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UNITED NATIONS PALESTINE COMMISSION

Communication received from Jewish Agency Concerning
Liabilities and Assets of Palestine Government.

The following communication, concerning liabilities and assets
of the Government of Palestine, has been received from Mr. Lourie of
the Jewish Agency for Palestine.

THE JEWISH AGENCY FOR PALESTINE
16 East 66th Street
New York 21, N.Y.

April 8, 1948

Dr. Ralph J. Bunche
Principal Secretary
United Nations Palestine Commission
Lake Success, New York

Dear Dr. Bunche:

I write to acknowledge with thanks the receipt of your letter of April 6th enclosing a confidential letter dated March 22nd which the Commission received from the United Kingdom Delegation concerning liabilities and assets of the Government of Palestine. On behalf of the Jewish Agency for Palestine I am directed to offer the following comments:

1. In terms of Paragraph E.2 of Part I of the Plan contained in the General Assembly Resolution of November 29, 1947, specific mention is made of "the proceeds of Government bond issues", as included among the assets in regard to which the Mandatory Power is required to consult with the United Nations Palestine Commission. The Mandatory Power, however, as appears from the letter of the United Kingdom Delegation, has disregarded this requirement and is now simply acquainting the United Nations Palestine Commission with accomplished facts in this connection.
2. The above mentioned Paragraph of the Plan of the General Assembly placed the Commission in the position of a trustee for the successor states, and imposes on the Commission a special duty to watch over their interests in the disposal (except in the course of ordinary operations) of the assets generally of the Palestine Government and, in particular, of the assets now disposed of. The action of the Mandatory Power has rendered it impossible for the Commission to comply with the duty imposed on it by the General Assembly.
3. It is suggested that the Commission cannot take note of the British Delegation's communication without commenting in such terms as it may deem proper, on this failure to defer to the General Assembly and its organs.
4. The loan by the Mandatory Government to the Municipality of Tel-Aviv is not one to which the Jewish Agency, had the Commission been properly consulted and had it invited the Agency's comment, would have objected. The question might have been raised whether the whole transaction could not usefully have been postponed, but the Jewish Agency has no wish to insist on that point at the present late hour and the purpose of the loan undoubtedly falls within the scope of the purposes to which the proceeds of the Bearer Bonds were to be devoted.
5. The position is different in respect of the loan to the Municipality of Haifa. The Municipality took action only in order to prevent something worse. The Haifa Harbour Estate, to which the British Delegation refer in their letter, was reclaimed from the sea when the Haifa Harbour was built. The construction of that harbour was financed out of the proceeds of the Palestine Loan 1963/67, and it was rightly decided that the asset, thus created, at the cost of a burden imposed on the community as a whole, should remain in perpetuity an asset of the community as a whole, represented for that purpose by the Government of Palestine.

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6. What the Government proposed to do, as indicated in the Delegation's letter, was to dispose of this national asset to individuals, in order to produce liquid funds. The indignation provoked by this project rendered its execution impossible and was, incidentally, one of the main causes for the insertion of Paragraph E 2(Part I) into the Resolution of the General Assembly.

7. The loan to the Municipality and the sale to it of the Harbour Estate will result in the conversion of a national asset, created at the cost of a nationally imposed burden, into a municipal asset. The reclamation of the Harbour Estate had been financed years ago at a cost of £ 750,000 from the Palestine Government loan above mentioned which is being repaid out of the pockets of the people of Palestine. A further £ 750,000 has now been allocated from the proceeds of the Bearer Bonds Issue, again a liability of the people of Palestine, in order to finance its transfer to the Municipality of Haifa -- a total of £1,500,000. As against this the people of Palestine now remain with a claim for £ 750,000 against the Municipality of Haifa while a further £ 750,000 has been disbursed by the Mandatory Power for budget purposes whose propriety has still to be confirmed.

8. The Jewish State, moreover, is faced with the fact that an immovable asset which under Paragraph E 1 of Part I of the Plan should have become its property, is at this late hour, and through a transaction on which the Commission was not consulted, and on which the Jewish Agency has not been able to pronounce itself, converted into a movable asset which (under the same Paragraph) is to be allocated to the Arab and Jewish States and the City of Jerusalem on an equitable basis. It is submitted that the entire transaction is objectionable and improper and the Jewish Agency reserves all the rights of the Jewish State to raise this point when the matter of the allocation on an equitable basis of this particular asset will be raised.

Yours sincerely,

Arthur Lourie
Director
New York Office

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