

UNITED NATIONS PALESTINE COMMISSION

SUMMARY RECORD OF THE SEVENTY-THIRD MEETING

Lake Success, New York

Tuesday, 4 May 1948, at 2.30 p.m.

Present:

Chairman:	Mr. LISICKY	(Czechoslovakia)
Members:	Mr. Medina	(Bolivia)
	Mr. Federspiel	(Denmark)
	Mr. Morgan	(Panama)
	Mr. Monzon (Observer for Mr. Francisco)	(Philippines)
Secretariat:	Mr. Reedman	(Senior Economic Adviser)
	Mr. Stavropoulos	(Senior Legal Adviser)

FURTHER CONSIDERATION OF THE QUESTION OF STERLING BALANCES (Informal Paper UK/134)

The CHAIRMAN drew attention to the communication, concerning the release of blocked sterling balances after 15 May, which had been received from Mr. Fletcher-Cooke (Informal Paper UK/134). He noted that from the tone of the communication, it was to be concluded that the position of the United Kingdom Government was that there was nothing to be negotiated in the matter of the release of sterling balances at the present time. He thought that that position was taken for political reasons rather than for technical reasons.

Mr. REEDMAN (Senior Economic Adviser) observed that, under the circumstances which would exist if the position taken by the United Kingdom Government were accepted, traders in Palestine would have great difficulties due to uncertainties. Specific applications would have to be made for almost every import transaction requiring additional sterling, and the disrupted state of postal communications would be an added difficulty in making such applications. The effect would also be that the United Kingdom Government, having relinquished authority in Palestine, would, nevertheless, be exercising import control, and doing so from London, not in Palestine.

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He did not see why, from a technical point of view, the United Kingdom Government could not agree to at least a minimum amount of sterling to be released over a given period.

It was suggested that the Commission should propose that the United Kingdom Government agree to release specified amounts of sterling to the main banks in Palestine to cover normal imports.

Mr. REEDMAN (Senior Economic Adviser) noted that, in determining the sums which should be released, it was scarcely necessary to pay attention to items other than Palestinian imports (especially imports from sterling areas).

It was observed, however, that attention would also have to be paid to transactions involving the transfer of frozen sterling balances to non-sterling currency areas.

Mr. REEDMAN (Senior Economic Adviser) pointed out, in this connection, that leakages of this nature would not be large; it was quite evident from Mr. Fletcher-Cooke's letter of 2 May that rather more than the £7 millions originally released were necessary in order to maintain essential imports in the period 22 February to 15 May.

It was observed that it would be possible for Palestinian traders to buy goods in sterling areas and sell them in dollar areas. Such a practice could be stopped by the banks.

Mr. REEDMAN (Senior Economic Adviser) thought that the Commission could contest the view expressed in the communication from Mr. Fletcher-Cooke that it was impossible to arrive at a reasonable amount of sterling to be released over the period following 15 May.

The CHAIRMAN observed that there were two things to be considered: the total amount to be released and the method by which the amount should be administered. He thought that the two could be reconciled.

Mr. REEDMAN (Senior Economic Adviser) agreed that if the amount were fixed for a certain period, it would be possible to reconcile that with some control by the United Kingdom Government respecting the specific purposes for which releases of this amount were made.

He thought that an arrangement was feasible by which the Palestinian banks to be authorized to release sterling would reach an agreement with the Bank of England whereby the requests for releases of sterling put forward would be dealt with directly by the Palestinian banks; that is, the banks would, within fairly wide limits, be authorized to use their discretion in certain types of transactions.

The view was expressed that no central authority in Palestine was necessary for an effective agreement on the release of sterling balances.

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The distribution of sterling releases among the Palestinian banks could take place on the basis of the volume of business done by the respective banks. As for current sterling accruals, they would simply pass into the hands of individuals in the course of trading and might be disposed of by individuals. An agreement between the Palestinian banks in question and the Bank of England would be sufficient.

Mr. REEDMAN (Senior Economic Adviser) stressed the necessity that a global amount of sterling to be released should be clearly fixed, so that the banks, in confirming credits, could have reasonable certainty regarding the amount of credits available some time in advance; otherwise, imports would be virtually limited to the amount of current accruals of sterling.

It was agreed that a global amount of sterling to be released should be insisted upon by the Commission.

With reference to paragraph 9 of Mr. Fletcher-Cooke's letter, Mr. REEDMAN pointed out that the provision it contained was one that did not appear in any other existing arrangements for the release of sterling balances.

Mr. Reedman was asked to draft a reply to Mr. Fletcher-Cooke's letter for the Commission's consideration at the next meeting.

The meeting adjourned at 3.30 p.m. in order to enable members to attend the proceedings of the First Committee of the General Assembly, and resumed at 6.00 p.m.

CONSIDERATION OF A PROPOSED DRAFT AGREEMENT BETWEEN THE COMMISSION AND THE HAIFA CHAMBER OF SHIPPING

Mr. STAVROPOULOS (Senior Legal Adviser) read a draft agreement, prepared by Mr. Federspiel (Denmark) after consultation with Mr. Stavropoulos, between the Commission and the Haifa Chamber of Shipping, authorizing the latter to receive foreign mail in Palestine and to dispatch mail abroad as from 16 May.

A draft cable to the Universal Postal Union, informing it of the above-mentioned agreement and requesting its comments, was also proposed by Mr. Federspiel (Denmark).

Mr. STAVROPOULOS (Senior Legal Adviser) explained that all mail to and from Palestine had been carried by sixteen carriers under contract with the Postmaster General for Palestine. The Postmaster General had informed Mr. Stavropoulos that the sixteen contracts would be terminated by 15 May at the latest. Mr. Federspiel (Denmark) had been of the opinion that the contracts should be continued and that the Haifa Chamber of Shipping should be authorized to make the necessary arrangements to that effect.

The draft agreement was discussed paragraph by paragraph and a number of drafting changes were made.

It was agreed that further redrafting would be left to Mr. Stavropoulos and that the redrafted agreement would be considered for final approval at the next meeting.

The CHAIRMAN proposed the deletion in the draft agreement of a paragraph in which the Commission advised the continued use of the existing issue of stamps and instructed and authorized the Chamber of Shipping to make the necessary arrangements with the Postmaster General for taking over from him the existing stocks of stamps. The Chairman said that, in his opinion, it would be preferable to have the stamps destroyed as it would be inadvisable for the Commission to undertake a financial responsibility in this connection without having the possibility of exercising control.

Mr. FEDERSPIEL (Denmark) strongly opposed advising the destruction of the stamps. He thought that the sale of stamps, the only source of revenue available to cover the expenses of putting the new postal machinery into operation, should be continued.

Further consideration of the question of stamps was postponed until the next meeting.

The meeting rose at 7.30 p.m.
