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UNITED NATIONS PALESTINE COMMISSION

FIRST DRAFT OF SPECIAL REPORT TO THE SECOND
SPECIAL SESSION OF THE GENERAL ASSEMBLY

(Prepared by the Secretariat)

The United Nations Palestine Commission herewith renders to the Second Special Session of the General Assembly a special report on its activities to date in pursuance of the resolution of the General Assembly on the Future Government of Palestine adopted on 29 November 1947 (document A/516).

I. ORGANISATION AND PROCEDURE OF THE COMMISSION

1. Establishment and Meetings of the Commission

a) The resolution on the Future Government of Palestine adopted by the General Assembly on 29 November 1947, provides for the establishment of a Commission charged with direct responsibility for implementing the Plan of Partition with Economic Union. The following Member States, having been elected to the Commission by the General Assembly, designated their representatives as follows:

BOLIVIA.....Mr. Raul Diez de Medina
CZECHOSLOVAKIA.....Mr. Karel Lisicky
DENMARK.....Mr. Per Federspiel
PANAMA.....Dr. Eduardo Morgan
PHILIPPINES.....Senator Vicente J. Francisco

b) The Commission assembled for its first meeting at Lake Success on 9 January 1948. It elected the following officers:

Mr. Karel Lisicky (Czechoslovakia) CHAIRMAN
Mr. Raul Diez de Medina (Bolivia) VICE-CHAIRMAN

c) The Commission has held meetings between 9 January and 9 April 1948.

d) Since the Commission's work, in the nature of the case, has been primarily executive rather than deliberative, involving extensive negotiations and confidential information, all but the first of its meetings have been held in private. Verbal briefings have been given to the press after each meeting, and the Commission itself has held three press conferences.

e) The Commission adopted provisional rules of procedure in the course of its fifth and sixth meetings on 14 January 1948, but has necessarily emphasized informality in the conduct of its business.

2. Dates Having Significance for the Commission's Work

In its preliminary study of the Plan of Partition with Economic Union, the Commission noted the following dates which were directly relevant to its work during the "transitional period" which had been defined as "the period between the adoption by the General Assembly of its recommendation on the

question of Palestine and the establishment of the independence of the Arab and Jewish States" (Part I, A, 4 of the Plan):

a) 1 February 1948. The Plan (Part I, A, 2) recommended that the Mandatory Power "shall use its best endeavours" to ensure the evacuation not later than that date of an area situated in the territory of the Jewish State, including a seaport and hinterland adequate to provide facilities for substantial immigration.

b) 1 April 1948. By this date the Commission, following consultation with democratic parties and public organisations, was to have selected and established in the Arab and Jewish States Provisional Councils of Government, or failing to have established them in either of the two States, or finding that they could not carry out their functions, the Commission was directed to communicate this fact to the Security Council "for such action with respect to that State as the Security Council may deem proper, and to the Secretary-General for communication to the Members of the United Nations" (Part I, B, 4 of the Plan).

By this same date, if the Provisional Councils of Government had not entered into the Undertaking with respect to Economic Union and Transit, "the Undertaking shall be put into force by the Commission" (Part I, D, 1 of the Plan).

c) 29 April 1948. Ultimate date for approval by the Trusteeship Council of the detailed statute for the City of Jerusalem (Part III, C of the Plan).

d) 1 August 1948. Ultimate date for the termination of the Mandate and for the complete withdrawal from Palestine of the armed forces of the Mandatory Power (Part I, A, 1 & 2 of the Plan).

e) 1 October 1948. Ultimate date for the establishment of independent Arab and Jewish States and the special International Regime for the City of Jerusalem (Part I, A, 3 of the Plan).

While other time-limit dates were not definitely fixed, various actions were supposed to be taken in a certain order and at a certain time according to

the provisions of the Plan. Thus, the transfer of the administration of Palestine to the Commission is linked in the Plan with the withdrawal of British armed forces. According to Part I, B, 2 "the administration of Palestine shall, as the Mandatory Power withdraws its armed forces, be progressively turned over to the Commission". It was thus contemplated that the Commission should arrive in Palestine to take over progressively the areas which would be evacuated by British troops.

The Plan also provides that "on its arrival in Palestine the Commission shall proceed to carry out measures for the establishment of the frontiers of the Arab and Jewish States and the City of Jerusalem in accordance with the general lines of the recommendations of the General Assembly on the partition of Palestine" (Part I, B, 3).

The paragraph relating to "measures for the establishment of boundaries" (Part I, B, 3) is followed by the provision referred to above concerning the setting up in each State of a Provisional Council of Government.

The early functioning of Provisional Councils of Government in the two States is an important part of the Plan. It was clear that the Commission would not be equipped to administer for any length of time the areas of Palestine which would be transferred to it, but that it would turn them over to the Provisional Council of Government concerned. The Plan (Part I, B, 6) stipulates that "the Provisional Council of Government of each State, acting under the Commission, shall progressively receive from the Commission full responsibility for the administration of that State in the period between the termination of the Mandate and the establishment of the State's independence". It is for the Provisional Council of Government of each State, acting under the Commission, to establish within each State administrative organs of government, central and local and "within the shortest time possible, recruit an armed militia from the residents of that State, sufficient in number to maintain internal order and to prevent frontier clashes".

The above political provisions do not cover all the duties which the Commission has to perform during the first months of the transitional period. The

General Assembly adopted a "plan of partition with economic union". According to Part I, B, 11 of the Plan, "the Commission shall appoint a Preparatory Economic Commission of three members to make whatever arrangements are possible for economic co-operation, with a view to establishing, as soon as practicable, the Economic Union and the Joint Economic Board, as provided in Section D below". As stated above, by 1 April 1948, the Provisional Councils of Government were to enter into the Undertaking with respect to Economic Union and Transit.

With respect to the assets of Palestine, the Plan (Part I, E, 2) provides that "during the period between the appointment of the United Nations Commission and the termination of the Mandate, the Mandatory Power shall, except in respect of ordinary operations consult with the Commission on any measure which it may contemplate involving the liquidation, disposal or encumbering of the assets of the Palestine Government, such as the accumulated treasury surplus, the proceeds of Government bond issues, State lands or any other assets".

5. Tasks of the Commission

a) The Commission's interpretation of its role has been that, under direct mandate from the General Assembly, it is to take all steps consistent with the authority given it by the resolution of the Assembly to put into effect in Palestine the Plan of Partition with Economic Union. At a very early stage in its work the Commission became aware of the enormous responsibilities which had been entrusted to it by the Assembly.

b) Among the major tasks confronting the Commission in giving effect to the recommendations of the Assembly are the following:

1) Arranging for the progressive transfer of administrative authority from the Mandatory Power to the Commission as envisaged in the resolution;

ii) Conducting the consultations and negotiations essential to the selection, establishment and functioning of the projected Provisional Councils of Government;

iii) Supervision of the functioning of the Provisional Councils of Government when they would begin to function, including the main-

cessation of public order in the transitional period following the termination of the Mandate;

iv) Delimitation of the frontiers of the Arab and Jewish States and the City of Jerusalem;

v) Negotiations with the Mandatory Power and with the parties directly concerned on the formation of the armed militia in each of the proposed States, selection of their high commands, and exercise of political and military control over their functioning;

vi) The preparatory work in connection with the establishment of the Economic Union, including the formation of the Preparatory Economic Commission, and the maintenance of continuity in the economic services with which it will be concerned in the transitional period;

vii) Negotiations with the Mandatory Power on the allocation and distribution of Palestine assets;

viii) Ensuring continuity of administrative and essential public services following the termination of the Mandate;

ix) Preparing the ground for the application of the United Nations Statute to the City of Jerusalem;

x) Providing for the protection of the Holy Places.

The Commission has concentrated its attention on these major tasks and the numerous detailed problems relating to them.

6. Invitation to the Mandatory Power, the Arab Higher Committee and the Jewish Agency for Palestine

At the outset of its work the Commission recognized the importance to the execution of the Plan of some readiness to co-operate, or at least not to obstruct, on the part of the Mandatory Power and the Arab and Jewish communities. The General Assembly had recognized the Arab Higher Committee and the Jewish Agency for Palestine as qualified spokesmen for their respective communities. While bearing in mind that it would need to consult other organisations, particularly with a view to selecting the two Provisional Councils of Government, the Commission

decided at its first meeting to request the Secretary-General to extend to the Arab Higher Committee and the Jewish Agency, the same invitation which was being extended to the Mandatory Power, "to designate such representatives as it may determine, who shall be available to the Commission for such authoritative information and other assistance as the Commission may require in the discharge of its functions".

The invitation was accepted by the Mandatory Power, who designated Sir Alexander Cadogan as its representative, and by the Jewish Agency, who designated Mr. Moshe Shertok. The Arab Higher Committee informed the Secretary-General by telegram on 19 January that it was unable to accept the invitation extended to it, and that it was "determined persist in rejection partition and in refusal recognize UNO resolution this respect and anything deriving therefrom".

The Commission realized the implications of the attitude taken by the Arab Higher Committee. The Plan of the General Assembly, however, had foreseen that it might not be possible to select or if selected, to have functioning, a Provisional Council for one or other of the States by 1 April, and had provided that the matter was to be reported to the Security Council for such action with respect to that State as the Security Council might deem proper. The Commission, despite the refusal of the Arab Higher Committee to consult, accordingly decided to proceed with its work and undertook its consultations with the Mandatory Power and the Jewish Agency.

7. Reports of the Commission to the Security Council

The Plan (Part I, C, 14) provides that "the Commission shall be guided in its activities by the recommendations of the General Assembly and by such instructions as the Security Council may consider necessary to issue... The Commission shall render monthly periodic progress reports, or more frequently if desirable, to the Security Council."

The Commission has rendered to the Security Council two monthly reports (S/663, S/695, dated 29 January and 12 March 1948, respectively). It has also found it necessary to present to the Security Council a special report on the Problem of Security in Palestine (S/676, dated 16 February 1948).

II. MAJOR DIFFICULTIES CONFRONTING THE COMMISSION

1. Position of the Mandatory Power

a) Implementation of the Resolution:

The attitude of the Mandatory Power regarding the implementation of the resolution of the General Assembly had been revealed during the last regular session of the General Assembly. Sir Alexander Cadogan stated before the Commission that his Government

"will endeavor to give the Commission the benefit of their experience and knowledge of the situation in Palestine, subject always to their decision that they are unable to take part in the implementation of the United Nations plan. That is, of course, in accordance with the statement made originally to the General Assembly by the Colonial Secretary to the effect that we could not alone implement any plan not accepted by both sides; and that as regards joining in any implementation, that would depend on two conditions. The Commission will remember that one was the inherent justice of the plan, and the other was the degree of force requisite for its implementation."

This attitude of the Mandatory Power was bound to confine its co-operation with the Commission within very narrow limits. The Mandatory Power recognized the Commission as the successor authority to which it would hand over the Government of Palestine, but such handing over was to take place irrespective of specific provisions of the plan by which the Mandatory Power, unlike the Commission, did not feel that it was any way bound.

b) Rejection of Progressive Transfer of Authority:

Although the Plan (Part I,B,2) provided that "the Mandatory Power shall to the fullest possible extent co-ordinate its plans for withdrawal with the plans of the Commission to take over and administer areas which have been evacuated", the Commission was informed:

1) that the withdrawal of British forces would be completed by 1 August 1948 (the time-limit fixed by the General Assembly), ^{and} but that the plans of ^{gradual} withdrawal had been fixed, ^{This} which precluded ~~any~~ co-ordination of the plans of the Commission with those of the Mandatory Power, except in the sense that the Commission had to accept the plans of the Mandatory Power and adapt its own plans accordingly.

11) that the Mandatory Power had decided to lay down the Mandate and terminate the Mandatory Administration on 15 May 1948. There would be no transfer of any authority to the Commission before that date. While the progressive withdrawal of British troops was to be well under way by 15 May, the Mandatory Power would retain undivided control over the whole of Palestine until that date, when they would ^{it} ~~abruptly~~ relinquish responsibility ^{and not piecemeal} for the government as a whole. The whole of Palestine would then be "at the disposal of the Commission subject to overriding control by the General Officer Commanding in those areas in which he is in military occupation, which will be progressively reduced."

c) Date ^{of} Commission's Arrival in Palestine:

While the "whole of Palestine would be at the disposal of the Commission" after 15 May 1948, subject to the reservation above mentioned, it was not the intention of the Mandatory Power to facilitate in any way the implementation of the resolution of the General Assembly, other than by furnishing information and advice. Thus, the Commission was advised that "His Majesty's Government would not regard favourably any proposal by the Commission to proceed to Palestine earlier than two weeks before the date of the termination of the Mandate". ^{And this position can support} ^{in some cases}

d) ~~Attitude toward Other Provisions~~ of the Plan:

The Commission was advised that the Mandatory Power "cannot facilitate the delimitation of frontiers on the ground prior to the termination of the Mandate"; that the Provisional Councils of Government ^{in this position can resist a demand} which the Commission might select "could not exercise any authority

prior to the termination of the Mandate"; that, despite the necessity for making advance preparations in order to have the armed militias in effective operation, the Mandatory Power "cannot allow the formation of such forces prior to the termination of the Mandate"; that, in spite of the Commission's desire to ensure continuity in the administrative machinery of Palestine, "there can be no question of the outgoing authority handing over to the Commission their former servants (not only British, but also Palestinian) under any obligation, by the terms of their employment, to continue service with the Commission.... British personnel cannot be seconded to the staff of the United Nations Commission for service in Palestine because His Majesty's Government in the United Kingdom has frequently made it clear that they are unable to provide any part of the machinery of implementation...."

e) Explanation of Mandatory Power:

The Mandatory Power has explained its negative policy not only by its desire not to co-operate in the implementation of the resolution of the General Assembly, but also by the security situation in Palestine. It has several times indicated its anxiety not to take or permit any action which might aggravate the situation, while it retains responsibility for the government of Palestine. [Such a policy has not helped in preparing for the much graver conditions which are likely to follow the termination of the Mandate. By systematically and rigidly limiting its responsibilities to the present situation, the Mandatory Power has rendered much more difficult the work of any successor authorities.]

Under implications

f) Evacuation of Seaport and Hinterland:

The attitude of the Mandatory Power in regard to the plan adopted by the General Assembly was made clear from the very beginning, in connection with the first date which it had been asked by the General Assembly to observe. The Commission had inquired of the Mandatory Power as to

its plans regarding the recommendation in Part I,A,2 of the Assembly's resolution regarding the evacuation by 1 February of a seaport and hinterland to provide facilities for a substantial Jewish immigration.

The answer was: "His Majesty's Government have repeatedly made it clear that, so long as a Mandatory regime is maintained, they must retain undivided control over the whole of Palestine. For this reason, it is not possible for my Government to comply with the recommendation concerning the evacuation of a Jewish port and hinterland, so long as the Mandate continues".

In addition to the above-quoted formal answer to this question, Sir Alexander Cadogan also informed the Committee that:

"His Majesty's Government in the United Kingdom have given the most careful consideration to the possibility of implementing this part of the Assembly's resolution. They felt compelled to reach their decision that they cannot fulfil the Assembly's recommendation, first, because its fulfilment would be contrary to their conclusion that it is impossible for them to lay down the Mandate piecemeal; secondly, because the opening of a Jewish seaport to the introduction of unlimited numbers of Jewish immigrants and possibly to the unregulated importation of arms, would undoubtedly produce a most serious deterioration of the security situation in Palestine with incalculable effects upon the maintenance of the Mandatory administration, the preparations for the withdrawal of the British element in the administrative machine, and the evacuation of British troops and stores which is already proceeding".

The above answer summarizes all the arguments invoked by the Mandatory Power to support its policy of non-implementation: its undivided responsibilities so long as the Mandate continues; the effect of any action on the security situation during the Mandatory administration, and the withdrawal of that administration and of British troops.

f. Implications for the Commission of the Position of the
Mandatory Power:

The Commission could not change these fundamental attitudes of
the British Government. It has had to resign itself to them and to
negotiate with a view to adapting its plans for carrying on ^{the admin of} Palestine
after 15 May to the plans of the United Kingdom Government to abandon
its responsibilities as a whole, while affording the successor authority
no help which, in ^{its} their view, would constitute implementation of the
Assembly's resolution.

These attitudes of the Mandatory Power have had wide ramifications
with regard to the work of the Commission. Because of them the Palestine
administration has been unable to take any steps or to pursue any measures
which would be designed to prepare the ground for the Plan. This has
been particularly serious in view of the inability of the Commission
itself to be in Palestine. The Commission has fully realized that the
refusal of the Mandatory Power to co-operate in implementing the Plan,
the rejection of any progressive transfer of authority, and the inability
of the Commission to be in Palestine constitute a serious jeopardy to the
successful discharge of ^{the Commission's} its responsibilities.

2. Arab Opposition

The Arab Higher Committee, as indicated above, has continued to reject the
resolution of the Assembly and has refused to co-operate with the Commission.
Moreover, as promised by Arab spokesmen during the last regular session of
the Assembly, opposition to the resolution of 29 November 1947 ^{has} immediately
^{assumed} taken the form of armed resistance. The extensiveness of the frontiers of
Palestine with the neighboring Arab States, and the apparent ease with which
they may be crossed, even when British troops are still in the country, has
facilitated such resistance by providing it with increasing numbers of arms and
men. This factor, which was not unforeseen, has greatly increased the difficulty

of implementing the resolution of the Assembly. It is not only the Arab State, envisaged in the resolution, which cannot now be constituted according to the Plan, but the projected Jewish State and the international regime for the City of Jerusalem, the setting-up of both of which Arab leaders are bent on preventing, are also in great danger.

The Commission ^{was compelled} has had to report to the Security Council that "powerful Arab interests, both inside and outside Palestine, are defying the resolution of the General Assembly and are engaged in a deliberate effort to alter by force the settlement envisaged therein". In this connection a communication of 6 February addressed to the Secretary-General by the representative of the Arab Higher Committee, set forth the following conclusions of the Arab Higher Committee Delegation:

"a. The Arabs of Palestine will never recognize the validity of the extorted partition recommendations or the authority of the United Nations to make them.

"b. The Arabs of Palestine consider that any attempt by the Jews or any power or group of powers to establish a Jewish State in Arab territory is an act of aggression which will be resisted in self-defense by force.

"c. It is very unwise and fruitless to ask any commission to proceed to Palestine because not a single Arab will co-operate with the said Commission.

"d. The United Nations or its Commission should not be misled to believe that its efforts in the partition plan will meet with any success. It will be far better for the eclipsed prestige of this organization not to start on this adventure.

"e. The United Nations prestige will be better served by abandoning, not enforcing such an injustice.

"f. The determination of every Arab in Palestine is to oppose in every way the partition of that country.

"g. The Arabs of Palestine made a solemn declaration before the United Nations, before God and history, that they will never submit or yield to any power going to Palestine to enforce partition.

"The only way to establish partition is first to wipe them out -- man, woman, and child."

Arab opposition to the Plan of the Assembly has taken the form of organized efforts by strong Arab elements both inside and outside of Palestine to prevent its implementation and to thwart its objectives by threats and acts of violence, including armed incursions into Palestinian territory. As a result, the Commission has been unable to take any step forward with regard to the proposed Arab State and has been seriously obstructed in its efforts to implement the other provisions of the Plan.

3. Strife in Palestine; Deterioration in Administration, Law and Order

As a result of Arab armed opposition to the resolution of the General Assembly, and counter or preventive measures taken by the organized Jewish community and its extremist elements, Palestine is now a battlefield. Unless a truce is negotiated and observed, the ensuing weeks will witness an intensification of the struggle.

Mounting disorder, resulting from the internal conflict, is accompanied and facilitated by steady deterioration in administration, which is a by-product of the process of civil and military withdrawal being pursued by the Mandatory Power. The Mandatory Power, insisting on undivided control until 15 May, states that "civil administration will be maintained throughout Palestine as far as the security situation permits". As early as 14 January 1948, Sir Alexander Cadogan, reviewing the situation, stated that since the first week in December 1947 the situation had deteriorated rapidly. Violent conflict between the two communities had been intensified; courts and essential government services had been either unable to operate or were seriously crippled; there was but one month's supply of certain types of fuel oil in the country; there was general insecurity; communications were obstructed; the collection of public revenue was expected to drop sharply; "generally speaking, there has been a

severe deterioration in the functions and authority of Civil Government."

Such was the situation which confronted the Commission at the very beginning of its work. That situation was bound to worsen as the date announced for the termination of the Mandate approached. The Commission has exerted every effort in its consultations with the Mandatory Power and the Jewish Agency and in its reports to the Security Council, to direct attention to the perilous situation in Palestine; to emphasize the urgency of the time factor; and to give warning of the heavy responsibilities which would be incurred if the situation were allowed to deteriorate still further. The Commission has indicated the remedies which were necessary and the preparations which must be made urgently with a view to preventing a complete collapse of law and order on the date of the termination of the Mandate.

III. THE WORK OF THE COMMISSION: CONSULTATIONS, ADMINISTRATIVE, AND SECURITY PROBLEMS

1. Procedure

The Commission, unable to proceed to Palestine before 1 May, for any purpose, obtained from the Mandatory Power as much information as possible through a series of questions and answers and through informal conversations.

The procedure of informal consultations was also followed with the Jewish Agency.

2. Advance Party

In response to a suggestion by the Mandatory Power that although the Commission itself could not come to Palestine at the time, it might wish to send a few members of its staff "for the purpose of finding accommodations and making arrangements for necessary facilities" with the Palestine Government, the Commission, after negotiations on the matter, decided to send an advance party to Palestine composed of six members of the Secretariat for purposes of observation and exploratory discussions. The advance party arrived in Palestine early in March and has since worked in Jerusalem under the protection of the Palestine Government. Their reports have helped the Commission to appreciate the development of the situation in Palestine during the last few weeks. They have also been of great assistance in the negotiations which have been pursued with the Mandatory Power. The reports have stressed that de facto partition has been taking shape day-by-day in Palestine,

[NOTE: Section a) Administrative Problems, is still in preparation and will be circulated later, for insertion at this point.] -

b) The Security Problem

The security problem is the main problem of Palestine today. In its first monthly report to the Security Council dated 29 January 1948, (S/663), the Commission indicated that the information given by the Mandatory Power and the Jewish Agency for Palestine coincided in substance on the following points:

- (i) the general insecurity in Palestine
- (ii) the steady decline of the security situation
- (iii) the increasing deterioration in the civil administration.

The Commission had to envisage the possibility of a collapse of security and administrative services on the termination of the Mandate unless adequate means were made available to the Commission for the exercise of its authority. It was devoting most serious attention to the various aspects of the security problem, with particular reference to the possible need for an international force in the implementation of the recommendations of the General Assembly. The Commission stated that it would submit to the Security Council a special report on this subject.

The special report (S/676) was presented to the Security Council on 16 February. It is reproduced as Annex I to this Report.

The Commission does not deem it necessary to enlarge on the conclusions of this report. To bring it up to date, it is necessary however to substitute the following list of casualties for that which is reproduced in Part II, paragraph 5, of the Special Report.

For the period from November 1947 to April 1948, the totals in killed and wounded are as follows: [Latest available figure as of 27 March]

<u>Nationality</u>	<u>Killed</u>	<u>Wounded</u>	<u>Total</u>
British	117	297	414
Arabs	893	1,943	2,836
Jews	772	1,746	2,518
Others	20	25	45
Total Casualties	1,802	4,011	5,813

On the basis of information received since it drafted its Special Report, the Commission wishes also to lay more stress on the security situation with regard to the City of Jerusalem.

According to official information from the Mandatory Power, security service in the City of Jerusalem is now provided by 900 British and 350 Palestinian police, supported by more than a brigade of British troops. Even with the support of strong military forces, instances of shooting, bombing, and indiscriminate killing are daily occurrences in Jerusalem as in other parts of Palestine. According to the estimate of the Mandatory Power, a force of 1,000 non-Jewish, non-Arab personnel of special police in addition to local Arab and Jewish police is considered as a minimum to cope with the preservation of law and order in the area of the City after the termination of the Mandate.

The Commission is of the view that such a force might be sufficient provided that there would be no attempt on either side to seize Jerusalem -- a much coveted City -- and that there was an agreement to respect the international character of the "City of Jerusalem" and let it live in peace.

In reply to a question put to it on 10 March 1948 by the Permanent Members of the Security Council regarding the minimum conditions which are prerequisite to the administration of the City of Jerusalem by the United Nations, the Commission made the following statement:

"The administration of the City of Jerusalem by the United Nations is possible if the plan of partition with economic union is generally accepted by the Arab and Jewish communities of Palestine and peacefully implemented:

"a) Jerusalem, as a City with a mixed population, cannot be in peace if there is no peace between the two main communities.

"b) The City being an enclave in Arab territory, depends for its essential supplies and its communications with the outside world on the goodwill of its neighbours. Its water supply, its electricity supply, its food supply, depend on the goodwill both of the proposed Arab and Jewish States.

"c) The economy and finances of the City depend on the successful application of the plan with Economic Union. The City cannot be economically viable without Economic Union."

Jerusalem, as an enclave in hostile surroundings, would be doomed. It would be utterly inadequate, in order to establish the special international regime provided in the last Part of the Assembly's Plan, for the Trusteeship Council to appoint a Governor and allow him to recruit outside of Palestine the envisaged special police force "to assist in the maintenance of internal law and order and especially for the protection of the Holy Places". Such police force would be able to control neither the communications of Jerusalem with the outer world, nor its water and food supply, nor its fuel, power and electricity supply, which are outside the boundaries of the City and may be cut by hostile elements.

IV. THE WORK OF THE COMMISSION: ECONOMIC, FINANCIAL AND FISCAL PROBLEMS

1. Steps Toward the Economic Union

The major economic tasks of the Commission, as set out in the plan of partition, are the organization and establishment of the Economic Union and the Joint Economic Board (Part I, D, of the Plan) and the determination of the assets of the Palestine Administration and their distribution between the two States and the City of Jerusalem (Part I, E, of the Plan). Also, by implication, the Commission has the responsibility for making arrangements to maintain continuity in the essential economic services of Palestine.

The objectives of the Economic Union are:

- (i) A customs union;
- (ii) A joint currency system providing for a single foreign exchange rate;
- (iii) Operation in the common interest on a non-discriminatory basis of railways; inter-State highways; postal, telephone and telegraphic services, and ports and airports involved in international trade and commerce;
- (iv) Joint economic development, especially in respect of irrigation, land reclamation and soil conservation;
- (v) Access for both States and for the City of Jerusalem on a non-discriminatory basis to water and power facilities.

Part I, D, 1, also provides that the Provisional Councils of Government of each State should enter into an Undertaking with respect to Economic Union and Transit. This Undertaking is to be drafted by the Commission "utilizing to the greatest possible extent the advice and co-operation of representative organizations and bodies from each of the proposed States." It is further provided that "if by April 1, 1948 the Provisional Councils of Government have not entered into the Undertaking, the Undertaking shall be put into force by the Commission." Further, in order to establish the Economic Union, Part I, B, 11, of the Plan provides that: "The Commission shall appoint a preparatory economic commission of three members to make whatever arrangements are possible for economic co-operation, with a view to establishing, as soon as practicable, the Economic Union and the Joint Economic Board, as provided in Section B below."

It will be clear that the effective establishment of the Economic Union requires a certain minimum of co-operation between the parties to it. That such co-operation has been lacking on the part of the Arabs has already been explained elsewhere in this report. On the other hand, the representatives of the Jewish community have, from the beginning, been ready to co-operate in the establishment of the Economic Union. Since, however, it is the policy of the Mandatory Power to retain undivided authority in Palestine until the termination of the Mandate, there has never been any possibility that the Commission could put into force the undertaking with respect to Economic Union and Transit (Part I, D, 1, of the Plan). There is, therefore, in any case, quite independently of Arab non-co-operation, no possibility of establishing any machinery of the Economic Union before the termination of the Mandate.

The Commission has also been hampered in its preliminary work for the establishment of the Economic Union by the fact that it has not been able, up to the present, to set up the Preparatory Economic Commission provided for in Part I, B, 11, of the Plan. On 19 January 1948, the Commission agreed that the preparatory Economic Commission should consist of two members from States not represented on the Palestine Commission and one member of the Secretariat. Accordingly, Mr. Reedman, senior economic adviser to the Commission, was appointed as the Secretariat member. Of the seven suitable candidates so far formally approached by the Commission, none has been able to accept appointment at short notice, owing to previous commitments. The Commission wishes to point out that it only began its work in January 1948 and that time is consumed between the making of an offer and the receipt of a reply. Consequently, the Commission has, up to the present, had to work without the Preparatory Economic Commission. However, though this delay in the establishment of the Preparatory Economic Commission has increased the work both of the Commission and of the Secretariat, it has not, in itself, been a major influence in retarding the establishment of the Economic Union in relation to the time-table of the resolution, since the realization of this time-table was made impossible by the facts already mentioned.

2. Palestine Government Assets

As regards the assets of the Palestine Administration, again owing to the policy of the Mandatory Power to retain undivided authority until the termination of the Mandate, it has not yet been possible to make any distribution of assets between the successor authorities in Palestine. Moreover, before this can be done an inventory of such assets must be provided by the Mandatory Power, and such an inventory has not yet been presented to the Commission, nor could it be completed before the termination of the Mandate. As regards the provision in Part I, E, 2, of the Plan that the Mandatory Power shall "consult with the Commission on any measure which it may contemplate involving the liquidation, disposal or encumbering of the assets of the Palestine Government, such as the accumulated Treasury surplus, the proceeds of Government bond issues, State lands or any other asset", the Commission asked the Mandatory Power on 19 January 1948 what proposals they wished to make as to the methods to be followed in such consultations and as to the date of starting them. The Mandatory Power has not as yet made any specific proposals to the Commission for such consultations. However, in a letter of 21 February 1948 a statement by the United Kingdom Government, recognizing the necessity for such discussions, was transmitted to a member of the Commission.

For the rest, the Mandatory Power has informed the Commission that the budgetary operations of the Palestine Administration up to 15 May will result in a deficit estimated by the Mandatory Power to exceed 7 million pounds, and that thus the Treasury surplus will have been converted into a Treasury deficit. Although the Commission has not been consulted by the Mandatory Power regarding the liabilities which should be charged against Palestine revenues, the Commission is not satisfied that certain extraordinary items - especially the cost of the maintenance of Jewish illegal immigrant camps - should be charged against the revenues of the Palestine Administration. However, as there will exist a considerable amount of unpaid obligations on the date of the termination of the Mandate, the ultimate settlement of these liabilities remains to be discussed with the Mandatory Power.

The Commission was informed by the Mandatory Power on 20 March 1948 that an unspent balance of over 3 million pounds remaining from three issues of bonds made in Palestine since 1944 was frozen and invested in British Government securities pending a general financial settlement, and that it was decided by the Mandatory Power not to make any further disbursements from this total prior to the termination of the Mandate. Two exceptions to this have been made: a loan of L353,387 has been made to the Tel-Aviv Municipality for the purchase of certain lands, and a loan of L750,000 to the Haifa Municipality to enable it to take over an area known as the Haifa Harbour Estates, which is Government domain. These transactions were brought to the notice of the Commission only after they had been arranged.

The Commission was informed by the Mandatory Power, in a letter dated 22 March, of an amendment to the Iraq Petroleum Company's pipeline concession by which "His Majesty's Government have authorized the High Commissioner to grant the Company pipeline facilities, as requested (that is, for oil for Transjordan and also from two areas in Iraq not covered by their existing pipeline convention with the Government of Palestine), in return for an annual payment of L45,000." In this letter the Mandatory Power recognizes that this concession, having been granted after the approval of the partition plan by the General Assembly, does not come under paragraph 3 (d) of Chapter 3 of the Plan, which safeguards the rights of concessionaires in respect of concessions granted prior to the approval of the Plan by the General Assembly. The Commission has informed the United Kingdom Government that it notes that, according to their communication of 22 March, the sum of L45,000 per annum will represent an immediate addition to the assets of the Government of Palestine. At the same time, the Commission explained that it reserves its position both as regards the failure of the Mandatory Power to discuss the matter with the Commission and the attitude of the Commission to the concession when it assumes authority in Palestine. Although the United Kingdom Government has authorized the High Commissioner in Palestine to grant the concession the Commission has not been informed whether or not the concession has been granted.

3. General Continuity of Essential Economic Services

One consequence of the policy of the Mandatory Power not to relinquish any authority in Palestine before the date on which it terminates the Mandate is to give greater urgency to the problem of maintaining continuity in the essential economic services. These problems, formidable enough in the most favourable circumstances, are made more difficult by the unwillingness of the Mandatory Power to co-operate actively with the Commission on any matters which it considers as implementing the resolution of the General Assembly. The Commission, however, has attempted and is still attempting to make such arrangements as the circumstances permit to prevent a breakdown of economic life, with consequent hardship and suffering for the people of Palestine.

4. The Food Supply

The most urgent of these problems is the maintenance of an adequate food supply. Palestine normally imports a great part of its essential food, including about half its consumption of cereals, all its sugar, more than half its oils and fats and more than half its meat, all of which are products in short supply. Cereals, oils and fats, fertilizers and certain other products of lesser importance are subject to allocation by the International Emergency Food Council. Allocations for Palestine are at present obtained by the Mandatory Power as part of allocations to the entire British Middle East area. Other products, such as sugar and some dairy produce, have latterly been supplied to Palestine out of British Ministry of Food supplies. Since the early days of the War, many of these products have been purchased in bulk by the Palestine Administration, through a Government Trading Account, and distributed through established traders. Some of these commodities, especially bread cereals, have been sold to consumers at less than cost price, the loss on the Government Trading Account being provided out of the general revenues of the Palestine Administration. Since the decision to terminate the Mandate on 15 May, the Mandatory Power has declared that it will complete its programme of supplies for Palestine up to 15 May but that it will make no purchases of supplies beyond that date. The view of the Commission is that the Mandatory Power should continue normal procurement until 15 May. This would provide for those supplies which, though arriving after 15 May, would normally

be shipped before that date. The Mandatory Power has not accepted this view, although its own policy of maintaining undivided authority until 15 May makes it difficult, if not impossible, for the Commission to make satisfactory arrangements for food supplies to Palestine before its own assumption of authority after the termination of the Mandate. On the suggestion of the Mandatory Power, made in a letter dated 3 February 1948, the Commission sent its Senior Economic Adviser and food expert to London on 14 February to consult with representatives of the British Ministry of Food concerning the food situation in Palestine. The Senior Economic Adviser returned to New York after ten days, leaving the Commission's food expert in London to continue negotiations with the British Ministry of Food and other interested parties. Subsequently, the Commission proposed to the Mandatory Power, in letters dated 5 and 11 March 1948, that the Mandatory Power purchase immediately, through the Palestine Government Trading Account, a sufficient quantity of bread cereals to complete the allocations fixed by the International Emergency Food Council to 30 June, together with 5,000 tons of sugar. In respect of meat and oils and fats, the Commission requested the Mandatory Power to grant import licences immediately for the purchase of frozen and canned meat to complete up to 1 October at least the proportionate amount of the 1948 allocations, and 2,500 tons liquid edible oil, 5,000 tons of coconut oil and 5,000 tons of linseed oil.

On 18 March 1948 the Commission received a reply from the Mandatory Power to the effect that it would continue existing procurement of food supplies to meet requirements up to 15 May and that, for the period from 15 May to 30 June, it would be prepared to arrange for the procurement on an agency basis of those supplies which it at present undertakes. However, the Mandatory Power declared that the Government of Palestine was unable to advance money to finance these operations and that its action on an agency basis would be conditional on the Commission assuming the financial obligations. Further, the Mandatory Power stated that "whilst noting the Commission's objections to private importation as likely to weaken central control of supplies and distribution, His Majesty's Government have, in the urgent circumstances now existing, authorized the High Commissioner for Palestine to allow private importation at his discretion forthwith."

On 25 March, the Commission again requested the Mandatory Power to continue procurement until 15 May, on the understanding that the Commission accepted the view that financial obligations arising from food supplies provided for Palestine before the termination of the Mandate, but not arriving in Palestine until after that date, would be the responsibility of the Commission within the scope of the authority entrusted to it by the resolution of the General Assembly. The Commission also proposed to undertake to arrange for the reimbursement of the United Kingdom Government at an early date out of the future revenues of Palestine for expenditure incurred in securing supplies for the period 15 May to 30 June. Alternatively, the Commission proposed to guarantee reimbursement, either from the future net income of the Palestine Currency Board or from the surplus assets of the Currency Board. The Commission pointed out the disadvantages which were entailed in a departure from the present system of bulk purchases, especially since the Treasury Order of 22 February 1948 blocking Palestinian sterling balances has added foreign exchange difficulties to other uncertainties of private procurement.

On 5 April the Mandatory Power replied, restating its former position that it could only undertake procurement on an agency basis "if they are put in funds at the time that payment is required by the suppliers." It was again stated that the Government of Palestine is already in deficit and that the United Kingdom Government has been obliged to advance a substantial sum to meet outstanding commitments. It is further stated that "His Majesty's Government cannot feel confident that the Commission will now be in a position to implement within a reasonable time a guarantee to reimburse His Majesty's Government out of the future revenues of Palestine." As regards the proposal of the Commission to guarantee repayment to the United Kingdom Government out of either the revenues or the surplus assets of the Currency Board, the United Kingdom Government states its opinion, which the Commission cannot accept, that there is no successor authority to the Palestine Currency Board until the Joint Economic Board is established. The letter further points out that it is essential that shipping arrangements should be made within the next week or ten days, otherwise on 15 May Palestine's stock of cereals will not exceed two weeks' supply, except insofar as

the position may be covered by private importers. The letter finally suggests that "the Commission might wish to consider approaching the Secretary-General (of the United Nations) with a view to funds being provided for this purpose."

The Commission, therefore, is faced with the task of making immediate arrangements for supplies of cereals, oils and fats, meat and sugar, if a very serious shortage of these commodities in Palestine is to be prevented from arising shortly after 15 May. The position taken by the Mandatory Power makes the situation doubly difficult, since, on the one hand, it prevents the Commission from assuming any effective authority before the termination of the Mandate and, on the other, it confronts the Commission with a refusal on the part of the Mandatory Power to accept such responsibility itself. The major difficulty is financial, since, given satisfactory financial guarantees, the United Kingdom Government is prepared to undertake procurement on an agency basis. The Mandatory Power has, however, suggested the alternative of placing responsibility for all aspects of procurement upon private importers by the grant of import licences. While this may result in some supplies being obtained, it has certain disadvantages in the procurement of products allocated by the International Emergency Food Council. Among these disadvantages are the difficulties which private traders will experience in obtaining at short notice supplies of commodities in which they have not been dealing during recent years. A further difficulty is created for private importers by the British Treasury Order of 22 February, blocking Palestinian sterling balances and excluding Palestine from the sterling area.

The Commission has also had discussions with representatives of the Jewish Agency regarding the possibility of financial guarantees being provided by Jewish interests. Some steps are being taken by the Jewish community, independent of the Commission, to make financial provision for certain essential food imports. This, however, would not make provision for the Arab population and, though the larger proportion of imported food is normally consumed by the Jewish population of Palestine, there is nevertheless a considerable section of the Arab population which is partially dependent upon imported supplies. In view of the Commission, the only satisfactory solution of the problem lies in the maintenance of the present machinery of procurement by bulk Government purchases, and this is only

possible if the Commission has the financial means and the co-operation of the Mandatory Power.

A further aspect of the food problem on which immediate action is necessary is the representation of Palestine before the International Emergency Food Council. Until the termination of the Mandate, the Mandatory Power has the responsibility to secure for Palestine allocations from the International Emergency Food Council. Existing allocations for cereals run only until 30 June 1948, and allocations for the third quarter of 1948 will be made within the next two or three weeks. New allocations for fertilizers will also be made in the near future. In most cases, allocations for Palestine have been made by the IEFU as part of the total allocations for the United Kingdom for British Middle East areas. The presentation of the Palestinian case requires detailed negotiations supported by statistical data. The Commission's food expert has been studying these problems in consultation with officials of the British Ministry of Food, and the Commission is endeavouring to make an immediate arrangement with the United Kingdom Government for some form of joint presentation of Palestine's case to the allocation committees of the IEFU.

The food situation in Palestine is highly precarious because of the very low stocks of essential food (not more than fifteen days in respect of bread cereals). There has been no serious overall shortage as yet, except in the case of meat, by far the larger proportion of which is normally supplied by imports of livestock from Middle East countries. This supply, especially to the Jewish population, has virtually ceased as a result of the Arab boycott, and the import of frozen and canned meat can only very partially offset this shortage. It is, however, possible that shortly after 15 May a very serious food shortage will arise owing to an interruption in the flow of imports. In order to maintain even the present low levels of stocks, an eight weeks' pipeline supply needs to be flowing towards Palestine. The Commission takes a very serious view of the situation and is therefore making every endeavour to overcome the obstacles which it has encountered and to maintain essential food imports into Palestine.

5. Sterling Balances and Foreign Exchange Problems

When the Commission started its work as a result of the Assembly resolution of 29 November, Palestine was a full member of the sterling area. Palestinian sterling balances were freely available for conversion into sterling for use throughout the sterling area, and by special Treasury permit for conversion into dollars and other hard currencies. Since the bulk of Palestine food imports and other imports came from the sterling area, or, as in the case of Canadian wheat, was obtained by the United Kingdom Government through preferential arrangements applying to the sterling area as a whole, Palestine did not then experience any specific foreign exchange difficulties. In fact, Palestine was in a favourable position in that it had considerable dollar accruals from gifts to Jewish funds and institutions. These gift dollars were credited to a separate account and earmarked for the import of capital goods from the United States for the benefit of the Jewish economy with the joint approval of the Palestine Administration and the Jewish Agency. Dollar earnings of Palestine through general exports were earmarked for the benefit of the Arab population. All dollars, however earned, passed through the sterling area dollar pool in London.

This foreign exchange context of the Commission's work was completely changed by the Order made by the British Treasury on 22 February, previously referred to in this Report. This Order excludes Palestine from the sterling area and blocks the accumulated sterling balances, except for £3 million which, together with current sterling accruals, continue to be freely available. Another £4 million was provided as free working balances for Palestinian banks. These releases cover the period 22 February to 15 May. The Commission has been invited to enter into negotiations with the British Treasury regarding further releases to cover the period after 15 May.

This Order was made by the British Treasury without prior consultation with or even prior notification to the Commission, even though the Senior Economic Adviser of the Commission was at that time in London. The unilateral nature of the announcement was pointed out by the Commission in its second monthly report to the Security Council, but the Commission did not feel that any useful purpose would be served by protests or recriminations. The reasons given by the British Treasury were the dangers of foreign exchange leakage and the need to preserve the accumulated balances in the interest of the people of Palestine. The Commission is not convinced that this is an adequate explanation of the reduction in sterling balances or an adequate justification for the step which has been taken.

The Commission considers that an early negotiation of amounts to be released from Palestinian sterling balances is essential. It has received an estimate of the amounts which the Jewish Agency considers should be released for the period 15 May to 1 October, and its own Secretariat has prepared similar estimates. These negotiations cannot await the outcome of the deliberations of the Special General Assembly.

Meanwhile, the Commission is faced with the situation that if the present releases from sterling balances and the future releases to be negotiated should prove inadequate, sterling may become as scarce a currency for Palestine as other hard currencies, and that imports from the sterling area may become difficult to obtain on financial grounds. This fact increases the responsibility of the Commission to see not only that a sufficient amount of sterling is unblocked, but also that the released sterling is used to the best advantage of the Palestinian economy.

The blocking of sterling has also created a state of considerable uncertainty among Palestinian importers as to whether they will be able to utilize import licences granted to them. The Commission has

repeatedly pointed out that this uncertainty will have adverse effects on the prospects of the policy suggested by the present Palestine Administration to devolve responsibility for food imports on private traders by the issue of import licences. In the Commission's view, the blocking of sterling balances increases the responsibility of the present Administration to procure food supplies for the period immediately following 15 May. The Commission has already been informed that traders have found difficulty in obtaining bank finance to utilize their import licences. The existing difficulties may be illustrated by the fact that the normal period between the first submission of an application for an import licence and the arrival of the goods in the country is from four to six months, and that at the moment there is complete uncertainty in Palestine on the amount of sterling which will be available in four to six months' time. In its negotiations with the British Treasury, the Commission hopes to obtain specified sums to be released covering the whole period between 15 May and 1 October, in order to minimize the disruption of trade inherent in the present uncertainties.

6. The Palestine Currency Board

The plan adopted by the General Assembly on 29 November provided that the Economic Union of Palestine should have a common currency with a single rate of foreign exchange. It is a task of the Commission to give effect to this decision. In any event, however, the termination of the Mandate confronts the Commission with the necessity of making a decision regarding the future of the Palestine Currency Board.

At present Palestinian currency is backed by an equivalent amount of British currency. This is held in London by the Palestine Currency Board, which is in control of Palestinian currency. The Currency Board consists entirely of United Kingdom Government representatives

appointed by the Secretary of State for the Colonies. Mainly as a result of the heavy expansion of Palestinian note circulation during the war and partly as a result of its policy of building up a considerable surplus over and above the statutory backing of the currency circulation in pounds sterling, the Currency Board's assets now exceed £50 million and represent over one-half of all Palestinian sterling balances. The existing assets of the Currency Board have been blocked by the British Treasury, but the current net income of the Currency Board (amounting to over £1 million a year) is available as free sterling and is not affected by the blocking order.

The Commission's major concerns regarding Palestinian currency are:

- (i) to ensure continuity of economic and financial life in Palestine by securing orderly arrangements for issuing or redeeming currency after 15 May, and
- (ii) to assume, to the extent deemed necessary and possible, control of the administration, current income and assets of the Currency Board.

As regards the first objective, the Mandatory Government, in negotiations with the Commission, has declared itself willing to render all technical assistance necessary in continuing to provide printing facilities and to hold sufficient supplies of currency ready for use as required by the Commission, subject to the general regulations of the Currency Board.

The Commission has accepted in principle an invitation by the United Kingdom Government to appoint an observer to attend the meetings of the Currency Board before 15 May, so as to keep itself informed of the current position of the Currency Board and of any major decisions made. At the same time, the Commission has fully reserved its position regarding the Currency Board after 15 May.

As for the second objective, the Commission takes the view that it becomes responsible for the control of Palestinian currency on 15 May and will thus assume control of the current income and assets of the Currency Board after that date. This does not exclude arrangements by agreement between the Commission and the United Kingdom Government to continue the Currency Board in its present form as part of a general settlement of the outstanding economic and financial issues. Up to the time of the preparation of this Report there have been no meetings of the Palestine Currency Board attended by an observer on behalf of the Commission. Nevertheless, the Commission takes the view that the Assembly Resolution of 29 November offers no ground for the contention of the United Kingdom Government, in their communication of 6 April, that "His Majesty's Government consider that the disposal of Palestine Currency Board funds would be a matter on which the views of the successor currency authority should be obtained. Under the General Assembly's Partition Plan, this was envisaged to be the Joint Economic Board, and until the future currency authority is set up, the disposal of any such funds must rest in abeyance." The Commission is of the opinion that as an interim authority it is not called upon to undertake major currency reforms. The Commission is aware that the current net income of the Currency Board would be a very important supplementation of its current income from Palestinian revenue, especially since it is available in free unblocked sterling. As for the fixed assets of the Currency Board, the Commission considers these as an essential part of the national capital of Palestine built up by export surpluses in the past, and it would be one of the duties of the Commission to see that these assets are safeguarded.

The change in the position of Palestine on 15 May also necessitates a determination of the share of Transjordan in the assets of the

Currency Board, which is at present common to both countries. This is understood now to be a matter for negotiation between the United Kingdom Government and the Government of Transjordan. The Commission is not aware of the present state of these negotiations and has not asked to take any part in them. If these negotiations are not concluded by 15 May, their completion will become the responsibility of the Commission.

The Commission has drawn the attention of the representative of the Jewish Agency to alleged declarations of major changes in the currency system of a kind incompatible with the resolutions of the General Assembly of 29 November and encroaching on the functions of the Commission. It has received assurances that these reports were incorrect, and that no such declarations had been made.

The Commission has also, on the basis of working papers prepared by the Secretariat, familiarized itself with the constitution of the Currency Board and has considered the alternative policies open to it in respect of Palestine currency. A representative of the Jewish Agency has also given evidence to the Commission on this matter.

7. Fiscal Problems

The conversion of the Treasury surplus into a considerable deficit has been mentioned previously in this report. The Commission has been kept informed by the United Kingdom Government and by its own advance party of the gradual deterioration of the financial position but it has not been consulted on what claims can fairly be taken out of the current revenue of the country. Thus, ordinary expenditure, as budgeted by the present Palestine Administration, shows an excess of expenditure over revenue of £P2.8 million for the period April 1947 to January 1948 inclusive. Of this excess, almost £P2/1 is due to the

maintenance of Jewish illegal immigrants in Cyprus, already charged to the current budget. The Commission has not agreed - nor has it been asked to do so - to make these claims a charge on Palestinian revenue. Similarly, considerable extraordinary claims are pending in respect of abolition benefits to civil servants, and in respect to these the Commission equally feels that under the provisions of the plan it should have been consulted and not merely informed. Some of these special claims which may have to be contested by the Commission will only become payable after 15 May. At no stage was the Commission in a position to prevent the dissipation of the existing Treasury surplus and the winding up of the Mandatory fiscal administration with a heavy unsettled deficit.

As a result of this conversion of the Treasury surplus into a deficit, the Commission finds itself faced with a position under which

(a) the Mandatory Power claims that, in the absence of available government funds, it cannot finance essential food supplies for the period immediately following 15 May through the ordinary method of a Government Trading Account, and tries to throw the responsibility of prior financing on the Commission.

(b) the Commission, on assuming administrative responsibility on 15 May, will be faced with the risk of stoppage of essential government services for lack of a working fund available to the various departments. This breakdown for financial reasons would be superimposed on the physical breakdowns due to internal insecurity and strife.

(c) revenue has been allowed to decline below normal levels and the Mandatory Power has repeatedly declared to the Commission that further declines in revenue would occur before 15 May. Only a part of the revenue not now collected will be recoverable, and not in the immediate future. Hence, even the current revenue of the Commission

will almost certainly be insufficient to provide for its current activities, and there is no possibility, however remote, of clearing the claims against it on the government accounts presented by the Mandatory Power on 15 May, let alone of satisfying the further claims arising after 15 May, out of current revenue.

The Commission has repeatedly considered and discussed the budgetary situation. It expressed the opinion that the dissipation of the existing Treasury surplus was contrary to the resolution of the General Assembly of 29 November. The disappearance of the existing Treasury surplus is almost entirely due to special and extraordinary claims which the Commission feels should not take precedence over the securing of essential food supplies and the provision of essential working funds for the Commission on 15 May. The Commission has left the Mandatory Power in no doubt on this point.

The impossibility of adhering to the original plan by the formation of Provisional Councils of Government before 1 April also prevents fiscal decentralization to the extent involved in the Plan of Partition, which would have made it possible for the Commission to divest itself of many of the details of fiscal administration. In the circumstances, maintenance of fiscal continuity is one of the concerns of the Commission. In view of these unforeseen difficulties, the Commission has raised no objection to the decision taken by the present Palestine Administration to delegate the Urban Property Tax to the local authorities. The Commission wishes to stress, however, that this type of fiscal decentralization is quite different from the one visualized in the original plan, and that in any case it will result in only a very minor easing of the burden of fiscal administration for the Commission.

The Advance Party of the Commission has discussed with the responsible officials such technical matters as the safeguarding of books and records required, together with the safe custody of local resources of the Currency Board. The Commission feels that on these technical matters there would be no difficulty in making satisfactory arrangements with the Mandatory Power.

The ordinary revenue of Palestine after 15 May will depend in a high degree on customs duties on imports. These imports will mainly come in through the port of Haifa. Hence, the fiscal position of the Commission will depend partly on the manner in which the control of the Haifa dock area will be shared with the evacuating British troops between 15 May and 1 August. This is one of the matters which must be settled between the Commission and the Mandatory Power.

The Commission has proceeded on the assumption that it would be neither possible nor advisable for it to introduce major changes in taxation during its interim administration. Hence, it has conceived it as its task to try to secure continuity in the present fiscal administration, and to collect revenue at existing rates. Collection of revenue will also be an essential instrument of counteracting the inflationary tendencies now evident in Palestine.

In view of the fiscal deterioration, the Commission realizes that it may become necessary to exercise internal or external borrowing powers after 15 May. The Commission, however, did not feel that it was opportune to make any decision on the forms and nature of such borrowing, if any, at this early stage.

Military expenditure is not at present charged against the Palestinian budget. The United Kingdom Government has stated that such military expenditure alone is in excess of the total Palestinian budget. It is thus clear that if the Commission should have to find

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the means for security expenditure over and above the present expenditure for police purposes, present expenditure would be further increased, thus adding to the current deficit.

On 16 March the Commission was informed by the United Kingdom that it had been decided to set up a clearing office of the Government of Palestine in Cyprus, for the purpose of closing and reconciling the final government accounts, computing pensions and gratuities and verifying and certifying any claims for or against the retiring administration. This office will be set up in Cyprus as soon as possible after 15 May and is expected to operate until the end of August. The cost of this office will be a charge on Palestine funds. The Commission took note of these arrangements and did not feel called upon to express an opinion. The United Kingdom Government gave an assurance that any Palestinian staff employed in the Cyprus Clearing Office would be free, upon completion of their work, to accept service under the Commission or its successor authorities.

The Government of Palestine is preparing a special budget for the months of April and May 1948 and gave an assurance to the Commission on 21 February 1948 that "collection of revenue will, so far as is practicable, be continued by the present government up to the termination of the Mandate".

8. Transport and Communications

The resolution of the General Assembly provided for the operation in the common interest, on a non-discriminatory basis, of railways, inter-state highways, postal, telephone and telegraphic services and ports and airports involved in international trade and commerce. These services are to be administered by the Joint Economic Board as part of the Economic Union. The Commission is therefore faced with

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the task of making such arrangements as it can to maintain these services on a unified basis.

The task of the Commission in this respect has become extremely difficult as a result of the policy of the Mandatory Power and the present disorders in Palestine. Moreover, the fact that British troops in process of withdrawal will be in occupation of certain areas in Palestine after the termination of the Mandate complicates the situation in regard particularly to the railways, certain roads and the port of Haifa. The maintenance of transport communications on a unified basis for the whole of Palestine is vital for the life of great numbers of the population. Thus, main road communications from the coast to Jerusalem must be kept open to safeguard large sections of the population of Jerusalem from starvation. It is impossible to conceive of the railways operating except on some joint arrangement.

These services, therefore, must either be operated on a unified basis or they will break down entirely; their maintenance depends upon freedom from disturbances.

Nevertheless, the Commission is faced with the necessity of deciding on the steps which it can take to meet the responsibility which it will automatically assume on the termination of the Mandate. The policy of the Mandatory Power in not permitting the Commission to enter Palestine until a fortnight before the end of the Mandate has particularly unfortunate consequences in the field of transport and communications, since quite detailed preparations are necessary well in advance to effect transfer of administration without a breakdown in services. This policy of the Mandatory Power has made it impossible for the Commission to make the preparations which it otherwise would have made to keep these services running.

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The Commission has, therefore, necessarily confined itself to a general study of the economic and administrative problems entailed in the maintenance of these services after the transfer of authority.

V. RESOLUTION ADOPTED BY THE COMMISSION AFTER THE DECISION OF THE SECURITY COUNCIL TO REQUEST A CONVOCATION OF THE GENERAL ASSEMBLY

After the Security Council had decided to request a convocation of the General Assembly in special session, the Commission, as an organ of the General Assembly, and lacking any guidance or instructions from the Security Council, has expressed its view on the situation thus created for it in the following resolution:

"THE UNITED NATIONS PALESTINE COMMISSION

HAVING received a mandate from the General Assembly to carry out the recommendations contained in the Resolution on the Future Government of Palestine approved on 29 November 1947;

HAVING received no guidance or instructions from the Security Council concerning the implementation of the General Assembly's resolution; and

HAVING, on the other hand, noted the Security Council's decisions of 1 April calling for steps to be taken to arrange for a truce in Palestine, and requesting the Secretary-General to convoke a Special Session of the General Assembly to consider further the question of the future government of Palestine

RESOLVES

1. To continue its work, bearing in mind the resolutions adopted by the Security Council, in the understanding that all of its decisions will be subject to such final action on the future government of Palestine as may be taken by the Special Session of the General Assembly convening on 16 April;

2. To undertake the preparation of a report to be presented to the Special Session of the General Assembly which will include an exposition of the reasons which have prevented the Commission from discharging all of the responsibilities assigned to it by the Resolution of 29 November 1947."

VI. CONCLUSIONS

1. Review of the facts which have prevented the implementation of the Assembly's Resolution

(a) The Commission took up its task on 9 January 1948 clothed

with the authority of the General Assembly's resolution of 29 November 1947, which had been supported by 33 Members of the United Nations. The Jewish Agency for Palestine co-operated with the Commission in a desire to implement the Assembly's resolution. In pursuance of his duty the Secretary-General and his staff also extended their full co-operation to the Commission in loyal support of the Assembly's decision. But no other effective co-operation was forthcoming.

(b) The Arab League, the Governments of the Arab States, and the Arab Higher Committee not only withheld their co-operation from the Commission, but actively opposed the Assembly's resolution. As the Commission reported to the Security Council in its First Special Report (S/676) on 16 February 1948, "Powerful Arab interests, both inside and outside Palestine, are defying the resolution of the General Assembly and are engaged in a deliberate effort to alter by force the settlement envisaged therein". Armed Arab bands from neighbouring Arab States have invaded the territory of Palestine and together with local Arab forces are defeating the purposes of the resolution by acts of violence. The Jews, on the other hand, are equally determined to ensure the implementation of the resolution. The resulting conditions of insecurity in Palestine have made it impossible for the Commission to implement the Assembly's resolution without the assistance of adequate armed forces.

(c) The attitude of the Mandatory Power toward the resolution and particularly, its refusal to take any measure which might be construed as involving it in the implementation of the Assembly's resolution has had the following results:

(1) The provisions of the Assembly's resolution for a progressive transfer of administration from the Mandatory Power to the Commission have not been complied with. The Mandatory Power has insisted on retaining undivided control of Palestine until the date of termination of the Mandate and on relinquishing the whole complex of governmental responsibilities on that day, except for the areas still occupied by British troops. In the view of the Mandatory Power

the progressive transfer of authority can take place only after the termination of the Mandate.

(ii) The Commission could not proceed to Palestine until two weeks prior to the termination of the Mandate. The insistence of the Mandatory Power on this point, even though the Commission has been prepared to restrict its activities in Palestine prior to 15 May 1948, to preparatory work and would not attempt to exercise any legal authority, made it impossible for the Commission to take the necessary preparatory measures to ensure continuity in administration after the date of termination of the Mandate, or to establish the frontiers of the Arab and Jewish States and the City of Jerusalem.

(iii) The refusal of the Mandatory Power to permit any Provisional Council of Government, whether Arab or Jewish, if selected, to carry out any functions prior to the termination of the Mandate, made it necessary for the Commission to communicate that fact to the Security Council and to the Secretary-General.

(iv) The refusal of the Mandatory Power to permit the taking of any preparatory steps toward the establishment of the armed militia, envisaged by the resolution for the purpose of maintaining internal order and preventing frontier clashes, has made it impossible to implement the Assembly's resolution in that respect. The result is that on the termination of the Mandate there can be no legally constituted armed force to maintain security in Palestine, other than totally inadequate local municipal police forces.

(d) On 16 February 1948, in its First Special Report to the Security Council, the Commission foresaw the prospect of a security vacuum in Palestine immediately following the termination of the Mandate. The Commission also stated that it was confronted with an attempt to nullify the resolution of the General Assembly. The Commission accordingly had decided "to refer to the Security Council the problem of providing that armed assistance which alone would enable the Commission to discharge its responsibilities on the termination of the Mandate."

On 15 March 1948, in its Second Monthly Progress Report to the Security Council, (S/695) the Commission reported the impossibility of implementing, within the prescribed time-limit, the provision of the Plan of the General Assembly concerning the Provisional Councils of Government, and the impossibility of taking preparatory steps for the formation of armed militias. It pointed out that the policy of the Mandatory Power together with the steady deterioration of conditions in Palestine left little hope for the achievement of continuity in administrative services and for an orderly transfer of authority to the Commission. The Commission also stated that "unless security is restored in Palestine, implementation of the resolution of the General Assembly will not be possible." The Commission has received no guidance or instructions from the Security Council, and no armed assistance has been made available to it.

(e) The Commission, therefore, has the duty to report to the General Assembly that the armed hostility of both Palestinian and non-Palestinian Arabs, the lack of co-operation from the Mandatory Power, the disintegrating security situation in Palestine, and the failure of the Security Council to furnish the Commission with the necessary armed assistance, are the factors which have made it impossible for the Commission successfully to implement the Assembly's resolution.

2. Review of the problems which require an urgent solution

(a) Irrespective of the ultimate decision of the General Assembly on the future government of Palestine, there are a number of urgent matters which should be dealt with in order to preserve the greatest possible measure of order and essential services in Palestine. Among the matters requiring immediate attention are the following:

Security

(i) Consultations respecting the terms of the proposed directive to the General Officer Commanding regarding the functions and responsibilities of British troops remaining in Palestine after 15 May.

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- (ii) Details of the arrangements for transfer of the arms, stores, equipment, depots, etc. of the Palestine Police Force.
 - (iii) The security of Jerusalem and the Holy Places, and the recruitment of a non-Palestinian police force for Jerusalem.
 - (iv) The safeguarding of the physical property and preservation of the assets of the Government of Palestine.

Administration

- (i) Arrangements to ensure continuity in essential transportation and communications services such as airports, railways, posts, telegraph, telephone and radio.
- (ii) Arrangements to ensure continuity in the health and prison administration, and in the judiciary.
- (iii) Preservation and transfer of the files of the departments of Government.
- (iv) Access to Haifa and its harbour after 15 May 1948.

Economic and financial

- (i) Arrangements for the importation and distribution of food supplies.
 - (ii) Representation of Palestine before the International Emergency Food Council.
 - (iii) Releases after 15 May 1948 from the sterling balances blocked by the United Kingdom Government's Treasury Order of 22 February 1948.
 - (iv) The future of the Palestine Currency Board.
 - (v) Maintenance of import and exchange controls.
 - (vi) The continuity of essential fiscal arrangements, including customs and budgetary matters.
 - (vii) Disposition of the assets and liabilities of Palestine.
 - (viii) Payments for services which will be provided to British Forces after 15 May in such matters as railway, road and harbour facilities.
- (b) With respect to the food situation in Palestine, the Commission has been advised by the Mandatory Power that, unless provision is made for the further import of food supplies, on 15 May, Palestine's

stock of cereals will not exceed two weeks' supply. The Mandatory Power has stated that the Government of Palestine cannot advance money for the procurement of further supplies as it has no monies available for this purpose, that the United Kingdom Government is not prepared to advance the money, and that it cannot feel confident that the Commission would be able to implement within a reasonable time a guarantee to reimburse it out of the future revenues of Palestine. The United Kingdom Government is prepared to undertake procurement of food supplies for the period 15 May to 30 June on an agency basis only, provided they are put in funds to the order of one to one-and-a-half million pounds sterling.

(c) With respect to the City of Jerusalem, the Commission emphasizes the sacred character of this Holy City of Christianity, Islam and Judaism. The danger to the City and its Holy Places of violence and battle between religious communities, and the possible widespread repercussions, resulting therefrom, is obvious. The Commission has been advised by the Mandatory Power that, in addition to the local Arab and Jewish municipal police, a non-Palestinian police force of at least 1000 men will be necessary to preserve order in the City after the British withdrawal, and that the cost of such a force would be £ 40,000 per month. The Commission has been advised by the Advance Party of the Secretariat now in Palestine, that some 200 British police personnel might be prepared to volunteer for service in a police force for Jerusalem if they could be assured of some measure of permanence in their employment and payment of their wages.

(d) With respect to the Palestine Police Force, the Mandatory Power has advised the Commission that the force will be dissolved on 15 May and that its arms, stores, equipment and depots will be left to be taken over by such persons as the Commission may designate. A considerable number of police or other personnel will be required to take over and safeguard the large stocks of armaments that are the property of the Palestine Police Force. Otherwise there is grave danger that these stocks may be abandoned or may fall into the hands of irresponsible

elements in Palestine.

(e) With respect to matters of administration, the Mandatory Power has advised the Commission that the contracts of all employees of the Government of Palestine will be terminated on 15 May and that the Commission would be free to re-engage any employees who might wish to continue in government service in Palestine. Immediate steps clearly should be taken to preserve as much as possible of the personnel and machinery of administration and to safeguard the files and physical property of the various departments of Government. In the case of transportation, communications, health, fiscal matters and other essential services, it will be necessary to re-employ or recruit a large staff, in order to prevent a complete break-down in administration in Palestine after 15 May.

(f) The Commission has been prevented from concluding arrangements even in respect of such vital matters as food supplies, the creation of a non-Palestinian police force for Jerusalem, the creation of a police force to take over the stocks of armaments of the Palestine Police Force, and the recruitment of personnel to carry on the functions of administration in Palestine by the fact that it has no funds available for such purposes. Even though such expenditures would be re-imbursable out of future revenues of Palestine, the Commission would require working capital of at least twenty million dollars, to be used as a revolving fund, out of which immediate necessary expenditures could be met.

(g) The steadily deteriorating situation in Palestine leads to the inescapable conclusion that, in the absence of forces adequate to restore and maintain law and order in Palestine following the termination of the Mandate, there will be administrative chaos, starvation, widespread strife, violence and bloodshed in Palestine, including Jerusalem. These calamitous results for the people of Palestine will be intensified unless specific arrangements are made regarding the urgent matters outlined above well in advance of 15 May 1948.