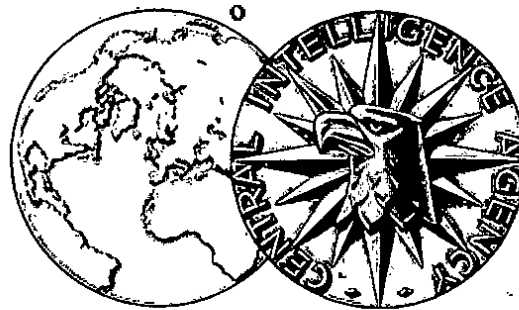


~~SECRET~~

FOR THE ASSISTANT DIRECTOR
FOR REPORTS AND ESTIMATES

46636

THE CURRENT SITUATION IN ISRAEL



ORE 68-49

Published 18 July 1949

This document has been
approved for release through
the HISTORICAL REVIEW PROGRAM of
the Central Intelligence Agency.

Date 21 Jul 92

HRP 92-4

CENTRAL INTELLIGENCE AGENCY

Document No. 00

NO CHANGE in Class.

DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo, Apr 77

Auth: DDA REG 77-1763

Date: 23-07-78 By: 024

~~SECRET~~

235026/1

WARNING

This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 U.S.C., 31 and 32, as amended. Its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

~~SECRET~~

DISSEMINATION NOTICE

1. This copy of this publication is for the information and use of the recipient designated on the front cover and of individuals under the jurisdiction of the recipient's office who require the information for the performance of their official duties. Further dissemination elsewhere in the department to other offices which require the information for the performance of official duties may be authorized by the following:
 - a. Special Assistant to the Secretary of State for Research and Intelligence, for the Department of State
 - b. Director of Intelligence, GS, USA, for the Department of the Army
 - c. Chief, Naval Intelligence, for the Department of the Navy
 - d. Director of Intelligence, USAF, for the Department of the Air Force
 - e. Director of Security and Intelligence, AEC, for the Atomic Energy Commission
 - f. Deputy Director for Intelligence, Joint Staff, for the Joint Staff
 - g. Assistant Director for Collection and Dissemination, CIA, for any other Department or Agency




2. This copy may be either retained or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency by arrangement with the Office of Collection and Dissemination, CIA.

DISTRIBUTION:

Office of the President
National Security Council
National Security Resources Board
Department of State
Office of Secretary of Defense
Department of the Army
Department of the Navy
Department of the Air Force
State-Army-Navy-Air Force Coordinating Committee
Joint Chiefs of Staff
Atomic Energy Commission
Research and Development Board

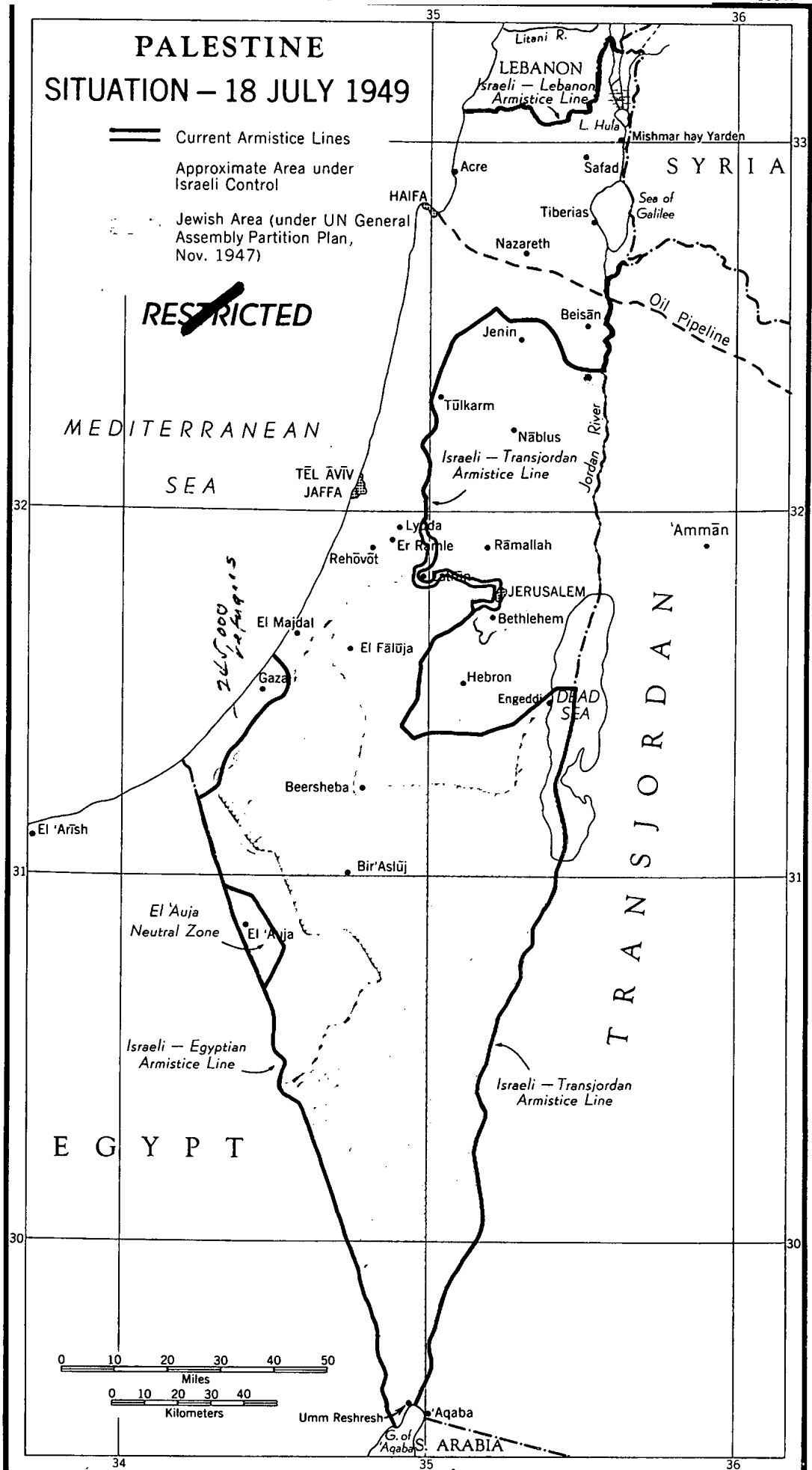
~~SECRET~~

PALESTINE SITUATION - 18 JULY 1949

-  Current Armistice Lines
-  Approximate Area under Israeli Control
-  Jewish Area (under UN General Assembly Partition Plan, Nov. 1947)

~~RESTRICTED~~

MEDITERRANEAN
SEA



MAPS
 C-143
 X-2596

~~SECRET~~

THE CURRENT SITUATION IN ISRAEL

SUMMARY

The present state of Israel represents a remarkable accomplishment. Within little more than a year, the Israelis have set up a democratic government of their own, created an outstanding military force, driven back the Arab armies, and embarked on an ambitious economic development program. Moreover internal stability is temporarily assured by the fact that the MAPAI leaders chiefly responsible for these results not only dominate the present coalition government but also have virtually unanimous support on such basic issues as immigration and territorial matters.

Despite these successes, Israel is beset by serious problems. The attempt to create a viable economy is frankly based on the assumption that foreign aid will continue to be forthcoming for years to come. The financial costs of the war and of the current armed truce are heavy. The high rate of immigration that the government is committed to maintaining has already created economic and social strains which can be exploited by such left-wing opponents of the government as MAPAM. A diminution of foreign aid or failure of Israel's plans for developing both foreign markets and agricultural self-sufficiency would create major economic difficulties. Fundamental among these problems is the fact that Israel remains ostracized by the Arab states along its still undetermined borders.

Israel's outlook is dominated by fears regarding survival and development. Most Israelis believe that Israel should expand to the "natural frontiers" of the Litani and the Jordan Rivers for both military and economic security; toward the Arab states Israel has been adamant in refusing to compromise on

territorial questions, and there are indications that Israel may soon resume its skillful use of seemingly minor military encroachments. The success of such tactics will probably depend on how strongly the US and UK react to them. Israel has also refused to admit any responsibility for the Arab refugees.

The same note of self-interest is evident in Israel's relations with the major powers. Although Israeli leaders are more sympathetic toward the Western than toward the Soviet form of government, they have adopted an official policy of strict neutrality in the East-West conflict in order to retain the diplomatic and logistical support which the Soviet bloc has afforded them in their struggle for independence. Israel's emphasis on the ties which it has developed with the US appears to be largely motivated by the tangible benefits which it has been able to obtain rather than by any basic alignment with the West. The Israeli-US relationship has already become unsettled because of the implacable single-mindedness with which Israel has pursued its objectives, often in disregard of US-backed UN resolutions.

The existence of Israel poses certain problems for the US. Although Israel is linked more closely to the US than to any other foreign power and territorially and otherwise might be of considerable strategic value in time of war, Israel's present policies and its embittered relationships with the Arabs and the British make it difficult to assume either that Israel would cooperate with the US in time of war or that its territory could be fully utilized even if such cooperation were ex-

Note: The intelligence organizations of the Departments of State, Navy, and the Air Force have concurred in this report; the Intelligence Division, Department of the Army, has concurred in the military aspects of the report but had no comment on the remainder. The report is based on information available to CIA as of 15 June 1949.

~~SECRET~~

~~SECRET~~

tended. Meanwhile, the impact of Israel on the Near East has been a disruptive one, the effects of which are likely to persist. For the US, the danger exists that the Jews and the Arabs, potentially friendly to the US and

occupying a strategically vital area, will remain burdened by the high economic and psychological costs of being at war with each other (at least in spirit) to the detriment of the stability of the Near East.

~~SECRET~~

~~SECRET~~

THE CURRENT SITUATION IN ISRAEL

I. Political Situation.

Under Israel's democratic multi-party system every significant shade of political opinion is given representation. Nevertheless, most of the parties have strikingly similar views on certain fundamental aspects of Israel's future. Almost all Israelis subscribe to Zionism's fundamental precept that Israel must remain open to unlimited immigration. Moreover, all major parties assign primary importance to the defense and expansion of Israel and will continue to do so as long as Israel is ringed by hostile Arab states. The UN Partition Plan, which was originally accepted by the majority of Palestine Jews, is largely a dead issue. Most Israelis now feel that Israel should attain its "natural frontiers" by expanding north to the Litani River in Lebanon and east to the River Jordan. Only the right-wing Herut Party demands military expansion into the Hashimite Kingdom of Jordan. Most parties, even though they desire peace on Israeli terms, are aware that overt annexations might incur UN, UK, and US wrath, and they support the present government's circumspect policy of gradual expansion though the skillful combination of political pressure and military threats. The majority of Israelis are also determined to make Jerusalem an integral part of the state, despite repeated UN recommendations for the internationalization of the city.

In spite of general agreement on external objectives, however, the numerous Israeli political parties often differ radically on the methods of achieving the generally accepted aims and on numerous minor issues. Israel is ruled today by a coalition government which in the only elections held thus far (January 1949) won 56 percent of the vote and now controls 72 of the 120 seats in the National Assembly. The coalition, which includes representatives of the religious bloc, the Sephardim,* and the non-Socialist Progressive Party, is dominated by the moderate socialist MAPAI

* The party of the descendants of Spanish and Portuguese Jews.

Party, which directed the Jewish Agency under the Mandate and was responsible for the policies leading to establishment of Israel, the defeat of the Arab armies, and the admission of Israel to the UN. The present government advocates a neutral policy toward the East-West "cold war," unlimited Jewish immigration into Israel, intensive development of Israel's resources under moderate socialist controls, and complete civic equality for all citizens of Israel irrespective of race, religion, or sex. Despite Israel's official policy of neutrality toward the US and the USSR, the MAPAI leaders, who hold the chief Cabinet posts, have emphasized their Western contacts while making no attempt to establish stronger ties with the USSR. This course of action, however, is one calculated to produce specific benefits for Israel. While Israel's acceptance of an Export-Import Bank loan, its decision to send members of the Israeli police force to the US for training, and its request to the US for civil air experts are definite indications that Israeli ties with the US on an official level are increasing, they do not necessarily indicate that Israel is adopting a basic alignment with the US.

Second to MAPAI in strength is MAPAM, a left-wing pro-Soviet socialist party which now constitutes the chief opposition to the government. MAPAM's refusal to accept the principle of collective responsibility barred it from participation in the present coalition; it has subsequently taken good advantage of its independent position to criticize strongly MAPAI's allegedly pro-West foreign policy and MAPAI's refusal to eliminate all evidence of private enterprise from Israel's economy. Although MAPAM's pronouncements are often indistinguishable from the Communist Party line, its version of socialism varies from that of the Soviets and there is little evidence that the USSR has any direct influence over the party as a whole. During the January elections MAPAM refused to join forces with the Israeli Communist Party, primarily because of the latter's refusal to accept the basically

~~SECRET~~

~~SECRET~~

nationalistic concepts of Zionism, but it has since cooperated with the Communists in the Histadruth labor federation. A secondary, right-wing opposition to the government is provided by the Herut Party, the political heir of the former terrorist group, Irgun Zvai Leumi. The Communist Party in Israel is numerically small (3½ percent of the total vote in the January elections) and has very little appeal for the ardently nationalist Israeli because of its direction from abroad and its long opposition to the establishment of an independent Jewish state. However, there are some indications that Communists may be gaining additional adherents among Eastern European immigrants and Palestinian Arabs.

Whether the moderate parties continue in power will depend largely upon their ability to: (1) avoid making significant concessions to the surrounding Arab States; and (2) solve the critical politico-economic problems which are developing, primarily as a result of unlimited immigration. Recent developments indicate that the Israeli Government is much better equipped to cope with the first problem than with the second. Israel's inability effectively to absorb immigrants at the current entry rate of 15,000 or more a month is becoming daily more apparent. In spite of the government's large-scale building and development projects, 60,000 recent immigrants are now crowded in refugee centers waiting for employment and housing. The situation is further complicated by a dangerous inflation, which the government is trying to curb by means of an austerity program. There have already been several large labor-veteran-refugee demonstrations in Tel Aviv, Jerusalem, and Haifa to demand jobs, housing, and a lower cost of living. In one such demonstration in Tel Aviv on May Day, there was evidence of Communist participation.

The Israeli Government is aware of the immediate dangers inherent in the present situation. Unlimited immigration is so fundamental to Zionism and so strongly supported by the Israeli people and press, however, that even a temporary curtailment is politically impossible. An announced change in the government's immigration policy would probably seriously hamper the current \$250 million

United Jewish Appeal in the US, to the inevitable detriment of Israel's development. The Israeli Government can only intensify its efforts to assimilate the new arrivals. This immigration problem will continually threaten MAPAI's dominance, although so long as the government's Arab policy appears to be succeeding, the Israeli people are unlikely to withdraw their confidence from the men who have led Israel so successfully during its first year of existence. The present MAPAI leaders thus have a certain vested political interest in unsettled relations with the Arabs—a factor which (in addition to strategic and economic considerations) may help to explain the increasingly intransigent attitude which the Israeli Government is taking toward the whole question of a Palestine settlement.

2. Economic Situation.

Israel's economy rests on precarious foundations because of three serious factors: (1) the paucity of natural resources in the Palestine area; (2) the increasing cost of supporting a rapidly enlarging population resulting from the constant influx of Jewish refugees; and (3) the oppressive cost of the recent Palestine fighting and the continuing armed truce, both of which have absorbed a substantial portion of Israel's current revenue. Because of the resultant unbalanced economy the new Jewish state has become dependent—for an indefinite period—upon extensive foreign assistance, particularly from US Jewry.

Israel believes that eventually it will become economically viable. During the next ten years, immigration is expected to double the present population of 800,000 Jews (only some 100,000 Arabs now remain in Israel). While the housing and settlement of these immigrants are now creating a problem, the Israelis believe that with the immigrants' aid the undeveloped and relatively barren areas of Palestine can become some of the more productive agricultural and industrial regions of the Middle East. They consider that the implementation of the Jordan River development schemes would permit the expansion of citriculture for the export trade and that the growing of fruit and vegetables for local consumption could also be increased. Israelis also be-

~~SECRET~~

~~SECRET~~

5

lieve that their skilled labor reserve and the power potential which would be available (either from nearby Middle East oil supplies or from hydroelectric sources) will permit a significant increase in industrial development, primarily in light industries (such as diamond cutting, textiles, light machinery) requiring skilled labor and a minimum of raw materials. Economic gains are also anticipated through the expansion of transportation services and the resumption of operations at the Haifa refinery. The Israelis admit that during the time required for the development of these projects they will need financial assistance from abroad.

The Israelis, who have given serious consideration to their economic problems, feel that the following events tend to confirm their optimistic economic estimate: (1) financial contributions are continuing to flow in from abroad, particularly from US Jewry; (2) a loan of \$100 million was recently granted to Israel by the Export-Import Bank; (3) a financial agreement has just been concluded with the UK, whereby a substantial portion of Israel's sterling balances will be unblocked; (4) foreign trade pacts have been signed with Poland, Hungary, and Czechoslovakia; (5) there has been some foreign investment in Israeli commercial enterprises—e.g., the Palestine Economic Corporation; and (6) the inauguration of Israel's domestic austerity program, designed to keep the consumption of imported goods to a minimum, has now taken place.

There is, however, an obverse to every coin. Israel's attack on the major problems noted above is vulnerable in several respects. Any serious diminution of foreign financial aid—for instance, through a US business depression, which would substantially reduce contributions—would strike at the roots of a state so limited in natural resources, particularly since it is anticipated that \$2.5 billion will have to be spent during the next few years to implement the agricultural and industrial schemes and to support the rapidly increasing population. Israel's ability to develop sufficient exports is also open to question; although Israel has certain favorable prospects of becoming a Middle East industrial supply center, Arab

bitterness caused by the Palestine war makes it highly debatable when and to what extent Middle East markets will be available to Israel, while the postwar return of US and other foreign mass-produced goods to world markets will provide severe competition for Israel's high-cost goods. The Haifa refinery is still closed, and there has been no indication of the conditions under which it will reopen. Finally, even with arable acreage substantially increased through expanded irrigation, the country would by no means be assured of agricultural self-sufficiency; the continued necessity of importing food would require the allocation of foreign exchange badly needed for other projects.

On the whole, the unfavorable omens appear to outweigh the favorable ones. A great deal, however, will depend upon the final determination of Israel's boundaries; at present, for example, a large part of the water supply of the Jordan River (the keystone of Israeli development plans) is under Arab control. When these territorial decisions are made, it may perhaps be possible to assess Israel's economic potentialities more accurately.

3. Military Situation.

The Israeli Army, currently totaling approximately 45,000 regular troops and about 100,000 armed civilians, achieved its present stature on the Palestine battlefield as the new Jewish state defended itself against the opposing Arab armies. At the outset of hostilities in May 1948 the fighting force of the embryonic nation consisted of three separate underground forces established during the Mandate period: Hagana, a relatively large paramilitary force under the Jewish Agency, and two independent terrorist groups, Irgun Zvai Leumi and the Stern Gang. During the 1948 UN-imposed truces, the Israeli armed forces received sufficient arms and military equipment from clandestine sources abroad, chiefly from Czechoslovakia and, to a less extent, indirectly from the US, to enable them to transform their initial military inferiority into a definite superiority. In this way they were able not only to defeat the Arab armies one by one but also to win control over almost all of Palestine. After Mediator Bernadotte's assassination in

~~SECRET~~

~~SECRET~~

September 1948 the government consolidated the divergent military groups, amalgamating them into a single armed unit.

By its victories over the Arab armies the Israeli Army has proved itself to be one of the outstanding military forces in the Near East; its over-all capabilities (and its present strategic disposition) put it in a position to push the Arabs entirely out of Palestine. Israeli morale is high as a result of the Palestine military gains. US financial aid and the continuing influx of arms and equipment from satellite countries have resulted in the establishment of a fairly well-equipped land army, a small naval force, and a heterogenous but increasingly effective air force. While the Israeli Army does not compare in strength and effectiveness with that of many middle-sized European nations, it is to be reckoned with not only against any Arab military opposition but also as a potential force which might supplement the army of any friendly Big Power operating in the area. The air force is already the most effective one in the Near East, with the possible exception of that of Turkey, and will become increasingly significant in the area as time goes on.

The Israeli armed forces are almost entirely dependent on outside financial aid and military supplies to maintain or improve their current military standards. While certain small industries in Tel Aviv have produced small arms and ammunition—like the famed "King David" mortar—it was the arms, ammunition, and other military equipment and supplies coming from abroad which enabled Israel effectively to oppose the armies of the neighboring Arab states. If foreign military assistance to Israel should be cut off for more than a short period of time, the Israeli armed forces would be effectively hindered both in carrying out successful attacks against the neighboring Arab states and in defending Israel against an outside military threat.

Future Israeli military plans call for the establishment of a modified Swiss-type standing army, supplemented by semi-military forces in the frontier settlements. There is to be a small modern navy to patrol the coast, and efforts are also being made to develop a large, well-balanced merchant marine de-

signed to assure Israel essential supplies. Plans are practically completed for unifying the army, navy, and air force and for the appointment of a commander-in-chief, who will direct a contemplated mobile police force of about 4,500 men as well as the combined armed forces. The army is seeking to enlarge its staff of experienced officers, most of whom are British-trained, by sending small groups to the US for advanced military training. While the Israeli Government undoubtedly plans the eventual reduction of its armed forces in order to provide a smaller, more efficient, and less costly organization, the current shaky military truce in the Palestine area and the lack of sufficient jobs and housing make it unlikely that more than a token demobilization will take place for some time to come.

4. Foreign Affairs.

a. Relations with the Arab States.

Israel is at war with the Arab states. Although no serious hostilities have occurred since January 1949, the relationship in every other particular between the two antagonists is one of deep distrust and for the most part implacable enmity, and the threat of renewed hostilities in one sector or another is ever present. Neither diplomatic nor economic representatives are exchanged, the only official contact between Jews and Arabs being on a military level in armistice or peace negotiations. Israel's land frontiers are sealed, and trade with the Arab world is non-existent. Egypt refuses to permit ships destined for Israel to traverse the Suez Canal, and Iraq refuses to allow Iraq Petroleum Company oil to flow through the pipeline to Haifa. Although the Arabs remaining in Israel have been permitted to participate (at least nominally) in political activity, the great majority are discriminated against economically. Many have been treated as enemy aliens, and some have been, and continue to be, driven from their homes and land to swell the refugee rolls in the neighboring Arab states. Although the treatment of the indigenous Jewish communities in the Arab countries has been remarkably mild considering the passions that have been aroused, the tendency to tar all Jews with the Zionist brush has increased their fear

~~SECRET~~

~~SECRET~~

7

that they will reap the whirlwind their Western-supported co-religionists have sown in Palestine.

In spite of this somber picture, the UN with the support of the Western Powers, is making a determined effort to liquidate the Palestine war and establish normal relations between Israel and some, at least, of the Arab states. Armistices have been established between Israel and Egypt, Lebanon, and Jordan, and armistice negotiations are now being carried on between Israel and Syria. These four Arab states, as well as Israel, now have representatives at Lausanne discussing with the Palestine Conciliation Commission the basic issues involved and attempting to achieve a comprehensive peace settlement. Although Iraq has withdrawn its army from Palestine, it has joined with Saudi Arabia and Yemen in refusing to enter into either armistice or peace negotiations with Israel. The latter two countries, however, would probably accept any solution agreeable to the other Arab states.

Although the Lausanne Conference has been in session since 22 April, nothing has been accomplished except to make abundantly clear that little basis for agreement between the Jews and Arabs exists. The main questions at issue are the Arab refugees, and Israel's frontiers. On the first question, the Arabs insist that Israel carry out the provisions of the 11 December 1948 General Assembly resolution which stated that those refugees wishing to return to their homes be permitted to do so and that those who did not wish to return be compensated for their lost property. Israel, on the other hand, disclaims any responsibility for the refugees, asserting that they all fled of their own volition. Furthermore, Israel has frankly stated that the refugees have no homes to return to, inasmuch as their homes have either been destroyed or occupied by recent Jewish immigrants. Irrespective of the various arguments regarding ultimate responsibility for the refugee problem, there is little doubt that Israel has now taken deliberate steps permanently to reduce the Arab section of its population to a minimum and that, consequently, the great majority of the 800,000 Arab refugees will have to be resettled outside Israel. This fact alone

will embitter relations between Israel and the Arab states for many years to come.

On the question of Israel's frontiers, the Arabs and Jews are as divided as on the refugee question. During the course of the fighting Israel occupied considerable territory allocated to the Arabs under the General Assembly partition plan, i.e.: Western Galilee, a broad strip between Jerusalem and Tel Aviv, Jaffa, and areas on the Dead Sea and the Egyptian frontiers. Under the terms of the armistice agreement with Jordan, Israel took over additional territory in central Palestine. On top of all these gains Israel has now publicly stated that it would like to obtain the Gaza strip from Egypt, additional areas in central Palestine and around Jerusalem from Jordan, and possibly at some future date a strip of territory in southern Lebanon. It is, furthermore, demanding the Syrian-held salient of Mishmar hay Yarden, the only territory originally allotted to the Jews by the partition plan which is now occupied by an Arab state. This latter claim is the chief stumbling block in the armistice negotiations with Syria.

Although the Arab states would probably now be willing to settle for the original partition boundaries, they also have additional territorial claims. While Egypt might be willing to give up the Gaza strip, provided Israel at the same time took over responsibility for the 200,000 refugees therein, the Egyptians will probably also demand considerable territory in the Negeb in compensation. King Abdullah of Jordan continues to demand a corridor to the Mediterranean and a port thereon, as well as the former Arab towns of Jaffa, Lydda, and Ramle and Arab suburbs around Jerusalem. Syria demands that Israel give up Western Galilee and has even advanced the proposition that Eastern Galilee should also be given up in order to connect Western Galilee with Syria. Lebanon is the only country represented at Lausanne that does not have an extreme claim, although it too insists that Western Galilee should be "Arab." These Israeli and Arab claims are so conflicting that it is difficult to see how they can be reconciled.

There is considerable evidence that Israel would like to see the collapse of the Lausanne

~~SECRET~~

~~SECRET~~

Conference in order that it might enter into direct negotiations, independently of the UN, with the individual Arab states. Israel's army continues to be the major instrument of Israeli foreign policy, and the earlier armistice negotiations clearly indicated that it could be used to much better effect if negotiations were conducted separately and independently with each Arab state. How effective such negotiations would be in establishing peace in Palestine is problematical. Eventually, an "Israeli peace" might be established, but it would probably entail preliminary hostilities and would intensify rather than decrease the present bitterness between the two peoples.

b. Relations with the US, USSR, and the UK.

Although the present Israeli Government, and probably the majority of the people, are far more sympathetic to the Western than to the Soviet form of government, Israel's attitude toward the great powers is strictly governed by self-interest; Israel's leaders undoubtedly feel that they cannot permit ideological considerations or sentimental attachments to interfere with their efforts to insure the survival and development of their country. The central feature of their current policy, accordingly, is that of steering a neutral course between the US and the USSR, not only because a definite alignment with the West would offer no immediate advantages beyond those already enjoyed, but also because of a number of other severely practical considerations. As the bulk of Israel's war matériel during the past year was obtained from Czechoslovakia, Israel is naturally reluctant to do anything that might dry up that source. Without the concurrence of the USSR in this illicit arms trade, Israel would not have had during the fighting, and would not now have, a decisive military advantage over the Arab states. Probably of greater importance to Israel, however, is the presence in the USSR and the Soviet satellites of a large number of Jews. Israel wants to obtain the release of these Jews so that they can emigrate to Israel. The Israeli Government is unlikely to alter its officially neutral attitude toward the US-Soviet struggle until most of

these Jews have left Eastern Europe or until all possibility of their leaving disappears.

A further consideration which has prevented Israel from committing itself to a Western orientation is its bitterness toward and distrust of the UK—an attitude strengthened by the knowledge that the withdrawal of British support would so weaken the Arab states as to permit Israel to write its own ticket in the Near East. Israel realizes that US and UK strategic interests in the Near East are almost identical, that the UK feels that Israel's aims threaten UK strategic interests, and that the US is under great pressure to adopt the British point of view. Israel, therefore, does not wish to antagonize the USSR, which has consistently opposed the British Near East policy and in doing so has indirectly supported Israel's claims. (That the destruction of British influence in the Arab world might promote Soviet penetration of the area is a possibility which does not appear to worry the present Israeli leaders.)

Although Israel has enjoyed particularly friendly relations with the US, the relationship is becoming increasingly unsettled because of the implacable single-mindedness with which Israel has pursued its objectives, particularly in its refusal to abide by UN resolutions supported by the US. Israel, consequently, complains continually of the "unrealistic" attitude of the US. However, the consistent support which the US has given to Israel on major issues, from the time of the UN partition decision through the recent admission of Israel to the UN, has probably persuaded Israel that fundamentally it can depend on US support. Diplomatically, Israel will continue to emphasize its relationship with the US, both to obtain further direct US support and to prevent the US from adopting policies which would strengthen the UK's influential position in the Arab world or otherwise work against Israel's interests.

5. Probable Future Developments.

The remarkable success which Israel has achieved during the past year in establishing its independence cannot obscure the fact that the new nation is confronted with formidable obstacles in consolidating its position. The

~~SECRET~~

~~SECRET~~

9

most fundamental of these obstacles is the fact that Israel is ostracized by the Arab states which hem it in. Israel has repulsed the Arab armies, but it has not eliminated Arab opposition to Zionism. Yet if Israel is to free itself from dependence on outside financial help and from the necessity of maintaining some fifteen percent of its entire population under arms, it must eventually achieve some standing as a member of the Near East community.

The Israelis themselves have expressed confidence that they will be accepted by their Arab neighbors, asserting that Israel is ideally fitted to contribute to the development of the entire Near East by acting as entrepreneur (and as example) to the Arab world. Such a belief, based on economic determinism, is hard to justify, however, in view of the political and sociological factors operative in the region. There is a possibility that in time a moderation of Israel's aggressive nationalism and the progressive westernization of Arab society will produce a relaxation of the bitter antagonism toward Israel which the Arabs now possess. At present, however, the stability required to sustain even a negative peaceful relationship does not exist; Israel's frontiers are still undefined, and both the Arab states and Israel remain apprehensive about each other's intentions.

In the short run, indeed, it appears likely that even the limited stability which has been achieved since last winter will be challenged. Despite the armistice developments of the past five months, little progress has been made toward solution of the fundamental issues dividing the Arabs and the Jews. The dynamic forces which resulted in the establishment of a Zionist state in Palestine are still at work in Israel and will almost certainly produce further friction; even the moderate element which now dominates the Israeli Government would like to obtain additional territory in Palestine before Israel's frontiers are finally delimited. At the same time, the Arab states (particularly Jordan and Syria) have recovered from the initial shock of their military reverses and are unlikely to make further concessions. Arab-Israeli negotiations at Lausanne and elsewhere are already on the verge

of collapse, and current Israeli attitudes suggest that Israel will again resort to military action on one pretext or another. Such action will probably consist of a series of minor encroachments, first in one area, then in another. By such apparently disconnected "incidents," however, Israeli control might gradually be extended over all of Jerusalem, much of the Tulkarm-Jenin area, and other tactically or economically valuable areas in Palestine.

The extent to which Israel can use military means to obtain additional territory is limited by the actions which the UK and the US are willing to take to protect their strategic interests in the area. It is inconceivable, for instance, that the UK would willingly permit Israel to arrogate to itself the dominant position which the British now occupy in the Near East; the UK has already indicated that it is prepared to resume arms shipments to Jordan, Iraq, and Egypt. The US has repeatedly acted to discourage Israeli adventuring. Thus the speed and extent of any future Israeli encroachments will depend largely on the British and US reaction to them. It is probable that the military situation in Palestine will finally become stabilized (and a basis laid for definitive establishment of Israel's frontiers) on the basis of Arab resistance backed by UK military assistance and accompanied by strong US representations. (Although UN machinery will be used to formalize any result, the basic influence will be exerted by the US and the UK.)

It is difficult to assess the advantages which Israel holds for over-all US interests in the Near East. Although the country has a closer relationship with the US than with any other foreign power and might be of considerable strategic value in time of war, its present policies and attitudes provide little solid basis for expecting it to cooperate with the US in the event of hostilities; its strained relations with the UK and its Arab neighbors, moreover, would severely limit its usefulness even if such cooperation were extended. Meanwhile, the impact of Israel on the Near East is not only disruptive but difficult to control. The US and UK will find it extremely difficult to compel the Arabs to extend political and economic

~~SECRET~~

~~SECRET~~

recognition to their new neighbor. At the same time Israel, despite the considerable diplomatic and economic assistance which it has obtained from the US, has indicated clearly that it, too, cannot be easily swayed. For the US, the danger exists that the Jews and

Arabs, potentially friendly to the US and occupying a strategically vital area, will remain burdened by the high economic and psychological costs of being at war with one another, at least in spirit, to the detriment of stability in the Near East.

~~SECRET~~

RECEIVED

1949 JUL 21 14 19

OIC 103E

~~SECRET~~