

UNITED NATIONS PALESTINE COMMISSION

SUMMARY RECORD OF THE FORTY-EIGHTH MEETING

Lake Success, New York

Monday, 8 March 1948, at 3.00 p.m.

Present:

Chairman:	Mr. LISICKY	(Czechoslovakia)
Members:	Mr. Medina	(Bolivia)
	Mr. Federspiel	(Denmark)
	Mr. Morgan	(Panama)
Secretariat:	Mr. Bunche	(Secretary)
	Mr. Vigier	(Senior Political Adviser)
	Mr. Reedman	(Senior Economic Adviser)

CONSIDERATION OF COMMUNICATION FROM THE UNITED KINGDOM DELEGATION CONCERNING DISCUSSIONS BETWEEN THE PALESTINE GOVERNMENT AND THE ADVANCE PARTY ON THE QUESTION OF THE CONTINUANCE OF PRESENT ADMINISTRATIVE MACHINERY AFTER 15 MAY (Informal Paper UK/57)

The CHAIRMAN called the attention of the Members to the above communication, which should receive prior consideration to other matters on the agenda as he deemed that it called for an urgent decision. He asked the Secretary to inform the Commission of the subject-matter of his telephone conversation with Mr. Fletcher-Cooke which was referred to in the letter.

The SECRETARY explained to the Commission that Mr. Fletcher-Cooke had read to him over the telephone the contents of Sir Henry Gurney's telegram in which he expressed surprise and possibly annoyance at the fact that Mr. Azcarate (Deputy Principal Secretary) was not prepared to give categorical answers to basic questions concerning whether the Commission would take over all the departments of the Palestine Administration. The telegram ended with the statement contained in the second paragraph of Mr. Fletcher-Cooke's letter.

The Secretary stated that he, in turn, had expressed his own surprise, both at the tone and the contents of the telegram as he had considered that

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it was quite clear to everyone concerned that the advance party had no authorization to make decisions binding on the Commission but were only entitled to observe and explore the situation and report back to the Commission. He told the Commission that Mr. Fletcher-Cooke had informed him that he had repeatedly defined the nature and terms of reference of the advance party to the Palestine Administration and proposed to repeat once again the said terms of reference in a further communication to Sir Henry Gurney.

The CHAIRMAN pointed out to the Commission that Mr. Azcarate's position was made difficult by the attitude of Sir Henry Gurney as expressed in the telegram and stated that it was necessary to hear from Mr. Azcarate as soon as possible on the subject.

It was pointed out that two matters raised in paragraphs two and four of Mr. Fletcher-Cooke's letter demanded immediate action. It was suggested that the working paper on Legislative Power prepared by the Secretariat (document A/AC.21/W.27) was relevant to the issue at hand.

It was decided to reply to Mr. Fletcher-Cooke immediately that the Commission were surprised at the change in the plans of the Palestine Administration of whose existence they had not been informed and were even now being informed only indirectly. Mr. Fletcher-Cooke was to be asked to inform the Commission officially of the exact nature of the plans of the Government of Palestine so that the Commission could be in a position to answer their question.

The opinion was expressed that the Commission had already clearly stated that there should be no break in the administration but that it should be taken over by the Commission as it now stands.

The CHAIRMAN pointed out to the Commission that the situation had to be viewed realistically and drew the attention of Members to the fact that the communication under consideration called for a binding declaration of the position of the Commission on a matter which it was not prepared to give.

It was suggested that Mr. Fletcher-Cooke be invited to inform the Commission in greater detail concerning the situation that had arisen.

After discussion it was decided that the Commission could not be involved in simultaneous negotiations with two separate bodies but should restrict itself to dealings with the United Kingdom representatives duly accredited to the Commission (document A/AC.21/3). The nature of the advance party as a purely exploratory body was reaffirmed and hence since discussions of the matters raised by Mr. Fletcher-Cooke's letter were above the exploratory level they should be undertaken directly with the

United Kingdom delegation.

Regarding the suggestion that the Commission should inform Mr. Fletcher-Cooke that it was unable to reply to paragraph four of his letter (Informal Paper UK/57), on the ground that it was forbidden to enter Palestine before 1 May, it was remarked that this was not a strong point as the Commission was not in fact ready to proceed to Palestine but had a number of matters to settle in London before doing so.

It was suggested further that pending final agreement with the Mandatory Power the plans of the Palestine Administration should remain unchanged. It was pointed out that the Palestine Commission as the successor authority was entitled to inherit the framework of the Administration of Palestine including the structure, the employees and the physical assets. This was a legal obligation of the Mandatory Power and was therefore in no way a matter concerning Sir Henry Gurney. It was suggested that the reminder in form of a reference to the relevant paragraph of the Assembly resolution be sent to the Mandatory Power.

The CHAIRMAN instructed the Secretary to prepare a draft answer to Mr. Fletcher-Cooke's letter to be submitted to the Commission for consideration. He drew the attention of the Commission to the point concerning Aqir airfield and expressed regret that it was now unavailable for use by the Commission. He further instructed the Secretary to inform Mr. Azcarate by cable that the Commission was awaiting his report on his recent discussions with Sir Henry Gurney.

It was decided that the Commission would have no dealings with Sir Henry Gurney except through the United Kingdom representatives accredited to the Commission.

CONSIDERATION OF THE QUESTION OF THE MILITIA

The SECRETARY read to the Commission the Report of Mr. Francisco (Philippines) on the Communication of the United Kingdom of 27 February regarding Militia (Informal Paper UK/61).

The Commission endorsed the conclusion arrived at in Mr. Francisco's report that no useful purpose could be served in pursuing any further consultation with the Mandatory Power on the subject of the militia, and decided to report the matter as it now stands to the Security Council.

There were further comments on Mr. Fletcher-Cooke's letter of 27 February concerning the formation of militia in Palestine prior to the termination of the Mandate (Informal Paper UK/46).

It was pointed out that as regards the availability of equipment, stores, etc., of the Palestine Police, with effect from 15 May, it was necessary to ascertain that all the movable equipment be taken to areas

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under the immediate control of the Commission. Would the Mandatory Power consent that all this equipment be sent to Aqir or any other place designated by the Commission? As regards the safe custody of the stores, it was observed that, in view of the insistence of the Mandatory Power to retain exclusive authority in Palestine until 15 May, it would be difficult for the Commission to define its own authority about such stores unless the Mandatory Power yielded in this matter. The Commission, it was suggested, could propose that these armaments be kept under seal, according to an agreement which the Mandatory Power may consider adequate under the direct control of the Military Mission of the Commission. If the Mandatory Power did not wish to assume this responsibility, the Commission could suggest that the arms destined for the militia of the Jewish State be kept under seal in Tel-Aviv or in Aqir, according to treaties to be concluded between the Commission and the Jewish Agency.

It was further asked whether, in referring to the "Commission's own resources" (sub-paragraph (b) of (5) of Mr. Fletcher-Cooke's letter), the Mandatory Power implied that it would allow the Commission to use its own non-Palestine forces to keep the above-mentioned supplies before the expiration of the Mandate.

It was considered very urgent that the Commission should obtain early information regarding the quantity of arms, motorized vehicles, etc., which the Palestine Police had at present. Without such knowledge, the Commission could not make any calculations as to the total requirement of armaments. Moreover, the Commission should immediately consider the possibility of sending military and police advisers to Palestine.

With respect to sub-paragraph (a) of point (5) of Mr. Fletcher-Cooke's letter (Informal Paper UK/46) it was suggested that the following information should be obtained from the Mandatory Power. (1) What was the exact amount supplied to the Municipal Police? (2) Details as to the quality and quantity of the above-mentioned equipment. (3) How, where and when said equipment had been delivered. (4) Details about the contributions of the Palestine Government to the budget of the Trans-Jordan Frontier Force since the day of its creation.

With respect to sub-paragraph (b) of point (5) of Mr. Fletcher-Cooke's letter it was suggested that the Commission should inform the United Kingdom Government that, regardless of the type and quantity of arms, the Commission was ready to assume responsibility for its storage and that it was prepared to enter into negotiations with the United Kingdom Government on this matter.

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With respect to sub-paragraph (e) of point (5) of Mr. Fletcher-Cooke's letter it was suggested that the information referred to in sub-paragraph (e) should be given urgently.

With respect to sub-paragraph (f) of point (5) of Mr. Fletcher-Cooke's letter, the Commission should insist on obtaining details regarding the delivery of arms to the Municipal Police Forces.

Further consideration would need to be given to sub-paragraph (g) of point (5) of Mr. Fletcher-Cooke's letter, concerning military experts.

Finally, with respect to sub-paragraph (h) of point (5) of Mr. Fletcher-Cooke's letter, it was pointed out that this sub-paragraph made clear the urgent need of the Commission to insist on the formation of militia at the earliest possible time.

The CHAIRMAN observed that certain of the points raised had already been settled, especially those concerned with the formation of the militia which had received a negative answer from the Mandatory Power. As for the matter concerning the Palestine Police Force, it was noted that Mr. Fletcher-Cooke's letter had left it open to negotiation.

The CHAIRMAN observed that concerning the specific point raised in paragraph (b), page 4 of Mr. Francisco's report, the answer received from Mr. Fletcher-Cooke raised two further questions, the first of which could be answered by the Commission, in time, but the second of which was beyond the Commission's present powers. It was suggested that since Mr. Creech-Jones in his conversation with Mr. Morgan had affirmed that the lifting of the Palestinian arms embargo, as far as the Commission was concerned, could be negotiated, it was still possible to proceed along these lines.

After discussion it was agreed that since the formation of the militia was legally the task of the Provisional Councils of Government, their formation should be discussed as soon as the questions of Sterling Balances and the Currency Board had been disposed of. It was agreed that the onus of inaction and the refusal to co-operate in the formation of the Provisional Councils of Government should be placed on the Mandatory Power. It was pointed out in this respect that the Provisional Councils of Government could not hope to take any practical steps for the formation of the militia in Palestine before 15 May as the Mandatory Power had made it quite clear that even in the areas from which it would withdraw its forces, it would still retain authority over civil administration.

The CHAIRMAN suggested that the two questions, namely the formation of the militia and the matters concerning the Palestine Police Force, should be separated and the former should be reported to the Security Council.

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Regarding the advisability of further communication with the United Kingdom authorities on the matter, it was decided that a letter be sent to Mr. Fletcher-Cooke informing him that the Commission had received the reply of the United Kingdom Government to its question and considered it unsatisfactory. The letter would further inform the United Kingdom representative that it was reporting the matter to the Security Council. These statements would not be sent in the form of a separate communication, but would be included in a letter containing answers and queries in regard to problems pertaining to the security forces in Palestine. These would include an answer to the paragraph concerning the Palestine Police Force incorporating Mr. Morgan's question regarding the arms and equipment of the Municipal Police; an answer to the effect that with regard to the matter of the handing over by the Mandatory Power of police equipment to the Commission, the Commission accepted the proposal of the United Kingdom Government, authorizing at the same time the advance party to act on its behalf in discussions on this matter, and inviting concrete proposals from the Palestine Administration; that in regard to guarantees by the Commission for the safekeeping of arms stored in Palestine, it was well known that the Commission had no resources of its own with which to undertake such an obligation and that therefore it considered the answer of the Mandatory Power as negative; that no answer would be given in regard to the matter of the Commission's own security, but that this would be placed before the Security Council; and that the Commission had no information as yet regarding paragraph (e) of page 6 of the communication of 27 February, and that it had no suggestions to submit to the United Kingdom authorities. Its opinions on the matter would be submitted to the Security Council. The Chairman instructed the Secretary to prepare a draft letter which would be submitted to the Commission for consideration at its next meeting.

CONSIDERATION OF RELATIONSHIP AND ARRANGEMENTS WITH THE CURRENCY BOARD

It was decided that an observer without the right to vote would be appointed to the Currency Board to serve until 15 May, and that the Commission would reserve its position with respect to the period following that date.

CONSIDERATION OF THE QUESTION OF STERLING BALANCES (Informal Paper W/8)

Mr. REEDMAN (Senior Economic Adviser) stated that the blocked balance amounted to £100 millions according to the British Treasury, and that it consisted of: firstly, the assets of the Currency Board, which amounted to one half of the total; secondly, the balances of the Palestinian commercial banks, which totalled £32 millions in October, 1947; and, thirdly, balances /of private

of private firms, of individuals, etc., amounting to £16 millions. The origin of these balances was mostly wartime expenditures of the United Kingdom in Palestine. Those expenditures accounted for practically the whole of the assets of the Currency Board as well as for the bank balances. As for private individuals, they had accumulated balances because it had been impossible for them to make capital expenditures.

Before the war the situation had been that balances could be freely exchanged within the sterling area.

The reasons given by the British Treasury for the Order freezing balances were: firstly, that the balances were being depleted, and, secondly, that leakages and losses to the dollar area were taking place.

Regarding the first reason, he stated that, on the evidence available, it did not appear that the rate of withdrawal had been very heavy. Possibly, however, the British Treasury had had reason to anticipate an increase in the rate of withdrawal.

The leakages had probably been more serious. These were due, however, to inadequate import controls in Palestine and Trans-Jordan, especially the latter, and to financial transfers through free exchange markets.

In order to meet the situation which would be created by the sudden blocking, the British Treasury had provided that a total amount of £7 millions would be made available up to 15 May from what otherwise would be blocked accounts, that is, £3 millions would be available for ordinary commercial purposes and £4 millions for additional working funds for the commercial banks.

He noted that, on the basis of the reduction for the year, which had amounted to £12 millions, the release of the sum of £7 millions up to 15 May did not seem unreasonable. That sum, together with current earnings, should preserve the position until 15 May broadly as it had been except that it would not now be possible to run off still further the balances which had been accumulated in previous periods.

The mechanism in freezing sterling balances was simply the transfer of the balances to number 2 accounts, which meant that they could not be freely withdrawn but could be transferred from one Palestinian account to another. They could be transferred to number 1 accounts only by Treasury permission.

All current earnings were not blocked and were available as before. They had now become number 1 accounts.

The general arrangements adopted in blocking balances were not dissimilar to those adopted in other cases. There was, however, the difference that the procedure had been somewhat unilateral, with no one

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outside the Treasury consulted except the Palestinian Administration, which had been consulted regarding the technical matter of the amounts to be drawn upon up to 15 May.

He drew attention to three dangers which the Order created. These were set forth on page 7 in the Working Paper on Palestinian Sterling Balances (Informal Paper W/8).

Regarding the first of these Mr. Reedman explained that the release of dollars from the sterling area pool to the Jewish Agency was subject to an existing agreement which permitted the use of gift dollars which the Jewish Agency received against import licenses. In view of that agreement, the Palestinian Administration had recently adopted the principle of providing dollars for import into Palestine out of the sterling pool only for Arab requirements, the argument being that the Jewish requirements could be met out of the considerable resources of gift dollars.

Regarding the second danger, he said that the only alternative was a special arrangement with the British Treasury.

Regarding the third, he stated that future agreements entered into with the United Kingdom Government with respect to blocked balances should be for much longer periods and should not create uncertainty regarding the position within the next few months.

In view of these three dangers, it was essential for the Commission to start negotiations with the British Treasury on releases from sterling balances after 15 May in definite amounts so that there might be some certainty regarding the amount of exchange which would be available against import licenses.

Arising out of this, there was another difficulty. In view of the shortage of exchange, it would be essential that the limited quantities of exchange available should be used to the best advantage, and it would therefore be of the greatest importance to ensure the maintenance of control over import licenses.

It was agreed that detailed negotiations with the British Treasury should be carried out by the Commission when it was in London.

THE PREPARATORY ECONOMIC COMMISSION

The CHAIRMAN requested Mr. Reedman (Senior Economic Adviser) to take up with Mr. Owen, Assistant Secretary-General of the Economic Affairs Department, as urgent, the matter of completing the appointments to the Preparatory Economic Commission.

The meeting rose at 5.50 p.m.