

GENERAL
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UNITED NATIONS PALESTINE COMMISSION

SUMMARY RECORD OF THE FOURTY-FIFTH MEETING

Lake Success, New York

Thursday, 26 February 1948, at 2.30 p.m.

Present:

Chairman:	Mr. LISICKY	(Czechoslovakia)
	Mr. Medina	(Bolivia)
	Mr. Federspiel	(Denmark)
	Mr. Morgan	(Panama)
	Mr. Roxas (Observer for Mr. Francisco)	(Philippines)
Secretariat:	Mr. Bunche	(Secretary)
	Mr. Reedman	(Senior Economic Adviser)

REPORT BY MR. REEDMAN ON THE FOOD SITUATION IN PALESTINE

The CHAIRMAN informed the Commission that Mr. Reedman (Senior Economic Adviser) was back from London and would report to the Commission on his consultations with officials of the United Kingdom Government concerning the food situation in Palestine.

Mr. REEDMAN (Senior Economic Adviser) prefaced his remarks by informing the Commission that he had met some of the members of the Secretariat Advance Party in London who told him they were proceeding to Palestine on Saturday, 28 February.

Mr. Reedman reported that upon his arrival in London he had contacted the official at the Colonial Office who was in charge of administrative arrangements, and through him, met Mr. Oake, the Chief of the Division of Supply, Ministry of Food. Mr. Oake was largely responsible for the supply of food through the Ministry to areas outside Great Britain.

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He had discussed with Mr. Oake the general situation and had tried to ascertain what the United Kingdom Government intended to do about fulfilling its guarantee to maintain an adequate food supply for Palestine until 15 May.

He learned that the situation appeared to be different for different commodities, but that the general picture was that adequate supplies would be delivered to Palestine up to 15 May, but that after that date, generally speaking, there would be no further supplies allocated or shipments made.

However, as the situation differed with each commodity it appeared to him necessary to examine each commodity fully and arrangements were therefore made for him to see the Ministry of Food experts in charge of the allocation of cereals, sugar, oils and fats, fertilizers, meat and dairy products. Mr. Henson (Secretariat) arrived in time to see some of the commodity experts with him.

Mr. Henson would send a detailed report of the food situation. But in general the picture was as follows. With regard to oils and fats, the situation was likely to be bad in any case due to the fact that there was a shortage of oils and fats throughout the world, especially in non-dollar areas. The programme of allocations up to 15 May would not be fulfilled by that date since most of the requirements were from dollar areas and were not being obtained by the Ministry of Food itself. However, 3000 tons of cotton seed had been procured from the Sudan and would be shipped for pressing in Palestine, and this quantity represented a very small proportion of total requirements. Also, the Palestine Administration had been informed that 9,000 tons of copra could be obtained from the Philippines if the Palestine Administration could make its own arrangements. So far no action had been taken on this score.

The oil and fats situation was also discussed with representatives of Unilever, who had a factory in Palestine and who were anxious to help both out of personal interest and because they desired to maintain trading relations with Palestine. It was, however, quite clear that the situation would be difficult.

/There was

There was a supply of ground nuts and ground nut oil available from India but there was a difficulty in procuring these on account of the Indian licensing system, which spread export licences for very small quantities over a great number of exporters. Palestine, however, had an allocation from India and the possibility of shipment remained open.

Summing up the situation as regards oils and fats, Mr. Reedman stated that Palestine was short of oil and fats now and would be even shorter in the future. Little could be done about the situation unless purchases could be made through dollar exchange.

With respect to sugar the situation was as follows. The allocation programme called for 25,000 tons to be shipped annually. Of this 10,000 tons were expected to be in Palestine before 15 May, but in order to preserve a satisfactory situation in regard to sugar, the rate of shipments would have to be maintained after that date. He had been informed that the Ministry of Food would have no physical difficulty in supplying the remaining 15,000 tons either directly or from outside sources, assuming that in all other respects satisfactory arrangements could be made with the Ministry. However, the financial arrangements were another matter and were not entirely within the control of the commodities experts.

As far as cereals were concerned, the situation was complicated by the fact that the Palestine Administration had requested the Ministry of Food to have flour substituted for wheat because under the present disturbed conditions, with some of the mills in Palestine closed, the distribution of flour was easier than that of wheat. Australia had an available surplus of flour which was being shipped to Palestine. The ship carrying the flour caught fire at sea and had to put back to Sydney for repairs. It was not known as yet whether the consignment would arrive before or after 15 May. There had been one complication: the standard flour in Palestine was composed of a mixture of 75 per cent wheat and 25 per cent barley; the barley used to be obtained from

Middle Eastern sources. As it had been impossible under present circumstances to obtain Iraqi barley, the Palestine Administration had substituted Argentine barley. This Argentine barley would have to be milled in Palestine, which presented certain difficulties, owing to the fact that flour had lately been substituted for wheat.

Mr. Reedman told the Commission that if the shipment of Australian flour arrived before 15 May, there would be a fifteen to twenty day supply of bread cereals in hand, but if it arrived later Palestine would be short of flour. He pointed out that one shipload of flour would complete the programme of the Ministry of Food.

The Commission would have to decide whether in the future Palestine should be supplied with flour or with wheat. In Mr. Reedman's opinion, wheat would be preferable, especially if supplies had to be obtained through the sterling areas, inasmuch as the Australian flour would not be as freely available. Also, the cost of flour would be higher than the cost of imported wheat. He had asked Mr. Henson to take this into consideration in his report.

With respect to meat, Mr. Reedman stated that he had been unable to see the commodity expert of the Ministry of Food who was absent from London and therefore did not get an authoritative opinion on the subject. Mr. Henson would see him. However, he was informed that the meat supply was very bad with only small consignments available from New Zealand and Australia.

As for fertilizers, the supply, compared with previous years, had been satisfactory but the needs had greatly increased due to the development of farming by the Jews. Although allocations looked large on paper they were certainly not excessive. Again the problem of supply was complicated by the currency problem.

With respect to dairy products, that is, butter and cheese from Australia and New Zealand, Palestine would receive the full year's allocation. He was informed that the order would not be countermanded.

/In summing up,

In summing up, Mr. Reedman pointed out that the whole food picture was complicated by the hard and soft currency situation. The food situation in Palestine, especially as regards the large tonnage commodities, was satisfactory until 15 May, but shortages would develop soon afterwards. Steps to lay on shipments to cover the period following 15 May had to be taken immediately if such shortages were to be avoided.

He stated that while he was in London the Palestine Administration had sent a communication to the Colonial Office enquiring whether they would relinquish some of the import restrictions in order to permit private importers to take up shipments and supplies to cover the period following 15 May. The fundamental question raised by this communication was discussed at a meeting which Mr. Oake arranged with the Food Ministry and to which he had been invited. He had pointed out that it might be unfortunate if the Commission were forced to depart from the machinery established by the present administration, and that if controls over some food supplies were to be relinquished, it would be very difficult to reimpose them. He had stressed that this was an important decision as far as the Commission was concerned which should be taken only if there were no other alternative.

He had suggested the following alternative. In view of the fact that the Commission would not have very close contact with the administration in Palestine during the process of transfer of authority, it would be desirable for the Mandatory Power to maintain the machinery in a form in which it could be taken over by the successor authority. That is, during the period prior to the termination of the Mandate, the Mandatory Power would make provision for supplies in the period immediately following 15 May. The Ministry of Food had shown great understanding and sympathy for this suggestion as they fully recognized that it would be impossible to have a complete break in the administration with regard to food supplies.

It became evident, however, that the Treasury would be very much concerned about the effect of any arrangement on the dollar-sterling relationship, and that it would be impossible to make any general commitments without reference to particular commodities in each case. But the Ministry did not exclude the possibility of coming to some such arrangement with the Commission.

Mr. Reedman told the Commission he had been unable to come into contact with the Treasury before the end of the week. He had, however, interviewed the Economic Officer of the Colonial Office and expressed the same opinion to him but putting more emphasis on the financial aspect of the problem. He had suggested that the only alternative left to the Commission other than the introduction of new machinery would be either the supply of Palestine through private channels or that the Palestine Administration should act on behalf of the Commission in certain essential commodities and spend ahead. That would mean that the Palestine Administration would keep open the trading accounts and finishing up on 15 May with a slightly increased deficit to be charged to the Commission's account. The officer in question was most sympathetic to the latter suggestion and undertook to submit it both to the Colonial Office and the Treasury, but said that he was unable to predict their decision. However, the next day the Treasury's decision to block Palestinian sterling balances was made public.

Mr. Reedman had then interviewed the Treasury official who had been responsible for the drafting of the order and had put his proposition to him also. This official too had appeared sympathetic. He thought that if the arrangements made with respect to particular commodities did not put an additional strain on the sterling-dollar relationship there should be no insuperable obstacle so far as the Treasury was concerned.

Thus, when Mr. Reedman had left London the understanding was that a meeting would be arranged with the Palestine Administration to make the general arrangements whereby the Palestine Administration would operate its trading account on the Commission's account respecting agreed commodities.

/Mr. Henson

Mr. Henson would make a complete study of particular commodities and would give his considered opinion on the supply situation and how it might be met. This information would be available in a few days' time, after which the Commission could make specific proposals to the Mandatory Power. He stressed that this would have to be done without delay because if contracts were not made shortly there would be an inevitable hiatus owing to the time involved in the shipping of supplies.

He added that he had found that within the limits of the policy which had been laid down, the British officials that he had met were fully aware of the difficulties facing the Commission as well as of the difficulties that would arise if the Commission had to take over after 15 May with a deteriorating economic situation in Palestine, and were prepared to co-operate with the Commission so far as possible in administrative problems. He had been well received and sympathetically heard by the various officials.

The CHAIRMAN thanked Mr. Reedman for the valuable information he had given to the Commission and asked for comments on his report. He also enquired whether Mr. Henson's report would be received by the Commission and whether it would be exclusively concerned with the technical aspects of the problem of supply.

Mr. REEDMAN (Senior Economic Adviser) answered both questions in the affirmative. He proceeded to explain in answer to a further question concerning the difficulty of financing the project that if the Commission were to ask the Palestine Administration to relinquish controls in respect of the important food commodities in question and leave the matter in the hands of private importers, no financial problems would arise. There would, however, be other risks. These were, that private importers might not wish to undertake the risks involved, that supplies would not be forthcoming, or, if forthcoming, the commodities might be hoarded in anticipation of a price raise, with the result that black market operations might ensue.

The CHAIRMAN expressed the opinion that this was a grave risk and asked for greater clarification of other alternatives.

/Mr. REEDMAN

Mr. REEDMAN (Senior Economic Adviser) repeated that the alternative would be either the acceptance of the proposal which he had suggested in London and which had been sympathetically received, or that the Commission should finance the urgently needed commodities for procurement by the Administration. This he explained would depend on an agreement with the Mandatory Power. He explained further that such arrangements would be for a short period only. He stated that 30 June, which was the date until which wheat allocations for Palestine had been made, might be taken as a date-line in the case of cereals. In the case of fats the date-line might be vaguer since allocations had not yet been made. He pointed out that the United Kingdom in making such arrangements from dollar areas was guided by the dollar-sterling position; hence, they would not spend dollars, but would procure supplies available in the sterling area, as, for instance, wheat from Australia. In the case of the Argentine barley, if an equivalent quantity of wheat were available it could be substituted. Certain commodities such as fats could not be supplied from the sterling area in the future.

In answer to a question, Mr. Reedman said that this difficulty did not arise from the exclusion of Palestine from the sterling area. Payment would have to be made in dollars. He then suggested the possibility of procuring the dollars through the Jewish Agency, but considered this might be politically unwise. It might, however, be necessary to find an underwriting agency.

The CHAIRMAN stated that the technical side of this question could be arranged with the Mandatory Power, but in the matter of obtaining dollar credit the Commission could approach a government interested in the implementation of the Assembly resolution. To leave the matter in the hands of private agencies might be disastrous both as regards the food situation in Palestine and the authority of the Commission.

The opinion was expressed that Mr. Reedman's report showed the necessity for the Commission to renew its work aiming at the establishment of the Provisional Councils of Government, inasmuch as many of the tasks involved in administering food supply would have to be done on the spot.

In reply to a question, Mr. Reedman explained that rationing in Palestine was carried out not by individual ration cards but by allocations to the distributive outlets on the basis of population, and that, therefore, was a matter of internal price control chiefly carried out by government subsidy.

The view was expressed that there was no objection to allowing private importers to finance imports providing that all their contracts were approved by the Commission and that price and black market controls were instituted.

In reply to a question regarding the system of food distribution in Palestine, Mr. Reedman explained that the bulk of the purchases were made by the Palestine Administration from the Ministry of Food. In the case of cereals, sugar and dairy products the purchases were made on the Government trading account and distributed by the government agents. The agents were largely Steel Brothers, a British firm.

It was suggested that after 15 May Steel Brothers be made the Commission's agent for exclusive handling of specified commodities. Arguments in favour of such an arrangement were that the market would be kept under control, and that there was no other effective way of carrying out the provisioning of Palestine which obviously could not be postponed. On the other hand, there were many arguments against this proposal. It was pointed out that Steel Brothers might not be interested in the offer since they might consider the risk excessive; that the proposal might be considered a violation of the Assembly resolution, and that it could not be carried out without the necessary administrative machinery and should rightfully be undertaken by the Provisional Councils of Government.

/Mr. REEDMAN

Mr. REEDMAN (Senior Economic Adviser) stated that he had asked Mr. Henson to get in touch with Steel Brothers. He pointed out, however, that Government buying had constituted part of the control as subsidies had been paid to keep prices down.

The CHAIRMAN thought that the Commission would in any case need a working fund, not only with respect to food supplies, but relating to its duties in general. An attempt to secure financial assistance now might be a test case showing whether the governments which voted for partition really meant to have the plan implemented.

In reply to a question, Mr. REEDMAN stated that the total annual cost of food imports was 20 million pounds, of which 9 million were on the Government trading account, with a loss due to subsidies amounting to 2 million pounds. Thus, if the Government trading account were left open for an additional 3 months after 15 May, the total cost of food imports would be approximately 5 million pounds.

The SECRETARY drew attention to the ironic inconsistency in which the Commission would find itself if it took the position that it could not make any arrangements for the purchase of food for consumption after 15 May while simultaneously accepting the position of successor authority in Palestine with all the responsibilities that devolve upon such an authority.

He pointed out that regardless of what might be decided concerning the supply from dollar areas something could be done within the sterling area by using the sterling surplus of the Palestine Administration.

Mr. Reedman was requested to prepare a memorandum for the Commission's information on the implications of the blocking of Palestinian sterling balances and how that measure would affect the Commission's position after 15 May.

The CHAIRMAN stated that the whole question of financing was very important and would require much further thought on the part of the Commission. Consideration of the subject would be resumed at the next meeting.

/CONSIDERATION

CONSIDERATION OF THE MEMORANDUM PREPARED BY MR. FEDERSPIEL REGARDING
CONTINUED EMPLOYMENT OF PALESTINIAN EMPLOYEES (Informal Paper UK/44)

The above memorandum with the accompanying letter to
Mr. Fletcher-Cooke were accepted with minor drafting changes. It was
decided to entitle the document "A Communication to all the Employees
of the Palestine Administration."

CONSIDERATION OF ACTION BY THE MANDATORY POWER IN FREEZING STERLING BALANCES

It was decided to postpone consideration of this item until the
memorandum by Mr. Reedman (Senior Economic Adviser) was submitted.

CONSIDERATION OF MEMORANDUM OF THE JEWISH AGENCY FOR PALESTINE ON "THE
POLICY OF THE MANDATORY POWER IN PALESTINE SINCE THE ADOPTION OF THE
GENERAL ASSEMBLY'S RESOLUTION, WITH PARTICULAR REFERENCE TO SECURITY"
(Informal Paper JA/21)

It was decided that all that was necessary with respect to the above
memorandum was to acknowledge its receipt and to take note of the fact
that it had already been submitted by the Jewish Agency to the Members
of the Security Council.

COMMUNICATION FROM THE JEWISH AGENCY CONCERNING MUNICIPAL POLICE UNITS
IN PALESTINE (Informal Paper JA/20)

It was decided that no action other than an acknowledgment of the
receipt of the above communication would be necessary. In the letter of
acknowledgment, mention should be made of the fact that the Commission
had already covered this matter in its Special Report to the Security
Council.

COMMUNICATION FROM THE HEBREW COMMITTEE OF NATIONAL LIBERATION
(Informal Paper JA/19)

The CHAIRMAN, in calling the attention of Members to the above
communication, stated that a representative of the Hebrew Committee of
National Liberation wished to appear before the Commission in order to
express the Committee's views on the Palestine situation. He pointed
out that the Hebrew Committee of National Liberation was a revisionist
organization which sponsored the Irgun Zvai Leumi, was opposed to the

Jewish Agency and had not appeared before UNSCOP. In view of the fact that the Committee claimed to be an organization in exile, the Chairman suggested that it should be given a hearing. This concession would not establish a precedent; the Commission was free to interview anyone that it considered useful for the implementation of its tasks. He made it clear that the Committee was not being consulted on the establishment of the Provisional Council of Government in the Jewish State but on the terms of reference of its letter to the Commission.

The SECRETARY informed the Commission that a representative of the above organization had been to see him and that he had refrained from indicating to the representative that it would be possible for him to come before the Commission for the time being. His reason for doing so was that it was not clear to him that the organization in question represented any group in Palestine. Moreover he had explained to him that the Commission was concerned with the implementation of the Assembly resolution and not with a discussion of the entire question of Palestine. He had advised the representative to send the Commission a communication formally requesting to be heard at the time when the Commission was hearing the various Palestinian groups in connection with the setting up of the Provisional Councils of Government.

However, it was decided that it might be useful to hear the representative of the Hebrew Committee of National Liberation and that a letter be sent asking him to hold himself in readiness for an interview with the Commission some time during the following week.

COMMUNICATION FROM THE JEWISH COMMUNITY COUNCIL, HAIFA (Informal Paper JA/22)

With reference to the above communication concerning Jewish detainees in Kenya, it was decided that in the acknowledgment of the receipt of the communication, the Commission would state that it had already taken up the matter with the Mandatory Power and had been advised by the latter that all detainees outside Palestine would be released between 15 May and 1 August.

/The opinion

The opinion was expressed, however, that the Commission should look further into the possibilities of arranging for the release of the detainees immediately after 15 May.

The CHAIRMAN pointed out that inasmuch as the position of the Mandatory Power was that the detentions in question took place for security reasons and that as long as it occupied any part of Palestine it would retain responsibility for the security of that territory, it was impossible for the Commission to secure the release of the detainees before the stipulated time.

The meeting rose at 6.10 p.m.
