

UNITED NATIONS

General Assembly



Distr.
RESTRICTED

A/AC.21/UK/38
24 February 1948



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UNITED NATIONS PALESTINE COMMISSION
Communication Received from United Kingdom Delegation
Concerning Financial Arrangements in Regard to Palestine

The following communication, concerning financial arrangements to preserve the resources of Palestine, has been received from Mr. Creech-Jones, United Kingdom Secretary of State for the Colonies.

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24 February 1948

UNITED KINGDOM DELEGATION TO THE UNITED NATIONS
Empire State Building
New York 1, N.Y.

No. 75/46/48

21st February, 1948

My dear Mr. Lisicky

I enclose, for the information of the Palestine Commission, a copy of a Statement by His Majesty's Government in regard to certain financial arrangements which they are making in order to preserve the resources of Palestine for the use of the new States and to safeguard the balance of payments position of the sterling area.

This statement is being released for publication in the United Kingdom at 1.00 a.m., London time, tomorrow, 22nd February.

I am also sending a copy of this letter and the statement to Dr. Bunche.

Yours sincerely,

A. Creech Jones)

Monsieur A. Lisicky,
Chairman, The United Nations
Palestine Commission,
Lake Success, L.I.

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24 February 1948

STATEMENT BY HIS MAJESTY'S GOVERNMENT

The approaching termination of the Palestine Mandate has made it necessary for His Majesty's Government to consider what financial arrangements should be made in order to preserve the resources of Palestine for the use of the new States and to safeguard the balance of payments position of the sterling area. His Majesty's Government are resolved to do all in their power to prevent damage to the financial and economic structure of Palestine during the period of their withdrawal.

2. During the period of the mandate, Palestine has been a member of the sterling area. She is also the holder of sterling balances, the present total of which is about £100,000; a large amount in proportion to the size of the country. These balances have been drawn on rapidly in recent months so that the resources of Palestine, which will be needed for the development of the country, are in danger of being unduly depleted and the balance of payments problem of the sterling area is aggravated.

3. As in the case of other countries holding large balances - e.g. India, Egypt, and Iraq - the only way in which the drain can be stopped is by blocking the greater part of the balances. His Majesty's Government have decided therefore that the balances of Palestine must be similarly blocked and have taken steps accordingly. In order to provide immediately for the carrying on of Palestine's normal international trade, His Majesty's Government will make available from those balances during the remaining period of the Mandate and subsequently the resources which they are satisfied are necessary.

4. For immediate requirements, £7,000,000 are being released in order to provide £4,000,000 as working balances for the banks in Palestine and £3,000,000 to be used together with current accruals of sterling which will be at Palestine's disposal for current expenditure until the middle of May. The amounts of these releases have been arrived at after careful consideration and consultation with the present Administration and His Majesty's Government are satisfied that they should prove sufficient to enable Palestine to meet all her essential needs during that period. Future policy for release from the sterling balances will be the subject of consultation between His Majesty's Government's representative at the United Nations, Sir Alexander Cadogan, and the Commission for Palestine which has been established by

the United Nations, and the views of the Commission will be given full consideration in the formation of policy in regard to future releases. As soon as the Joint Economic Board is established, His Majesty's Government will also initiate discussions with the Board for the same purpose.

5. In the special circumstances of Palestine, where His Majesty's Government must assume that, for a period at least, a thorough and comprehensive exchange control will be lacking, the blocking of the balances would not entirely safeguard the resources of Palestine or of the sterling area. If His Majesty's Government allowed a situation to continue in which leakages could occur, they would not be carrying out their responsibilities to the sterling area or to Palestine. His Majesty's Government therefore consider it desirable that Palestine should not remain a member of the sterling area and she has ceased to be a member from Sunday, 22nd February, 1948, the date on which the balances have been blocked. Should the Successor Governments desire it, His Majesty's Government will be ready to discuss with them the question of their re-admission to the sterling area.

6. As regards currency arrangements, the existing Currency Board, subject to any necessary changes in procedure, will continue to function in the interests of the holders of currency and of Palestine generally pending an orderly transition to whatever arrangements may in due course be made for the future management of the currency. His Majesty's Government hope it will be possible for the United Nations Commission, if they so desire, to appoint a representative to act as an observer at the deliberations of the Currency Board.

United Kingdom Delegation to the
United Nations

21st February, 1948.

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