

SUMMARY RECORD OF THE FIFTY-SIXTH MEETING OF
THE UNITED NATIONS PALESTINE COMMISSION

Lake Success, New York

Tuesday, 23 March 1948, at 3.15 p.m.

Present:

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

CONSIDERATION OF THE PROBLEM OF FOOD SUPPLY IN PALESTINE

The CHAIRMAN called on Mr. Reedman (Senior Economic Adviser) to give his views on two communications received from the United Kingdom delegation concerning the food supplies in Palestine. (Informal Papers UK/71 and UK/73)

Mr. REEDMAN (Senior Economic Adviser) explained that the position of the United Kingdom Government as defined by Informal Paper UK/73, which was received in answer to the Commission's request was as follows: The United Kingdom Government were prepared to act as agents for the procurement of sugar to the amount of 5,000 tons and cereals to cover the allocation until 30 June, but were not prepared to finance this undertaking. They pointed out, however, that if the Palestine Commission were prepared to undertake this financial obligation, they would proceed in all other respects. Mr. Reedman told the Commission that this was the situation with which it would be faced immediately after 15 May and noted that it was not quite clear what kind of financial guarantees the United Kingdom would accept from the Commission. He referred the Commission to sub-paragraphs (a) and (b) of paragraph 2 of Informal Paper UK/73 and noted that the word "during" in reference to financial obligation for the period from 15 May to 30 June raised the question of whether or not the Mandatory Power was responsible for the continuation of procurement of supplies for

/Palestine

Palestine until the end of the Mandate. He explained that the United Kingdom Government were not prepared to continue operating the trading account of the Palestine Administration and would require the Commission to undertake to cover the financial cost of procurement. Mr. Reedman went on to say that in his conversations with Mr. Fletcher-Cooke, in which he had tried to ascertain the kind of financial guarantee that would be acceptable to the United Kingdom Government, it had been made clear to him that the Palestine revenue could not, in the opinion of the United Kingdom Government, serve this purpose, as claims against this revenue had already been placed and exceeded the available amount. As to the question of whether the United Kingdom Government would accept a guarantee of reimbursement from the Commission out of future Palestine revenue or whether they would only consider a more substantial and immediate arrangement, Mr. Fletcher-Cooke had been unable to give a definite answer before consulting his Government, but stated his personal opinion that if a reasonable guarantee of repayment in the near future were forthcoming, the Ministry of Food might proceed with procurement of supplies for Palestine. Mr. Reedman indicated the necessity of submitting specific proposals within the present powers of the Commission if it should decide to pursue this line of action.

In answer to a question by the CHAIRMAN, regarding the meaning of paragraphs 3 and 4 of Mr. Fletcher-Cooke's letter of 18 March (Informal Paper UK/73), Mr. REEDMAN (Senior Economic Adviser) explained that they were partly supplementary and partly an attempt to minimize criticism of the United Kingdom Government for suspending procurement by purchase through the Palestine Government Trading Account. He further pointed out that the last paragraph of the above-mentioned letter did, in fact, inform the Commission that the United Kingdom had proceeded with what it considered to be a solution of the problem by authorizing the High Commissioner for Palestine to allow private importation at his discretion forthwith.

Mr. Reedman informed the Commission on this score that the Treasury Order of 22 February blocking sterling balances would act as a great impediment to the smooth functioning of procurement for Palestine under private importers as there would be considerable uncertainty concerning the availability of sterling exchange to such importers after 15 May. He remarked that it was probable that in the last resort, the Jewish community in Palestine could look after itself by providing dollars for the procurement of minimum food supplies. As far as the rest of the community was concerned,

/Mr. Reedman

Mr. Reedman stated that he could not definitely foresee how they would meet such an eventuality.

The CHAIRMAN then asked the Members of the Commission and Mr. Reedman whether they agreed with his opinion that the action of the United Kingdom Government in discontinuing government purchase licenses, contrary to the suggestion of the Commission, in favour of granting import licenses to private traders would lead to consequences for which the Commission must disclaim responsibility.

Mr. REEDMAN (Senior Economic Adviser) agreed that this was so, insofar as the United Kingdom Government had acted without consulting the Commission in a matter that would affect a period under the Commission's jurisdiction.

The ambiguity of paragraph 3 of Informal Paper UK/73 was noted and Mr. Reedman interpreted its purpose as intending to carry on the procurement programme beyond 15 May and up to 30 June by the granting of import licenses. He further explained the differences in the allocations of the International Emergency Food Council and the supplies which would actually be imported into Palestine either by private traders or by the United Kingdom Government if it had retained the Mandate until the end of 1948.

It was noted that there was a possibility of licenses being granted too freely resulting in fairly large immediate imports which would then have to be offset against allocations for the second half of 1948.

The CHAIRMAN remarked that since the granting of import licenses meant that supplies would be bought not through official channels but in the black market, the result would be that black market prices would be charged in Palestine.

Mr. REEDMAN (Senior Economic Adviser) agreed that, on the whole, this measure would result in higher prices for the importer, who would probably have to buy in dearer markets, and also for the consumer as subsidization of sales to consumers would cease with the termination of the operations of the Government Trading Account.

The CHAIRMAN asked Mr. Reedman what he considered to be the Commission's responsibility.

Mr. REEDMAN (Senior Economic Adviser) emphatically stressed that the negotiation of the release of sterling balances after 15 May was a responsibility of the Commission as this could not be done by private individuals. He explained that there were two alternatives that the Commission could follow: either it could attempt to negotiate the best possible arrangement for Palestine with the United Kingdom or it could leave the United Kingdom to decide the matter unilaterally. He insisted on the

importance of this aspect of the matter as it had an important bearing on the buying capacity of the private importers, on whom, under the present system the adequate food supply of Palestine would depend. He further noted that if the Commission remains in its present position of uncertainty until or after 15 May there would be no one to represent Palestine on the International Emergency Food Council and hence no allocations for Palestine would be made.

The CHAIRMAN asked Mr. Reedman whether he agreed with him that the United Kingdom had taken a unilateral step for which they alone were responsible and which prevented the Commission from forming any policy of its own.

Mr. REEDMAN (Senior Economic Adviser) re-affirmed that in his opinion it was the responsibility of the Mandatory Power to continue normal shipments to Palestine until 15 May so that the successor authority could take over without interruption. This, he pointed out, followed from their expressed policy of not relinquishing any authority until 15 May.

As regards the possible lines of action that the Commission could take on the matter, it was suggested that the Commission make a declaration disclaiming any responsibility for the action taken and placing the onus on the Mandatory Power. The possibility was envisaged of explaining the situation to the press. On the other hand, the advisability of submitting the whole question of the economic situation to the Security Council accompanied by a memorandum expressing the need for a loan for the successor authority and stressing the seriousness of the position, was also submitted.

It was agreed that the Commission, while disassociating itself from the unilateral action of the Mandatory Power, would do everything within its means to facilitate the shipment of essential food supplies to Palestine.

The action of the Mandatory Power was condemned both as a unilateral act of disposal in direct contravention of the General Assembly resolution and as attributing priority of claim on the Palestine revenue to non-essential appropriations.

In answer to a question by the CHAIRMAN as to whether, in view of the situation created by the action of the Mandatory Power, there were any constructive steps that the Commission could take, Mr. REEDMAN (Senior Economic Adviser) again referred the Commission to paragraph 2 (b) of Informal Paper UK/73. He pointed out that it raised the question of whether the Commission should accept responsibility for commitments undertaken before 15 May to cover a period after that date. It was agreed that the Commission did, in fact, accept this responsibility, since supplies for the period after the surrender of the Mandate had to be procured now.

/Mr. Reedman

Mr. Reedman expressed the opinion that any statement of the Commission on this score should make it quite clear that though the Commission accepts the responsibility, the only funds available to it are those accruing from the Palestine revenue after 15 May and that further, after 15 May, it will have to take over the whole procurement machinery. He then explained that if the United Kingdom accepted a guarantee of repayment by the Commission from other sources, it was, in fact, a roundabout way of accepting payment from the Palestine revenue, and that therefore the Commission should accept this arrangement. He said, however, that Mr. Fletcher-Cooke had been unable to assure him definitely that the United Kingdom Government would accept a guarantee.

The CHAIRMAN remarked that he feared taking the responsibility for a step that might end in the creation of a black market which the Commission would have no means to control.

Mr. REEDMAN (Senior Economic Adviser) distinguished between the question of supply and the price situation. In regard to the former, he submitted that the Commission should decide whether it would negotiate a loan or leave the matter entirely in the hands of private traders. As for the latter, he confirmed that prices would rise, since private traders could not buy in bulk and through long-term contracts as the Ministry of Food did. He suggested that the Commission make it clear that it had done its best to control the price situation and was not responsible for the effects of the British action.

The CHAIRMAN then read the Commission's letter to the United Kingdom delegation, dated 15 March, which made it clear that the United Kingdom had proceeded against the Commission's express desires in this matter. He then suggested that the Commission offer to guarantee the financing of procurements by the United Kingdom with future Palestine revenue.

Mr. REEDMAN (Senior Economic Adviser) suggested as an alternative that part of the future income of the Palestine Currency Board be pledged as a guarantee to the United Kingdom. He pointed out that the monthly income of the Palestine Currency Board amounted to roughly £100,000 sterling and added that the surplus assets of the Currency Board amounting roughly to £4,500,000 sterling might also be used for this purpose. He noted that the fact that the surplus assets were blocked need not be an obstacle to such an arrangement.

The Commission agreed to Mr. Reedman's suggestion and it was decided to include this proposal in the draft of the Commission's proposed communication to the United Kingdom.

/In answering

In answering paragraphs 3 and 4 of Informal Paper UK/73, the CHAIRMAN suggested that the Commission should take into account not so much the prestige of the Commission as the possible dislocation of prices and distribution that would arise if supply were left entirely in the hands of private importers.

Though it was agreed that there were other possible forms of control that could be imposed by a strong administration, it was noted that the breakdown of the present system would make such control extremely difficult. The rise in prices, it was pointed out, would be unavoidable, owing to the differences in prices between present sources of supply and the open market. As an example, a difference of about eighteen pounds per ton between the present price of Australian wheat flour imported into Palestine and flour purchased in dollar areas was mentioned. It was pointed out that Australian wheat would probably not be available to private traders.

The CHAIRMAN asked the Secretariat to prepare a draft answer to the United Kingdom's communication for consideration by the Commission at its next meeting.

Mr. REEDMAN (Senior Economic Adviser) repeated his suggestion that the question of import licenses be linked with the matter of the release of sterling balances, and proposed that the Commission should state that it was prepared to take up the matter in order to expedite the solution of the problem.

The Commission agreed to incorporate this suggestion in its reply.

In answer to a question concerning other than essential food supplies for Palestine, Mr. REEDMAN (Senior Economic Adviser) said that butter and dairy products were completely covered; that frozen and canned meat had been covered by the Commission's own suggestion of granting import licenses; the fertilizers became necessary only in the autumn and therefore could be settled during the interim period; and that small things such as cocoa beans could be covered by private importers. Mr. Reedman reminded the Commission that it should take action to have Palestine represented on the International Emergency Food Council which met in Washington. This, he said, was not difficult to arrange but the Commission had to accept the responsibility. The Commission postponed its decision in this matter.

CONSIDERATION OF PRESS DISPATCHES

The CHAIRMAN read to the Commission the Associated Press dispatch concerning Mr. Bevin's announcement of the preservation of the time schedule for the surrender of the Mandate.

/The dispatch

The dispatch from Tel-Aviv concerning a Jewish declaration on the matter of the establishment of the Provisional Council of Government for the Jewish State was noted by the Commission, and it was decided that the Commission should have no other comments to make to the press if it were questioned on this matter except that the Jewish Agency had presumably done what it considered to be in its interest.

The Commission noted the communication of Mr. Evatt, Australian Minister of External Affairs, to the press in which he condemned the abandonment of the Partition Plan.

CONSIDERATION OF A COMMUNICATION FROM MR. AZCARATE (Informal Paper AP/10)
AND A COMMUNICATION FROM THE UNITED KINGDOM DELEGATION CONCERNING HEALTH SERVICES IN PALESTINE (Informal Paper UK/72)

As regards Mr. Azcarate's communication (Informal Paper AP/10), it was decided to inform him that the Commission would agree that an expert of the World Health Organization be sent to Palestine to undertake a general inspection of the situation and report back. It was agreed that this expense would be charged to the Palestine Commission budget.

Informal Paper UK/72 raised the question of whether the cost of £8,000 per month for the maintenance of hospitals should be charged to the future revenue of Palestine or to the Treasury surplus which was assumed to exist at the present moment.

Mr. REEDMAN (Senior Economic Adviser) pointed out that no such surplus existed as the expenditure for the illegal immigrants in Cyprus had been deficiated from the surplus and in fact exceeded the available amount. He stated that the Commission had been informed of this by the United Kingdom.

The CHAIRMAN affirmed that the Commission had not and did not accept this view which contravened the General Assembly resolution at a point which the United Kingdom had stated that it accepted.

It was decided to ask the Secretariat to prepare a draft answer along the lines that the Commission agreed with the United Kingdom proposal concerning the transfer of hospitals to the municipalities provided that the sum of £8,000 monthly should be charged against the surplus of the Palestinian Treasury and given top priority in this respect. The reply should also make reference to the relevant article of the General Assembly resolution.

It was agreed that the Commission should reserve its opinion until the draft had been discussed.

CONSIDERATION OF THE COMMUNICATION FROM THE UNITED KINGDOM DELEGATION
CONCERNING A POLICE FORCE FOR THE CITY OF JERUSALEM (Informal Paper UK/74)

It was decided to postpone the decision on this matter pending the results of the Security Council's deliberations. It was noted that the police force of Jerusalem was a matter for the Government of the City of Jerusalem to decide and therefore did not concern the Commission directly. It was agreed to give no answer to the above communication.

CONSIDERATION OF THE COMMUNICATION FROM THE UNITED KINGDOM DELEGATION
CONCERNING THE PIPELINE CONCESSION OF THE IRAQ PETROLEUM COMPANY
(Informal Paper UK/78)

The CHAIRMAN rejected the stand taken by the United Kingdom Government as expressed in its communication as contravening the Article of the General Assembly resolution dealing with the disposal of Palestinian assets. He pointed out the discrepancy in the communication which first stated that the question was to be discussed with the Commission and then stated that the decision had already been taken.

It was agreed to raise the question with the Mandatory Power.
CONSIDERATION OF THE COMMUNICATION FROM THE UNITED KINGDOM DELEGATION
CONCERNING ASSETS AND LIABILITIES OF THE GOVERNMENT OF PALESTINE
(Informal Paper UK/76)

It was decided to postpone consideration of the above communication until the next meeting and until the Members of the Commission had had time to study it.

CONSIDERATION OF THE COMMUNICATION FROM THE UNITED KINGDOM DELEGATION
CONCERNING LYDDA AIRPORT (Informal Paper UK/79)

The Commission decided to reply to this communication that it would welcome any technical assistance in determining what equipment would be required, that it would welcome any information concerning the necessity of ordering the procurement of new equipment at an early date, and that it noted that paragraphs (d) and (e) of the communication were necessarily related.

CONSIDERATION OF THE COMMUNICATION FROM THE EXECUTIVE DIRECTOR OF THE
UNITED ZIONIST-REVISIONISTS OF AMERICA (Informal Paper ORG/14)

The Commission decided that it was not necessary to hear Dr. Joseph Schechtman, President of the United Zionist-Revisionists Organization of America, in person. It was agreed to transmit an answer to his communication suggesting that any further information on the matter should be sent in writing.

CONSIDERATION OF THE COMMUNICATION FROM THE UNITED KINGDOM DELEGATION
CONCERNING THE DISPOSAL OF PRISONERS AND CRIMINAL LUNATICS (Informal
Paper UK/77)

The Commission decided to answer to the above communication that
it could not endorse the proposed action or associate itself with it in
any way; that the Palestine Administration, however, was, of course, at
liberty to take any action that it considered advisable.

CONSIDERATION OF TWO COMMUNICATIONS FROM THE CENTRAL AGUDATH ISRAEL PALESTINE
IN RESPONSE TO LETTERS ADDRESSED TO THEM BY THE COMMISSION (Informal Papers
ORG/15 and ORG/17)

The Commission decided to acknowledge the receipt of the above
communications.

CONSIDERATION OF VARIOUS COMMUNICATIONS CONCERNING THE JEWISH DETAINEES
IN KENYA (Informal Papers M/18 to M/22)

The Commission decided to acknowledge the receipt of the above
communications and to inform the senders that the matter had been taken
up with the Mandatory Power which had assured the Commission that, though
it was unable to free the detainees before the termination of the
Mandate, it would arrange for their release by the middle of July.

The meeting rose at 6.10 p.m.
