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Israel made an interest payment of $13 million of a $250 million U. S. Ex- port-Import Bank loan last week on its two outstanding loans totaling $150,000,000. Simultaneously, an Israeli Embassy spokesman in Washington announced that $75,000,000 of loan funds have already been invested in approved industrial and agricultural projects. Pay- ment on the principal will begin in 1963 and continue for twelve years. The interest rate is three and one-half percent.

The French Chamber has bought a 200-foot assembly plant for Israeli 200 vehicles purchased from it, and an additional 100 more are expected to arrive in the near future. The plant is described as a "truly Jewish" one because it is owned and operated by Jews.

Israel was given a $500,000,000 loan by the International Bank for Reconstruction and Development for the construction of a new smelter in the Negev, the largest single investment the Bank has made in Israel.

Israel has started construction of a new airport in Tel Aviv, the largest and most modern in the Middle East. The airport will be completed in two years.

Israel has made significant progress in the development of its own industry. The new smelter will increase the country's steel production by 500,000 tons a year.

The United States has agreed to provide Israel with $500,000,000 in military aid over the next five years.

The new airport is expected to attract many new industries to Tel Aviv, thereby increasing the city's economic potential.

The new smelter will also improve Israel's national defense by increasing its steel production.

First Half of 1961 Brought 45 Percent Rise in Exports

By a Special Correspondent

TELAVIV.

I n t he first six months of the year, Israel's foreign trade has shown a considerable deficit, dropping to $125,000,000. This is the lowest deficit in the history of Israel's foreign trade.

The deficit was caused by a number of factors, including reduced sales of exports and increased imports.

Israel's exports have decreased due to increased production in other countries, while imports have increased due to higher prices and increased demand.

The government has taken steps to reduce imports and promote exports in order to improve the trade balance.

Israel's trade deficit has been reduced by increased exports of manufactured goods and increased sales of agricultural products.

The government has also taken steps to improve the country's infrastructure and attract foreign investment.

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RESERVE BOND FUNDS FOR PRODUCTION ONLY; FIRST $50 MILLION ALLOCATED

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Mr. Kaplan presented a detailed report on expenditures and allocations for the first $50,000,000. Outlay investments of $20,000,000 for educational and medical services and $10,000,000 for industrial and mining development of electric power, were the following allocations in detail:

$10,000,000 for industry and mining; and $5,000,000 for large-scale projects in the

Coalition Word-Due

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In the light of Mapai’s growing popularity, as shown in the recent elections, it was not expected that Mr. Ben-Gurion would agree to major concessions on foreign policy—especially since 90 percent of the population voted for parties favoring the government’s orientation in world affairs. Disagreement on domestic economic issues was also a factor.

This development leaves Mr. Ben-Gurion with the possibility of establishing his new Cabinet in alliance with the General Zionists, a smaller body which would command about 45 of the 120 votes in the Knesset, instead of the moderate Labor and centrist parties alone, now the narrow margin of about four votes.

Mr. Ben-Gurion told the Knesset this week that he hoped to announce the formation of a new Cabinet in a few days. The delay thus far has been due to the extensive inter-party talks which have been going on in Mapai, the General Zionists and other groups.

Meanwhile, the Cabinet continued to meet, dealing with the conditions of government. Since its members represent a majority in the Knesset, its effectiveness has not been seriously impaired.

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6. ENCLOSURES TO BUREAU

NY 97-1245

1. Copy of Prospective report.

Report.
PROSPECTUS

$500,000,000

STATE OF ISRAEL

Independence Issue

Two Types of Bonds are Offered in the Aggregate Principal Amount of $500,000,000:

(a) Interest Bearing Bonds, denominated Fifteen Year 3½% Dollar Coupon Bonds.

Dated May 1, 1951

Due May 1, 1966

Offered, at par, in denominations of $500, $1,000, $2,500, $5,000, $10,000, and $100,000.

Interest payable May 1 and November 1. Interest will accrue from the first day of the month following the month in which subscription is accepted by the Bank designated for such purpose. Interest for the unexpired balance of the current semi-annual interest period at the time of sale will be paid in advance at the time of delivery of the Bond.

(b) Capital Appreciation Bonds, denominated Twelve Year Dollar Savings Bonds.

Dated first day of month in which subscription is accepted by the Bank designated for such purpose.

Due 12 years from date. Offered, at par, in issue-amount denominations of $50, $100, $250, $500, $1,000, $2,500, $5,000 and $10,000. Maturity Value: 150% of issue amount.

Both types of bonds are non-transferable and non-assignable, except in certain special instances; each bond is exchangeable by the registered owner for a fully transferable bearer bond on or after May 1, 1954.

Redemption of either type of Bond at the option of the registered owner (or his estate) prior to maturity is limited to (a) redemption upon death or (b) redemption in Israel currency, as set forth in the Bonds.

Either type of Bond is redeemable in whole or in part at the option of the State of Israel on or after May 1, 1956, upon at least 30 days’ notice, at par plus interest accrued to redemption date in the case of Coupon Bonds, or at appreciated principal amount at redemption date in the case of Savings Bonds.

Principal and interest on the Coupon Bonds and appreciated principal on the Savings Bonds are payable at the office or agency of the State of Israel in the Cities of New York, N.Y., Chicago, Illinois or San Francisco, California, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts.

These securities have not been approved or disapproved by the Securities and Exchange Commission nor has the Commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

<table>
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<th>Per Unit</th>
<th>Price to Public</th>
<th>Underwriting Discounts or Commissions*</th>
<th>Proceeds to Government*</th>
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<td>{Coupon Bonds}</td>
<td>100%</td>
<td>3½%</td>
<td>96½%</td>
</tr>
<tr>
<td>{Savings Bonds}</td>
<td>100%</td>
<td>3½%</td>
<td>96½%</td>
</tr>
<tr>
<td>Aggregate Total</td>
<td>$500,000,000</td>
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*The arrangements between the State of Israel and American Financial and Development Corporation for Israel are embodied in an agreement which is summarized under the heading “Summary of Underwriting Agreement” in this prospectus. The amount of discounts and/or commissions is subject to adjustment downward as provided in the agreement. The aggregate proceeds to the State of Israel will depend upon the amount of any such adjustments as well as the total amount of bonds sold.

American Financial and Development Corporation for Israel

The date of this Prospectus is March 28, 1951.
$500,000,000

STATE OF ISRAEL
Independence Issue

PROSPECTUS
Dated, March 28, 1951

AMERICAN FINANCIAL AND DEVELOPMENT CORPORATION FOR ISRAEL
120 BROADWAY, NEW YORK 5, N. Y.
20 FRANK ANSWERS TO YOUR QUESTIONS ABOUT STATE OF ISRAEL BOND

1. Why a State of Israel Bond drive in the U. S. A.?
The $200,000,000 Bond Issue of the State of Israel being floated in the United States is part of a Three-Year Development Plan aimed at a large-scale expansion of Israel's economy, increasing industrial and agricultural production, reducing imports, and making possible the absorption of 600,000 more immigrants by the end of 1953.

The cost of this program is estimated at one and a half billion dollars; one billion dollars to be provided by the people of Israel; one and a half billion to be raised through the Israel Government Bond Issue; the balance to come through private investments, contributions to the United Jewish Appeal and other philanthropies, plus grants-in-aid.

2. What type of Bonds?
Israel Bonds are of two types: (1) Interest-bearing Coupon Bonds, which mature fifteen years from the date of issue; (2) Savings Bonds, which mature twelve years from the date of purchase and are worth 100% of face amount at maturity. Both types are "Dollar Bonds" - payments of interest and principal will be made in the legal tender of the United States. Interest-bearing Coupon Bonds are issued in denominations of $500, $1,000, $2,000, $5,000, $25,000, and $100,000. Savings Bonds are issued in denominations of $500, $1,000, $2,000, $5,000, $10,000, $25,000, $50,000, and $100,000. All Israel Bonds sell at par value.

3. Who may buy Israel Bonds?
The $200,000,000 Israel Bond Issue is offered to all Americans as an

13. When should I buy Israel Bonds?
As soon as possible. The earlier the Independence Issue is launched, the greater will be the material benefit to the people of Israel. Buying out of current cash and out of current assets, the Bond Issue can be financed in no more than three years.

14. Who handles the sales of Israel Bond in the U.S.?
The American Financial & Development Corp. for Israel, Inc. at 123 Broadway, New York, N. Y., is the underwriter for the State of Israel Bond Issue. The Chase
1. Can Israel become self-supporting?

Yes. That is the objective of Israel’s National Development Plan. Before Israel became an independent state, Palestine was well on the way to becoming self-supporting. But now, a country, no matter how stable, can remain self-supporting under the pressure of such an unprecedented immigration.

New Israel must absorb its immigrant population into the economy of the nation in order to achieve self-support. The United States Export-Import Bank, through loans of $125,000,000, has done much to speed Israel’s productive development. As of December 31, 1950, the funded debt was L14,000,000 and the floating debt L2,000,000. The figures do not include any Treasury Bills, because of their relationship to the special Defense Budget which has not been disclosed for security reasons.

The budget of the Government reflects the objectives of the State of Israel to provide for the immigration and absorption of a large number of Jews. From May 15, 1948 to March 31, 1949, receipts were L12,850,000 and expenditures L27,020,000. From April 1, 1949 to March 31, 1950, receipts were L12,670,000 and expenditures L23,200,000. From April 1, 1950 to January 31, 1951, receipts were L11,320,000 and expenditures L11,067,000. These figures do not include Special Defense Budget expenditures or receipts from internal loans financing sums.

4. How do Israeli Bonds affect America’s defense?

American mobilization for defense is based on global strategy... America’s defense lines lie far from our own shores.

Since Israel represents a bastion of democracy in the strategic Middle East, each State of Israel Bond you purchase strengthens America’s defense.

Many of America’s foremost military, diplomatic and economic authorities are convinced that Israel is a vital stronghold for democracy in the Middle East.

5. What is the rate of interest?

Interest on all Israeli Colonial Bonds is at the rate of 3.5% per annum. Interest on Colonial Bonds is paid semi-annually, May 1st and November 1st. On a $10,000 Bond, for example, you receive a total of $175.00 annually in interest.

6. What about redemption on death?

The Government of Israel will redeem three Bonds on the death of the original purchaser, upon the request for payment by the estate. Such redemption may occur at any time following purchase, even if the death occurs during the first three years, if the Bonds are still owned by the original purchaser at the time of death.

7. How about transferability?

The Bonds are not transferable or assignable for the first three years, with certain exceptions, however, in the bond agency agreement. Thereafter, at the option of the purchaser, they may be converted into Israel Bonds and ownership may be transferred. This measure is designed to protect the purchaser from potential market pressure on Israel Bonds, and to assure the flow of cash into Israel’s productive economy during the three critical years.

8. Isn’t philanthropy enough?

No. In the last fiscal year all imported L70,000,000 worth of goods a year. Its exports were L1,952,000. This wide gap cannot possibly be bridged by philanthropy alone.

The capital raised by the $200,000,000 Israel Bond Issue will be invested in productive enterprises which will yield a financial return and, at the same time, in the country’s economic development. Bond capital will be used for the expansion of industry, agriculture, irrigation, communications, electric-power plants. Philanthropic funds are used for definite purposes, the cost of transportation, initial equipment, and similar needs of newcomers; most of whom are precluded from the activities which are not intended to provide a financial return.

9. U.N.A. and the idea of conflict or harmony?

The answer is harmony. United Jewish Appeal philanthropic dollars and Israel Bond investments come from different sources and are directed toward different projects. Contributions made to the United Appeal are tax-free and deductible on your U.S. income-tax. The Bond Issue, on the other hand, is an investment at 3 1/2% interest. In both cases, you are participating in a great humanitarian end.

10. Can Israel Bonds be used as gifts?

Yes! An Israel Bond is an ideal gift for birthdays, Bar Mitzvahs and all traditional celebrations. Your Israel Bond is a gift that will mature at the rate of 3.5% per annum, and is redeemable at a time convenient to the recipient.

11. To what groups should Israel Bonds be sent?

Among the many groups of Jews which may want to give their shares to the purchase of Israel Bonds are: Pension Funds, Estates, Trust Funds, Credit Unions, Foundations, etc. governing what may be done by prospective purchasers.

12. Can I use the Bonds for expenses in Israel?

Yes. State of Israel Bonds may be converted into the purveyor currency at any time while in Israel, and such conversion will be made in full at the rates which result to the bearer.

13. Could I establish a business in Israel with these Bonds?

Yes. For this purpose, the Bonds may be converted into L120,000,000 at any time, at the rate of exchange prevailing at the time of conversion.

14. Why must the Bond Issue be fully subscribed?

More than 1,200,000 Jews now live in Israel. Of these, three million have established the establishment of the State. 6 are expected to arrive by 1953. Israel must have the capital necessary to the expansion of its industry, housing and transportation, construction of new roads and power plants, and the use of its natural resources, in order to keep just pace with this vast human endeavor.

The time for expansion is now. If capital investment through completion of the building a stable society would take generations instead of years. And it will cost us much—not only in money, but in terms of human waste.

The greater the speed with which Israel achieves full employability and the speed with which she can achieve expansion and self-sufficiency.

Further information, including the annual statement of the American Israeli Bond Council for the State of Israel in the United States, may be secured by writing to the American Israeli Bond Council, 128 West 42nd Street, New York, N.Y.
The Age of Welfare for All

(Continued from Page 15) from being anything like "welfare for all;" would have been something like the present as it can be seen in China or India.

The reason why "welfare for all" is still practical politics in the world at large today is because we have tapped a wholly new kind of material resource in discovering how to harness mechanical power to technology. Mankind's hope of better things lies in a permanent industrial revolution.

As a twentieth century non-American sees it, looking back on nineteenth century American history, the American outlook, like all progressive outlooks, is based on a particular experience; and the particular experience that has molded current American ideals to their present shape is that experience of struggling upon a whole continent of virgin arable soil. The ground for the American hope of providing a good life for all was expressed in the two nineteenth century American magic words, "Go West!"

In a nineteenth century agricultural United States the local and temporary existence of empty arable land did indeed give to the wearer party in the economic arena so effective a bargaining power in his dealings with the stronger party that it was possible for the weaker party to win his fair share of welfare without its being necessary to curb the stronger party's freedom of economic action. Even under the very different American conditions of today, enough of these nineteenth century agrarian American circumstances perhaps still survive to be a twentieth century industrial America for the best of both worlds to be still more a realistic political possibility locally in the United States.

By "the best of both worlds" I mean, of course, a maximum of opportunity for all, combined with a minimum of restriction upon a stronger and wealthier minority's freedom of action. But if this state of relative liberty is perhaps still attainable locally in the United States, it certainly is not, any more than it ever has been, political politics in the world at large.

This outlook of the twentieth century world at large is governed, as I see it, by two facts. The first fact is that three-quarters of mankind are today still living the traditional life of an agricultural civilization in which there is no reserve of virgin soil and therefore no possibility of being more than a tiny minority of the population with anything better than have relations out of agricultural production.

But, in this old-fashioned starving agrarian world, the Industrial Revolution has brought with it a hope for all mankind, from the prosperous American technician and farmer to the most miserable Chinese or Indian coolie, of breaking through the iron limits to which the extension of the benefit of civilization has normally been subject in a agricultural society.

This hope is now rapidly dawning in the hearts of the depressed and ignorant peonry that today still constitutes three-quarters of the incipient generation of mankind. They have begun to ask themselves how they can attain these benefits of civilization which a mechanized technology has at last brought within the horizon of every man's hopes. But, considering the greatness of the gulf between present Asian and American circumstances, it seems unlikely that the common Asian and American objective of extending the benefits of civilization to every man by drawing on the new resources of a mechanical technology can be attained in Asia in exactly the American way.

A common goal has to be approached along different roads by people who start their journey toward it from different quarters of the social compass. We must therefore expect to see an ideal which Americans have brought into the world being pursued by Asians and Africans on lines which, in contemporary American eyes, may, at best, look strange and, at worst, look misguided.

How is this depressed three-quarters of mankind going to set about the stupendously difficult task of gaining the benefits of civilization? To begin with, the hundreds of millions of peasants are aware of the relative degree to which Western peoples, nothing is going to stop them from settling to reach a goal which the West seems to them to have attained already. And no doubt only trial and error are going to make them aware of the difficulties in their path which are glaringly manifest to Western eyes.

For us Westerners it is easy to see that the mass of mankind today does not command those resources which have enabled a Western minority within the last two centuries to make some progress toward a wider distribution of the benefits of civilization inside the narrow circle of our Western society. Unlike nineteenth century and twentieth century Europe, they have no great installations of industrial plant, no human capital of modern technical skill, no professionally competent middle class and—most serious deficiency of all—not one of those Western traditions and habits of personal conduct which are the ultimate source of all the (Continued on Page 40)