

UNITED NATIONS PALESTINE COMMISSION
SUMMARY RECORD OF THE FOURTY-SEVENTH MEETING

Lake Success, New York
Thursday, 4 March 1948, at 3.00 p.m.

Present:

Chairman	Mr. LISICKY	(Czechoslovakia)
	Mr. Medina	(Bolivia)
	Mr. Federspiel	(Denmark)
	Mr. Morgan	(Panama)
Secretariat:	Mr. Bunche	(Secretary)
	Mr. Vigier	(Senior Political Adviser)
	Mr. Reedman	(Senior Economic Adviser)
	Mr. Gebe-Habersky	(Assistant Secretary)
	Mr. Singer	(Economic Adviser)

COMMUNICATION FROM THE UNITED KINGDOM DELEGATION CONCERNING FOOD SUPPLY
POSITION IN PALESTINE (Informal Paper UK/52)

The CHAIRMAN proposed that the above communication should receive the Commission's attention before it proceeded with consideration of the items on the agenda.

Mr. REEDMAN (Senior Economic Adviser) explained that Mr. Fletcher-Cooke had telephoned him upon his receipt of the telegram from London referred to in the above communication, and had advised Mr. Reedman that a letter was on its way to the Commission. Mr. Reedman had informed him that the Commission had decided to approach the United Kingdom Government with a request that it maintain, for the time being, the existing machinery of procurement and continue operating the Government trading account. He had

115 17 1948

/explained

explained the Commission's reasons for so doing. Thereupon, Mr. Fletcher-Cooke had dispatched a cable to the Colonial Office transmitting that information.

Mr. Reedman said that it was now necessary to follow this up with specific proposals, and he had therefore prepared a draft proposal for submission to the Mandatory Power for the Commission's consideration (Informal Paper W/6). He would prepare as well a covering letter to Mr. Fletcher-Cooke, which would be a reply to Mr. Fletcher-Cooke's letter of 3 March (Informal Paper UK/52).

Mr. Reedman also suggested that an arrangement should be made for the Chairman and perhaps the Secretary and himself to see Mr. Creech-Jones, before his departure from New York for London, to call the proposal to his attention and to impress upon him its urgency and importance. It was agreed that such a meeting with Mr. Creech-Jones would be arranged.

Mr. Reedman then read the draft proposal to be submitted to the Mandatory Power on the question of Food Supply (Informal Paper W/6).

The draft proposal was accepted with minor drafting changes.

Later during the meeting, Mr. Reedman also submitted a draft accompanying letter to Mr. Fletcher-Cooke, which was also approved.

CONSIDERATION OF THE QUESTION OF MILITIA

It was agreed to postpone consideration of the first item on the agenda, concerning the question of militia, until Mr. Francisco (Philippines) was present.

CONSIDERATION OF THE URBAN PROPERTY TAX BILL (Informal Papers UK/45 and W/5)

Mr. GEBE-HABERSKY (Assistant Secretary) read the working paper prepared by the Secretariat (Informal Paper W/5) on the Urban Property Tax (Temporary Provisions) Bill, proposed by the Palestine Administration (Informal Paper UK/45).

It was agreed that the Commission could have no objection to the passage of the Bill.

COMMUNICATION FROM THE COMMISSION TO THE UNIVERSAL POSTAL UNION (Informal Paper UK/49, paragraph (d))

Mr. FEDERSPIEL (Denmark) read a letter he had drafted addressed to the International Bureau of the Universal Postal Union concerning the conditions under which the Commission should enter into relations with the latter in the intermediate period in which the Commission would be responsible for the administration of Palestine.

The letter was approved with a few drafting changes.

Mr. FEDERSPIEL (Denmark) noted that when a reply to the letter had been received, the Commission would have to enter into the necessary arrangements with the shipping lines. As for the internal distribution of mail, that would be the Commission's own task.

COMMUNICATION FROM JEWISH DETAINEES, KENYA (Informal Paper M/8)

It was decided that a reply to the above communication would be sent to the effect that the question of repatriation of detainees was at present under discussion with the Mandatory Power.

COMMUNICATIONS FROM THE JEWISH AGENCY CONCERNING THE DISARMING AND SUBSEQUENT KILLING BY ARABS OF JEWISH DEFENSE PERSONNEL (Informal Paper JA/24), ON THE ALLEGED ATTACK BY THE ARABS ON THE TIRAT ZVI SETTLEMENT (Informal Paper JA/25), AND COMMUNICATION FROM THE CENTRAL UNION OF THE PALESTINE LANDLORDS' ASSOCIATION (Informal Paper M/9)

It was agreed that the receipt of the three above-mentioned communications would be acknowledged and that copies of them would be transmitted to the Mandatory Power.

CONSIDERATION CONCERNING THE PALESTINE MUSEUM IN JERUSALEM (Informal Paper UK/49)

It was agreed that a reply to paragraph (a) of Mr. Fletcher-Cooke's letter of 1 March (Informal Paper UK/49) would be sent to the effect that the Commission agreed to the general procedure proposed by the Palestine Administration with respect to the Palestine Museum, on the understanding that no financial responsibility on the part of the Commission would be involved.

COMMUNICATION FROM THE UNITED KINGDOM DELEGATION REGARDING RE-EMPLOYMENT OF PALESTINIAN STAFF (Informal Paper UK/53)

The SECRETARY explained that he had received the above communication following a conversation he had had with Mr. Fletcher-Cooke, in the course of which he had drawn the attention of Mr. Fletcher-Cooke to the apparent misunderstanding that existed in Jerusalem regarding the functions of the advance party of the Secretariat. Mr. Fletcher-Cooke had replied that he would send a communication to the Administration in Jerusalem correcting this misunderstanding.

The SECRETARY had also pointed out that the Commission had not yet heard of the reaction in Palestine to the statements issued by the Commission regarding employment.

It was decided that the receipt of the communication dated 3 March would be acknowledged and that no other action was necessary.

CONSIDERATION OF THE RELATIONSHIP AND ARRANGEMENTS WITH THE CURRENCY BOARD (Informal Paper W/7)

Mr. SINGER (Economic Adviser) made the following comments on the Currency Board position and the decisions facing the Commission respecting it.

Technically, all of the Palestinian currency had to be backed 100 per cent by British currency.

The present Currency Board was not a department of the United Kingdom Government but an autonomous body, although its members were entirely United Kingdom Government representatives.

The existing Palestine Currency Board arrangements included Trans-Jordan, and presumably it would be necessary to separate Trans-Jordan from the operations of the Board.

The Currency Board operated through the Accountant General who was also the Currency Officer of the Board. Advice had been received that the Currency Officer would not be available after 15 May, which meant that the Commission had to make provisions for the appointment at least by that date of their own Currency Officer.

The main problem was the disposal of the £4.5 millions which represented the existing surplus assets. It was to be noted that the surplus over and above the currency circulation was held entirely in bank deposits and cash. He understood that it was intended to draw up the next balance sheet of the Currency Board as usual for 31 March 1948 and the present Currency Board would then have to decide what part of the Board's assets could be set aside toward the general Palestinian budget. Theoretically the whole of the £4.5 millions could be declared surplus. But the impression gained from the United Kingdom delegation was that this was not the intention. It was probable that the current income of the Board would largely be distributed. The problem arising in that connection was accounting for the six-week period from 1 April to 15 May. It was understood that the Mandatory Power's present intention was to continue the Board unchanged except in two respects: firstly, the separation of Trans-Jordan from its operations, and, secondly, the addition to the Board of an observer representing the Commission.

With respect to the question of the Commission's participation in the Currency Board, he referred to the five possibilities suggested in the Working Paper which the Secretariat had prepared (Informal Paper W/7, Section X, page 6)

If the first alternative were adopted, that is, if the Commission simply ignored the Currency Board and let it carry on without a Commission observer, the Commission would not be informed of the activities of the Board and would have no opportunity of making its views felt.

The second alternative was to appoint an observer without voting powers as suggested by the Mandatory Power.

Thirdly, the Commission could ask for the appointment of a full member with voting rights. Such a member, however, would still be powerless in voting against the four British Government representatives.

Fourthly, the Commission could insist on an equal number of members as United Kingdom Government representatives in order to obtain equality in voting power. In that case, however, the probability was that the Mandatory Power would not be willing to continue the Currency Board.

/Regarding

Regarding the fifth alternative, that is, the termination of the Board on 15 May, the following considerations should, he said, be noted:

1. The Mandatory Power was keen to continue the Board as it was, and the present appointment would not prejudice the position of the currency after 15 May.

2. The surplus in the Board was a considerable sum which the Commission might require. If the Commission were in full control of the assets of the Board, it could do one of several things. It could liquidate the present investments of the Board, in which case all further risk of depreciation would be avoided and the £4.5 millions would be available immediately; on the other hand, no further income from the investment would be forthcoming. Or, it could change the present currency ordinance which required 100 per cent backing and reduce the required backing to 75 or 50 per cent, setting assets free in that way. The dangers of following that course, however were: firstly, that as the period during which the Commission would be the responsible authority was very short there was an argument for refraining from such far-reaching changes; and, secondly, that in the unsettled existing conditions in Palestine, the ordinance might lead to a financial panic.

3. The Board was not affected by the recent Treasury Order, that is, it would still be possible to obtain Palestinian pounds in Palestine by the surrender of sterling from the blocked accounts in London. In addition, the Mandatory Power had given assurances that all possible facilities would be provided for keeping currency for Palestine safe and ready. However, the assets of the Currency Board were, of course, frozen by the Order.

Mr. Singer thought that the appointment of an observer to the Board could do no harm and would be very useful in that it would keep the Commission in touch with the Board's activities during the winding-up period.

As for the major issue regarding whether the Commission should continue the Board after 15 May, there were many arguments for and against such a step. He explained that the Secretariat paper did not deal with this question.

It was agreed that the Secretariat should be asked to prepare a working paper concerning the currency problems facing the Commission after 15 May.

CONSULTATION WITH FINANCIAL EXPERT OF THE JEWISH AGENCY

It was suggested that the Commission might wish to invite Mr. Hoofien, financial expert of the Jewish Agency, to meet with the Commission for consultation.

It was agreed that a meeting with Mr. Hoofien should be arranged and that the date for it would be decided upon at the next meeting.

The meeting rose at 6.10 p.m.
