

No. 2311

---

**UNITED STATES OF AMERICA  
and  
ISRAEL**

**Exchange of notes constituting an agreement relating to  
emergency economic assistance. Washington, 1 May  
1952**

*Official text: English.*

*Registered by the United States of America on 22 October 1953.*

---

**ÉTATS-UNIS D'AMÉRIQUE  
et  
ISRAËL**

**Échange de notes constituant un accord relatif à l'octroi  
d'une aide économique exceptionnelle. Washington,  
1<sup>er</sup> mai 1952**

*Texte officiel anglais.*

*Enregistré par les États-Unis d'Amérique le 22 octobre 1953.*

No. 2311. EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT<sup>1</sup> BETWEEN THE UNITED STATES OF AMERICA AND ISRAEL RELATING TO EMERGENCY ECONOMIC ASSISTANCE. WASHINGTON, 1 MAY 1952

---

I

*The Secretary of State to the Israeli Ambassador*

The Secretary of State presents his compliments to His Excellency the Ambassador of Israel and has the honor to refer to His Excellency's oral request of April 22, 1952 to the Director of Mutual Security, and of April 23, 1952 to the Department of State for emergency assistance from this Government in the form of an immediate advance out of funds presently programmed by the Technical Cooperation Administration and anticipated to be made available to Israel under the United States Mutual Security Act of 1951.<sup>2</sup>

During these conversations the Ambassador, with other representatives of the Government of Israel, described the character of the present financial emergency as being so serious that it was necessary to request a change in the agreed program worked out previously between the Government of Israel and the Technical Cooperation Mission in Israel. This emergency, growing out of a shortfall in foreign exchange income anticipated to be available to the Government of Israel, has resulted in a serious threat to its foreign credit structure.

As a result of these conversations giving recognition to the fact that the Congressional authorization of grant-in-aid funds for Israel is intended to assist that Government in creating a self-sustaining economy, and also recognizing that the unfortunate financial position of Israel is a threat to the political stability of the Near East, the Government of the United States will undertake to assist the Government of Israel to meet the present emergency. However, there are set forth hereunder certain special principles and procedures governing this assistance :

1. (a) From funds available under Section 205 of the Mutual Security Act of 1951, the United States Government will make available as reimbursement for such past commodity purchases by the Government of Israel as may hereafter be approved by the United States, which were paid for in United

---

<sup>1</sup> Came into force on 1 May 1952 by the exchange of the said notes.

<sup>2</sup> United States of America : 65 Stat. 373.

States dollars but not purchased with funds previously made available in loan or grant form by the Government of the United States, the sum of \$11,583,000. (b) In order to provide a total of \$17,083,000 for reimbursement for such purchases, the United States Government will further make available the sum of \$5,500,000 from funds authorized under Section 203 of the Mutual Security Act. In general (c) the reimbursement procedure will parallel that adopted in December 1951, wherein the Government of Israel will within 120 days present documented proof that these funds have been utilized to finance the past purchase of commodities agreed to by the Technical Cooperation Administration.

2. The granting of these funds for this emergency purpose by the Government of the United States is conditioned upon immediate provision by the Government of Israel of the fullest possible detail concerning their external obligations and resources. Further, the provision of funds from Section 203 of the Mutual Security Act is subject to the execution of an agreement currently being negotiated in Tel Aviv providing legal basis for the transaction. Representatives of the two governments also agreed that it is desirable for the Government of Israel to sign as soon as possible the agreement being negotiated in Tel Aviv which covers the provision of technical assistance by the United States Government to the Government of Israel. It is the intent of the United States that the integrity of the developmental aspects of the existing program, which was the purpose of the United States Congress, be preserved as an expression of mutual interest in the economic development of Israel.

3. In addition, the Government of the United States will make available under Section 203 of the Mutual Security Act the balance of funds, totalling approximately \$8,000,000, to cover purchases during the months of May and June of essential goods as agreed in Israel between the United States Government and the Government of Israel.

4. In connection with this response to the emergency request by the Government of Israel, and to plan for the most beneficial use of any future grants by the United States Government, the Government of the United States will supplement the staff of the American Ambassador to Israel with an additional economic representative. It is hoped that the Government of Israel will receive and assist such a representative to survey the current financial and economic problems of the Government of Israel. The United States Government considers that the success of this representative's assignment depends upon the fullest provision of information by the Government of Israel covering the most authoritative data on Israel's foreign exchange income and expenditures, its

internal budgets and fiscal procedures, its relationships with external non-governmental assistance agencies, the projected rate of economic development, and such other information which may have bearing upon Israel's economy.

5. In order that the United States may be assured that the Government of Israel is making optimum use of United States aid, the Government of Israel will continue to make available to the Embassy of the United States in Israel the information referred to in Paragraph 4 above for the duration of United States economic assistance to Israel.

During these conversations, the Ambassador of Israel was reminded of a similar situation at the end of 1951 when \$14,230,000 was made available to pay for past purchases, thus removing an immediate threat to Israel's foreign exchange structure. The Israel Government representatives expressed the hope at that time that such a situation would not recur, and that the balance of the available funds could be used for the implementation of a relief, resettlement and economic development program carried out in accordance with plans duly formulated by representatives of the two governments.

The Secretary of State would appreciate the receipt of a written reply from the Ambassador of Israel indicating the acceptance by the Government of Israel of the principles and procedures stated above.

Department of State  
Washington, May 1, 1952

## II

### *The Israeli Ambassador to the Secretary of State*

#### EMBASSY OF ISRAEL

The Ambassador of Israel presents his compliments to the Honorable the Secretary of State and has the honor to reply to the Note of the Secretary of State dated May 1, 1952, on the subject of an immediate advance to Israel out of funds available under the United States Mutual Security Act of 1951.

2. The Ambassador of Israel desires to express his Government's appreciation of the favorable response given by the Director of Mutual Security and by the Department of State to his request for the immediate release of funds available to the Technical Cooperation Administration for use in Israel. The

Government of Israel submitted this request in the understanding that a primary objective of the Congressional authorization of grant-in-aid funds for Israel was to ensure that Israel in the interest of its economic stability should be able to maintain its foreign credit structure, during a period when a deficit in the international balance of payments was clearly anticipated. The Government of Israel is deeply gratified by the decision of the Government of the United States to assist in meeting the present emergency.

3. The Government of Israel notes that the United States Government has decided to make available the sum of \$11,583,000 from funds available under Section 205 of the Mutual Security Act of 1951 as reimbursement for such commodities purchased by Israel as may hereafter be approved by the United States and which were paid for in United States dollars, but not purchased with funds previously made available in loan or grant form by the Government of the United States. The representatives of the Government of the United States have agreed that this sum of \$11,583,000 shall be offset against an agreed list of commodities amongst those specified in the Israel Ambassador's letter to the Director of Mutual Security of April 25, 1952, as having been purchased and paid for in dollars in accordance with the objectives of the Mutual Security Act of 1951.

4. The Government of Israel further notes the decision of the United States Government to make available the sum of \$5,500,000 from funds authorized under Section 203 of the Mutual Security Act, and thus to provide a total of \$17,083,000 for reimbursement. The Government of Israel notes that the Government of the United States has agreed to provide these funds under Section 203 upon the execution of the economic assistance agreement currently being negotiated in Hakiryra thus providing a legal basis for the transaction. It is understood that this sum of \$5,500,000 shall also be offset against an agreed list of commodities amongst those specified in the Israel Ambassador's letter to the Director of Mutual Security of April 25, 1952, as having been purchased and paid for in dollars in accordance with the objectives of the Mutual Security Act.

5. It has been agreed that, in general, the reimbursement procedure will parallel that adopted in December, 1951, wherein advances will be made immediately and the Government of Israel will, within 120 days, present documentary proof that these funds have been utilized for purchases agreed to by the Technical Cooperation Administration.

6. The Government of Israel is in the course of providing the fullest practicable details concerning its external obligations and resources, in order that the Government of the United States may have due knowledge of the reasons underlying the Government of Israel's proposals for the immediate utilization of grant-in-aid funds. Representatives of the two Governments have further agreed that it is desirable to sign as soon as possible the agreement being negotiated in Hakiryra which covers the provision of technical assistance by the United States Government to the Government of Israel.

7. In addition the Government of Israel notes the decision of the Government of the United States to make available, by mutual agreement, under Section 203 of the Mutual Security Act the balance of funds, totalling approximately \$8,000,000 to cover payments in May and June for commodities which would otherwise burden Israel's strained free foreign exchange resources. Such commodities include especially basic foods, petroleum, agricultural materials, and metals.

8. In his Note dated April 30, 1952, the Secretary of State informed the Ambassador of Israel of his intention to supplement the staff of the American Ambassador to Israel with an additional economic representative. The Government of Israel agrees to receive and assist such a representative to survey the current financial and economic problems of the country. The Government of Israel will endeavor to facilitate the work of this representative by arranging for the fullest availability of information covering the most authoritative data on Israel's foreign exchange income and expenditures, its internal budget and fiscal procedures, its relationship with external non-governmental assistance agencies, in so far as such relationships bear on Israel's foreign currency expenditure, as well as other information having a bearing on Israel's economic position and the projected rate of Israel's economic development. The Government of Israel will continue to make available to the Embassy of the United States in Israel the information referred to above for the duration of United States economic assistance to Israel.

9. The urgent need to maintain Israel's foreign credit structure has made it impossible, in the opinion of the Governments of the United States and Israel, to carry out the programmes of relief, resettlement and economic development in precise accordance with plans previously formulated by representatives of the two governments. This unforeseen situation arises through the heavy obligations incurred by Israel for supplies purchased in foreign currency during the early months of 1952, and especially between January 10 and March 28 of that year, during which period Israel received no releases of funds under the Mutual Security Act of 1951. It is the purpose of Israel to sustain a full

measure of austerity to the end that resources may be freed for investment directed towards the development of a fully self-sustaining economy. It is accordingly a subject of regret to the Government of Israel that development plans formulated by joint effort must now, in some measure, be deferred. It is hoped that joint effort will permit the accomplishment of all these investment and development plans, if only after some delay.

10. The Ambassador of Israel reiterates his Government's deep appreciation of the valuable assistance rendered by the Government of the United States in agreeing to the arrangements outlined above and thus helping the Government of Israel to solve serious short-term financial problems.

May 1 1952