED AS DAILY VIOLENCE CONTINUED ALONG THE FRONTIER.

LT902AES 1/16

*Closed with S/S at 1935,
30 Dec. 66
117 Jgm*

THE WHITE HOUSE
WASHINGTON

FS

~~SECRET~~

December 30, 1966

BKS:

I recommend we clear the attached telegram provided we delete the clause which I have struck out on the attached copy. That sounds too much like a threat. I have checked with Rodger Davies and he agrees on second thought that it does sound too nasty. In Spurgeon Keeny's absence, I have shown this to Chuck Johnson and it looks OK to him. He noted that there is no AEC clearance, but I understand that has been taken care of by the Scientific Office in State.

*I've also
checked with
Keeny at home.
He says OK.*

Hal
HHS

cc: C. Johnson

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By *JW*, NARA, Date *6-1-00*

~~SECRET~~

TELECOMMUNICATIONS OPERATIONS DIVISION

(LDR Cy)
WORK COPY

117a

#5339

~~SECRET/EXDIS~~~~SECRET/EXDIS~~ Embassy TEL AVIV

ENDIS

STATE

1. Department hopes you will seize earliest opportunity follow up our request for visit to Dimona as well resumption talks on overall arms control problems.

2. Re former you should inform Eben that USG increasingly disturbed at pattern which USG-GOI exchanges on Dimona appear to be taking. Our desire make sixth visit to Dimona could not have come as surprise to GOI since principle of visits at six-monthly intervals long ago established. Yet each time visit falls due GOI delays in responding to our request to set date causing sour note be struck in US-Israeli relations. We see no reason why US-Israeli relations should be subjected to this periodic strain. We urge Pomkin to give us early date for visit lest lack of GOI responsiveness be misinterpreted within USG and begin to color other aspects of US-Israeli relations. We would hope Pomkin would agree with E us as to desirability making visits, beginning with present one, automatic six-monthly procedure.

GP-3

END.

DECLASSIFIED

Authority FRUS 64-68, vol. 18, #375

By fw, NARA, Date 5-30-00

RUSK

NEA/IAI:MS:sterner:dl:12/23/66

4523

NEA - William J. Handley

SCI - Mr. Trevithick (subs) ACDA - Dr. Rochlin (subs) NEA/IAI - Mr. Volle
 White House - Mr. Wiggins (info) NEA - Mr. Davies S/S

~~SECRET/EXDIS~~

FORM 8-65 DS-322

Corrections made on original green MUST be made on this and other
 flimsy work copies before delivery to Telecommunications Operations Division

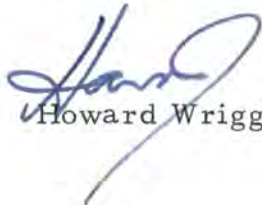
NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

December 21, 1966

WALT -

Yesterday you asked about Israel's military capability.

1. Their standing forces average roughly 50,000, though this varies depending upon emergency call-ups, training periods, etc.
2. Israel is said to be capable of calling up 280,000 men in 48 hours.
3. Qualitatively, of course, the standing army and the reserves are assumed to be superior to the forces the Arabs can field.
4. As the Jordanians see it (with 50,000 men) they are threatened by both Israel and Syria (60,000 standing, plus 30,000 more in six months), as well as by organized insurgency.
5. Israel, of course, assumes they must face all the Arabs combined, and therefore are hypersensitive to anything we do which strengthens any one Arab country, even the reasonable and responsive Jordan.


Howard Wriggins

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~

Tuesday, December 13, 1966 -- 8:55 p.m.

Mr. President:

Nick and I saw Fineberg, Krim, and David Ginsburg who happened to be in New York.

We went through the scenario, as you directed. They all indicated at the end that they thought it would be manageable not only with the Israelis but with their friends here. They intend to get to work much as they did on the earlier Jordan package.

We assume Arthur saw the Israeli Ambassador today. I will let you know as soon as I have a report.

I will see Abe Fineberg tomorrow here in Washington.

W. A. R. Rostow

DECLASSIFIED

Authority NSC 8-18-81 letter

By rif, NARS, Date 9-16-81

~~CONFIDENTIAL~~

~~SECRET~~

120
FS
December 12, 1966

MEMORANDUM FOR WWR

FROM: Wriggins - Saunders *KS*

SUBJECT: Your Talk with Foreign Minister Eban

The Israelis realize they've seriously damaged their close relationship with us. Eban is here to repair it, but he is also taking a tough line against our giving Jordan anything but a little anti-infiltration equipment. You'll have to stand your ground:

1. Our basic relationship will continue to be close. The tank and plane deals go on, and we're taking Israeli interests into account in whatever we do for Jordan. Bunker will go to Israel Friday. (You might imply that these were in jeopardy.)
2. But they've badly damaged not only our interests but what we've done in their interest. (To show how badly, you might even want to hint that Hussein is thinking of turning the West Bank over to the Palestinians and radical Arabs.)
3. So we have to pick up the pieces the best way we can. We will have to judge what must be done in Jordan. We will not upset the military balance. We'll expect Israel to keep quiet and keep its friends here from turning the heat on the President.
4. The most constructive way out of this crisis (if we can calm Hussein) is to close the borders to terrorism. That's the only way to assure peace. We're ready to discuss technical devices that would help the Israelis do this, and we'll also help Jordan improve the ability of its police to head off terrorists. But other measures like strengthening UNTSO may be needed, and we'll expect the Israelis to cooperate.
5. You'd be interested in Eban's views on how to move from Israel's retaliation policy to long-term accommodation with the Arabs. (We'd avoid preaching against retaliation--we don't hesitate to use force--but exposing the folly of indiscriminate retaliation is essential to making them focus on the border problem).
6. Although not related to the current crisis, you're aware of Barbour's good talk with him on arms and nuclear controls (attached) and want to underscore that the President considers this important.

DECLASSIFIED

E.O. 12958, Sec. 3.6

NLJ 00-228

By CB, NARA Date 10-27-00

~~SECRET~~

INCOMING TELEGRAM Department of State

120 a
① Wriggins
② Saunders
02414

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Info

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*Israel nuclear
subject file*

03

EXDIS

REF: STATE 68096

1. AFTER DELAYS CAUSED PRIMARILY BY SECURITY COUNCIL CONSIDERATION OF ISRAELI COMPLAINT AGAINST SYRIA RE FATAH, FONMIN EBAN AND I FINALLY HAD OPPORTUNITY DISCUSS TOGETHER ARMS CONTROL IN ME AT LONG LUNCH SESSION ON NOV 2. HAVING HEARD ME OUT ON SECRETARY'S ORAL MESSAGE CONTAINED REFTEL, EBAN MADE FOLLOWING POINTS:

A. HE HAD NOT FOR MOMENT THOUGHT THAT LACK OF REFERENCE THIS SUBJECT AT HIS OCT 7 MEETING WITH SECRETARY INDICATED ANY LOSS OF INTEREST ON OUR PART.

B. GOI TOO HAS PUT CONSIDERABLE THOUGHT ON THIS MATTER. AS REFLECTED IN RAPHAEL NOV 2 SPEECH IN NEW YORK GOI STANDS SOLIDLY BEHIND ANTI-PROLIFERATION TREATY AND WILL GIVE IT

PAGE TWO RUQMVL 1540 S E C R E T
ACTIVE PUBLIC AND MORAL SUPPORT.

C. FROM ALL EVIDENCE AVAILABLE TO GOI, EGYPT NOW FAIRLY RELAXED AS TO ISRAELI INTENTIONS RE NUCLEAR WEAPONS.

→ D. IN FACT, PM HAS BEEN CONVINCED BY PRESIDENT JOHNSON THAT EFFORT KEEP NASSER UNCERTAIN AS TO ISRAELI INTENTIONS IS NO LONGER WORTH RISK OF EGYPTIAN WEAPONS' ESCALATION.

E. HOWEVER, DUE EGYPTIAN PREDILECTION FOR SABOTAGE AND PLOTTING, GOI MUST FIND MIDDLE GROUND BETWEEN LETTING EGYPTIANS BE ASSURED GOI NOT MANUFACTURING BOMBS AND GIVING THEM FULL INFO AS TO ISRAEL'S SCIENTIFIC NUCLEAR FACILITIES.

~~SECRET~~

DECLASSIFIED

Authority FRUS 64-68, vol. 18, #331

By *ju*, NARA, Date 5-30-00

~~SECRET~~

-2- TEL AVIV 1540, NOVEMBER 3

F. THEREFORE, GOI CANNOT ACCEPT IAEA SYSTEM OF CONTROLS TO WHICH EGYPTIANS HAVE ACCESS AT ALL LEVELS AND, FURTHERMORE, IT WISHES BE SURE WE (AND PRESUMABLY OTHERS) DO NOT PASS ON TO EGYPTIANS SPECIFICS AS TO LOCATION OR FUNCTIONS OF ISRAELI INSTALLATIONS.

G. POSSIBILITY REMAINS THAT SOME KIND OF POLITICAL CONTROLS CAN BE WORKED OUT BUT RECENT EGYPTIAN SPEECH IN VIENNA MAKES ISRAELIS LESS CONVINCED OF EGYPTIAN WILLINGNESS.

H. ISRAELIS TOO HAVE HOPES OF BEING INCLUDED IN GENERAL NON-PROLIFERATION TREATY BEFORE LONG WHEN THEY WOULD PREFER TO BEING SINGLED OUT IN SOME SPECIAL ARRANGEMENT IN WAY CONTRARY ISRAEL'S SOVEREIGN STATUS.

2. I POINTED OUT THAT TREATY NOT YET A REALITY AND, MUCH AS WE ALL SUPPORT IT, WE DO NOT KNOW WHEN IT WILL BE. FURTHERMORE, THIS BEING IMPERFECT WORLD, ISRAELI GESTURE TO ASSURE ITS SUSPICIOUS NEIGHBORS THAT IT NOT MOVING TOWARD NUCLEAR WEAPONS WOULD PROMOTE PEACE OF AREA. ACCEPTANCE OF IAEA CONTROLS WOULD BE BEST WAY ACCOMPLISH THIS. I SUGGESTED THAT ALTHOUGH MY INSTRUCTIONS DID NOT GO THIS FAR, IF ISRAEL CANNOT SEE ITS WAY CLEAR ACCEPT THESE, VERIFICATION SCHEME INCLUDING ISRAEL AND EGYPT WITH THIRD COUNTRY IS ANOTHER POSSIBILITY. STILL ANOTHER WHICH WOULD HAVE ADVANTAGE OF BEING UNILATERAL ACT OF SOVEREIGN STATE WOULD BE GOI INVITATION TO SCIENTISTS OF OTHER COUNTRIES TO PARTICIPATE IN RESEARCH PROJECTS AT DIMONA.

3. THEN I BROUGHT UP MAY 24 CONVERSATION WITH PM IN WHICH HE STATED MISSILES WERE AT LEAST TWO YEARS AWAY (EMBTTEL 1229 TO WASHINGTON) AND SUGGESTED THAT SINCE UAR RUNNING INTO DIFFICULTIES IN MISSILE DEVELOPMENT, THIS TYPE OF SOPHISTICATED WEAPONRY TOO SHOULD BE SUBJECT CONTROL ARRANGEMENT.

4. EBAN SAID HE NOT INFORMED ON HISTORY OF MISSILE DISCUSSIONS AND WOULD LOOK INTO MATTER. HE ADDED THAT HE WOULD DISCUSS POINTS MADE IN OUR CONVERSATION WITH PM AND WOULD GET IN TOUCH WITH ME FOR FURTHER DISCUSSION.

COMMENT: ALTHOUGH GOI DOES NOT APPEAR ANY CLOSER NOW THAN IT EVER WAS TO ACCEPTING IAEA CONTROLS, I THINK WE ARE MAKING PROGRESS. IT IS SIGNIFICANT THAT EBAN NOW SAYS PRESIDENT WAS SUCCESSFUL IN CONVINCING PM THAT TACTIC OF KEEPING NASSER IN STATE OF UNCERTAINTY AS TO GOI INTENTIONS WAS DANGEROUS. ALSO, IT HOPEFUL SIGN THAT GOI IS SUPPORTING ANTI-PROLIFERATION TREATY AND THAT EBAN FOR FIRST TIME APPEARS GENUINELY INTERESTED IN KEEPING DIALOGUE GOING ON THIS SUBJECT. AIRGRAM WITH FURTHER REPORT CONVERSATION FOLLOWS.

GP-3. BARBOUR

~~SECRET~~

INCOMING TELEGRAM *Department of State*

Israel Dimona

Wriggins 1006

~~SECRET~~

H.S.

Action

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~~SECRET~~ TEL AVIV 1845

EXDIS

REF: STATE 91607

IN MEETING WITH EBAN LAST EVENING, SUBSTANCE OF WHICH REPORTED SEPARATELY, I ALSO REFERRED TO ARMS CONTROL ACCORDANCE PARA 3 REFTEL. I NOTED THAT WE ENCOURAGED BY HIS REMARK TO ME ON NOV 2ND THAT GOI NO LONGER BELIEVES DESIRABLE KEEP NASSER IN DARK ABOUT ISRAELI NUCLEAR INTENTIONS AND HOPES FIND QUOTE MIDDLE GROUND UNQUOTE, STILL PROTECTING ISRAELIS SECURITY CONSIDERATIONS. EBAN CONFIRMED THIS GOI POLICY. I SAID THAT IN CIRCUMSTANCES, NEXT WEEK AFTER CURRENT DELUGE CONGRESSIONAL DELEGATIONS HAS PASSED, I WOULD HOPE HE AND I CAN GET TOGETHER WITH PRIMIN TO PURSUE DISCUSSION. HE THOUGHT THIS GOOD IDEA AND WILL ENDEAVOR ARRANGE APPOINTMENT. I ADDED THAT IN MEANTIME IN LINE OUR UNDERSTANDING WE WOULD LIKE TO

PAGE TWO RUQMVL 1845 ~~SECRET~~

HAVE ANOTHER VISIT TO DIMONA AND THAT AEC TEAM IS PREPARED TO DO SO ANY TIME DURING NEXT THREE WEEKS. I COMMENTED THAT IT ALMOST EIGHT MONTHS SINCE LAST VISIT. EBAN SAID HE WILL SPEAK TO PRIMIN AND GIVE ME REPLY EARLY AS POSSIBLE.

GP-3. BORBOUR

BT

DECLASSIFIED

Authority FRUS 64-68, vol. 18, #351

By JW, NARA. Date 5-30-00

~~SECRET~~

1200
November 2, 1966

US HELP FOR ISRAEL
1964 - 1966

Perhaps the best way to characterize US-Israeli relations in this period is to say that they are closer today than ever. As Foreign Minister Eban himself said in July:

"We stand at a high point in the evolution of American-Israel friendship. . . . President Johnson has contributed in abundant measure to the reinforcement of Israel's strength and spirit. He has inspired our confidence in the sincerity of the American commitment to Israel's security. He has shown a perceptive understanding of our need to develop our defensive strength. He has maintained a constructive interest in Israel's economic progress and in all of this he shows a sensitive regard for the principle of international peace and for the preservation of small states."¹

The breadth and depth of US help for Israel, even more than aid levels themselves, are impressive:

1. The US economic aid program in Fiscal Years 1964, 1965 and 1966 has totaled \$134 million. This breaks down as follows (in \$millions):

	<u>FY 1964</u>	<u>FY 1965</u>	<u>FY 1966</u>
Development Loans	20.0	20.0	10.0
EXIM Bank Long-term Loans	--	4.0	*--
Food Aid	19.9	33.9	26.6

*\$10 million in EXIM credit was offered, but the Israeli Government did not use it within the Fiscal Year. However, in the first four months of FY 1967 EXIM loans totaling \$12.9 million have been made to three Israeli firms or institutions.

These three years, 1964-66, cap a total of \$1.1 billion in public grants, loans, and credits on concessionary terms which the US has extended to Israel from 1948 through FY 1966.

2. In addition to this economic aid, the US made important sales to Israel of tanks and combat aircraft in 1965 and 1966. This decision was taken after long and careful consideration to prevent development of a destabilizing arms imbalance in the area. We do not intend to become a major arms supplier there, but we have recognized legitimate

defensive needs. The sales were made on liberal credit terms. Costs are classified by both governments, but in general one can say that our total economic and military aid in FY 1966 was higher than in any single previous year. In addition we have allowed commercial purchase of other equipment.

3. These aid levels stand out against the background of general aid policy designed gradually to phase out concessional aid in countries like Israel which have moved impressively toward self-sustaining growth. Israel's per capita GNP of \$1400 in 1965 was about 75% of the UK's, 90% of Holland's, 110% of Austria's, 125% of Italy's and 200% of Greece's. Our aid policy has grown out of the pressures of low appropriations and our belief that it is healthy for nations to push away aid props just as soon as possible.

4. These gross figures, impressive as they are, do not nearly convey the breadth of US activity in Israel. From US-owned local currency accumulated principally from PL-480 food sales, the US makes loans and grants which play a major role in Israel's economy:

- a. The US is now supporting scientific research in Israel at the level of \$8 million a year--about 25% of all the funds Israel spends on non-military research and development. This represents the work of 15 US Government agencies supporting some 350 science projects in fields ranging from health and education to weather and vocational rehabilitation. We have spent at least \$18 million on such projects FY 1964 - FY 1966. These programs are a substantial contribution to keeping an already outstanding scientific community constructively employed.
- b. The US Government has also aided the Israeli Development Budget in grants and loans in the last three fiscal years to the extent of \$61.5 million in Israeli pounds. The significance of this program is apparent from a breakdown of the FY 1967 program which has just been put in final form in Tel Aviv. Note that the sums to be loaned represent substantial percentages of the total Israeli government expenditures for these purposes:

<u>CATEGORY</u>	<u>Equivalent Amount in \$</u>	<u>% of Total Israeli Expenditures for this Purpose</u>
Development of Agriculture	\$1.3 million	59%
Improvement of Telephone Services	10.5 million	35%
Development of Railways	1.3 million	58%
Construction of Schools	3.3 million	64%
	<u>\$16.4 million</u>	

c. In FY 1964 - FY 1966 we loaned Israeli pounds worth \$7.9 million to the Industrial Development Bank of Israel (IDBI), which re-lends the money to Israeli firms under its own criteria.

d. In addition, in FY 1966 alone the US Government loaned the equivalent of \$5.0 million to 4 Israeli institutions of higher learning and the American-Israeli Cultural Institute. Similar loans totaled \$14.1 million FY 1964 - FY 1966.

e. We have also loaned \$8.5 million in Israeli pounds (Cooley loans) over these years to support private American investors in Israel.

5. On February 6, 1964, President Johnson stated in a speech before the Friends of The Weizmann Institute in New York City that the US would begin discussions with representatives of Israel on cooperative research in the field of desalting. During Prime Minister Eshkol's visit that June, we outlined a program. Since that time, the US and Israel have completed a 14-month study of the technical feasibility of building a nuclear-fueled desalting and electric power plant capable of producing, by the early 1970's, 100 million gallons of fresh water daily and 175-200 megawatts of electricity. On October 13, the President appointed Ambassador-at-Large Ellsworth Bunker to review progress to date, recommend next steps and begin discussing remaining problems with an Israeli counterpart.

6. On the diplomatic front, President Johnson reaffirmed publicly during the 1964 visit of Prime Minister Eshkol and again during the August 1966 visit of President Shazar the US commitment to support the integrity of states in the Near East and to oppose aggression in any form. In addition, our presence in key Arab countries has enabled us to work usefully for peace and moderation. We have produced no final solutions for any of the Arab-Israel problems but our activities have:

- Safeguarded access to Israel's fair share of the Jordan's waters.
- Helped reduce tensions and incidents along Armistice lines.
- Preserved effective UN peacekeeping machinery.
- Supported Israel, where warranted, in the United Nations.
- Tried to make progress on the refugee problem.
- Encouraged more realistic Arab attitudes toward the Arab-Israel dispute.

7. In addition to this diplomatic activity, the US has given full financial support (\$87.3 million since 1949 and \$25.3 million FY 1964-FY 1967) for the elaborate peacekeeping machinery on Israel's borders and has helped support over a million Arab refugees at a cost of some \$71 million 1964 - 1966 (over \$387 million since 1948).

1. Mr. Smith
2. file
ISRAEL
121

Saturday, December 10, 1966 -- 5:50 p.m.

Mr. President:

After thanking Abe Feinberg for his peaches, he volunteered the following.

The Jewish community is troubled by the UN censorship resolution. If this is followed by an arms move on behalf of Jordan which appears to tip the balance, we may have real political trouble with the Jewish community in the U.S. He added that Max Fischer, a substantial figure in the Detroit Jewish community, is now working with Romney and is bad news in this matter.

He says that he understands fully what our problem is but hopes we handle it in a balanced way that keeps the local Jewish community from defecting.

I said that in quieting Jordan down we were doing Israel's work. We had no intention of upsetting the arms balance. But Israel cannot yet take the stability of Jordan for granted.

I also said Ellsworth Bunker would be going out to Israel on the 16th for his first sessions.

W. W. Rostow

WWRostow:rla