

RESTRICTED
UK/60
8 March 1948

UNITED NATIONS PALESTINE COMMISSION

**Communication from United Kingdom Delegation
Concerning Payments to the Supreme Moslem Council.**

The following communication, concerning the increase in annual payments to the Supreme Moslem Council, has been addressed to Mr. Federspiel by Mr. Fletcher-Cooke of the United Kingdom Delegation.

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UNITED KINGDOM DELEGATION TO THE UNITED NATIONS
Empire State Building
New York 1, N. Y.

BY HAND

1st March, 1948.

Dear Federspiel,

You will remember that when I came to see you on Friday, 20th February, you asked whether I could find out from Jerusalem the considerations which have led the Government of Palestine to agree to an increase in the annual payments made to the Supreme Moslem Council from LP30,000 to LP80,000.

I have now received the following information from Jerusalem which I hope will make this point clear.

(1) The following basis for future revisions of these annual payments was included in the agreement with the Supreme Moslem Council covering the payments now to be made to the Council:-

(a) The basis of review should be the average prices of the principal agricultural products during the twelve months prior to the revision date;

(b) in fixing any revised rates of payment, the full difference between the two average price levels in comparison should not be taken into account.

(2) It was mutually agreed that the principal agricultural products were wheat, barley, maize, olive oil and sesame.

(3) No precise agreement was reached as to the fraction to be deducted from the rise or fall of prices referred to in sub-paragraph (b) of paragraph (1) above but it was informally agreed that it should be about one-third of the difference.

(4) This deduction was agreed to in order to offset the element of gambling involved in basing a payment for seven years on the prices prevailing in one year.

(5) The revision of payments from 1942 was not made on the basis of prices prevailing in the preceding twelve months but on those prevailing in 1942. This was done for the following reasons:-

(a) On account of the five years' delay which occurred before the revision could take place, it was appreciated that production and prices had risen steeply during the period in respect of which the revised payments were to be made.

(b) Conditions during this period were quite unusual and the fact that this would be so would have been evident if the revision had been undertaken at the due date.

(c) The Government of Palestine increased the rate of Rural Property Tax fourfold during the war years.

Monsieur Per Federspiel,
Room 608,
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Fifth Avenue and 59th Street,
New York.

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(6) In addition, the Supreme Moslem Council adduced the following argument but its relevance in respect of the increase was not admitted by the Government of Palestine.

(d) There was a wide difference between Government-controlled prices and Black Market prices of wheat and barley which comprise between them at least 50% of the produce of the old Waqf villages.

(7) The percentage of increase in the prices of the five principal agricultural products between 1934 and 1942 were determined as follows:-

Wheat	92% (controlled price)
Barley	300% (controlled price)
Maize	600%
Sesame	244%
Olive Oil	140%

(8) The relative value to be given to the five products was not so easy to determine. The average of the Government Statistician's weighted index, derived from the three year estimated total production for Palestine and that of the Supreme Moslem Council based on their estimate of the yields of old Waqf villages, gave an estimated increase in price levels of 237%. Reduced by one-third, this gave 158% which produced an annual revised payment of LP77,400. In view of the delay in revision and other exceptional circumstances, this was increased to LP80,000.

(9) It should be noted that no interest is payable in respect of these arrears.

(10) The payment in respect of the financial year 1948/49 will be LP80,000.

(11) In 1949, a further revision will have to be considered on the basis indicated in paragraph (1) above and having regard to the prices prevailing in 1948.

Yours sincerely

(Signed)
(J. Fletcher-Cooke)