J.S. Rebuff To Israel on Diamonds

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WASHINGTON, May 27 — The United States today rejected an Israeli request to renew a five-year agreement that would give Israel preferential access to the American strategic stockpile — including the right to buy industrial diamonds at a negotiated price.

Israel wanted the accord continued to bolster its economic security and to provide a guaranteed source of supply for its diamond cutting and polishing industry, which employs 20,000 persons and accounts for 40 percent of export earnings from industrial products.

The strategic stockpile, managed by the General Services Administration, consists of 93 industrial raw materials from aluminum to zinc. It includes industrial diamonds, deemed essential for national defense.

In disclosing the Administration's long-awaited decision, Richard N. Cooper, Under Secretary of State for Economic Affairs, said the accord had become "anachronistic" in light of a new Congressionally mandated legal framework for stockpile disposals.

He also cited domestic criticism of a negotiated $9 million diamond sale to Israel in 1976, which figured in the Congressional rewriting of disposal policy last year. Israel was accused by some people of taking unfair advantage of its rights.

Israeli officials have rejected criticism of the 1976 sale as unwarranted. They have cited what they say is an intention of Congress to give Israel spe-

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cial access to the stockpile. Sales from the surplus stocks are normally by competitive bidding.

The refusal to renew the accord (signed in 1975 by Henry A. Kissinger, then the Secretary of State) came despite a last-minute plea to President Carter from five leading members of the Senate Foreign Releations Committee.

They called for continuation of the agreement on the ground that Israel's access to critical raw materials was very limited or nonexistent and that the American stocks represented a "crucial avenue of supply."

The Administration decision was transmitted to Israel's economic counselor in Washington, Dan Halperin, by Michael Calingaert, Deputy Assistant Secretary of State in the Office of International Resources and Food Policy.

Mr. Halperin had no comment except, "We cannot be very happy."

A stronger reaction came from Bart S. Fisher of the Washington law firm of Patton, Boggs & Blow, which represents Jack Philip & Son Inc., the commercial agent in the United States for the Pituach Diamond Research and Development Company, an Israeli state-owned diamond company.

"If this decision is not anti-Israel, it is at least anti-Begin," said Mr. Fisher, referring to Prime Minister Menachem Begin. "It represents another tilt against Israel."

He added, "We will not let this thing roll over on us but will take it up with our friends on the Hill."

The members of the Senate Foreign Relations Committee who signed the letter to President Carter include the chairman, Frank Church, Democrat of Idaho; the ranking minority member, Jacob K. Javits, Republican of New York; Joseph R. Biden Jr., Democrat of Delaware; Paul S. Sarbanes, Democrat of Maryland, and Richard S. Stone, Democrat of Florida.

Under Secretary Cooper said Israel would have a fair chance to bid on the diamonds. "We gave Israel an assurance that it would have nondiscriminatory access," he said.

Israel wanted the agreement renewed because the United States stockpile is the only main source of supply for industrial diamonds aside from South Africa's de Beers diamond cartel. Last year de Beers imposed a 40 percent surcharge on diamonds destined for Israel and also cut back the allocations, according to Mr. Fisher.

The Israeli artisans are able to make gem stones from the higher grade of industrial diamonds, normally used as industrial cutting materials.

Last year Israel sold $1.5 billion of such stones, a 50 percent increase over the 1978 level.