

## UNITED NATIONS PALESTINE COMMISSION

Considerations Affecting Certain of the Provisions of the  
General Assembly Resolution on the "Future Government of  
Palestine": Economic Aspects of the Commission's Work.

(Working Paper Prepared by the Secretariat)

This working paper is designed to present only a preliminary outline of certain of the economic aspects of the Commission's work.

I. APPOINTMENT OF THE PREPARATORY ECONOMIC COMMISSION (Part I, Par. B II)

The economic problems before the Palestine Commission may be divided from the point of view of the Commission's procedure into two major groups, namely, (a) the maintenance of continuity of essential economic services during the period from the relinquishment of responsibility by the Mandatory Power to the assumption of independence by the two new states, and (b) the setting up of a Preparatory Economic Commission of three members whose main function will be to take the steps necessary to establish the Economic Union and set up the Joint Economic Board.

These two groups of problems are closely related since the functions of government and administration will be gradually handed over to the new states and the necessary collaboration for the establishment of the Joint Economic Board as the chief administrative organ of the Economic Union will have to be secured gradually during the period of transition. Nevertheless, continuity of essential services is an indispensable condition for the eventual transference of authority to the states and the Joint Economic Board, and this transference will have to be organised in a manner to create the

least possible disturbance in administration. However, a considerable amount of detailed planning and negotiations both with

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representatives of the Arab and Jewish States and the Mandatory Power are necessary before the Economic Union can function independently of the United Nations Commission. For this reason a distinction between the planning functions of the Commission and its immediate administrative responsibilities is essential.

The Assembly resolution provides that the Preparatory Economic Commission shall be charged with the task of making "whatever arrangements are possible for economic co-operation with a view to establishing, as soon as practicable, the Economic Union and the Joint Economic Board". In view of the close connection of day-to-day problems of administration which will devolve upon the Palestine Commission and the making of arrangements for the Economic Union, it is a question to decide how far the Preparatory Economic Commission should become involved in the tasks of maintaining essential economic public services in the interim period. One alternative would be to divide the functions of maintaining day-to-day administration of services (in so far as the Commission may be involved in these) and the preparations for the Economic Union fairly sharply between the Palestine Commission and the Preparatory Economic Commission. This arrangement might prove difficult in practice and might lead to some duplication of work.

A more effective solution of the problem might well be as follows:

- (1) The Palestine Commission might set up the Preparatory Economic Commission to consist of a chairman appointed from one of the five Commissioners together with two outside members appointed in their individual capacity.
- (2) The Preparatory Economic Commission would advise the Palestine Commission on all economic matters and would

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act as its executive organ in such directions as the Commission would determine.

(3) The Preparatory Economic Commission would make its own distribution of work between the problems of maintaining current service as directed by the Palestine Commission and the planning of the details of the Economic Union.

In this way the necessary distinction would be maintained between problems of current administration and the planning of and preparation for the independent working of the Economic Union, while at the same time the close relationship between the two sets of problems would be constantly in view and thus the activities of the Commission in economic matters could be quickly adapted to meet situations as they arise. The final establishment of the Economic Union is an integral part of the political solution of the Palestine problem as defined in the Assembly resolution, but so far as day-to-day administration is concerned the Commission will almost certainly be able to count on some local Arab co-operation since such co-operation would be a necessity to the Arabs themselves.

## II. THE FUNCTIONS OF THE PREPARATORY ECONOMIC COMMISSION REGARDING THE ESTABLISHMENT OF THE ECONOMIC UNION AND THE JOINT ECONOMIC BOARD (Part I, paras. 3-14 of section D)

### 1. Assembly Resolution

The resolution of the General Assembly (Plan of Partition for Palestine with Economic Union, Part I A 11) provides that "the Commission shall appoint a Preparatory Economic Commission of three members to make whatever arrangements are possible for economic co-operation, with a view to establishing, as soon as practicable, the Economic Union and the Joint Economic Board".

The appointment of the Preparatory Economic Commission should thus be one of the first tasks of the Commission for Palestine.

2. Functions of Preparatory Economic Commission

The main task of the Preparatory Economic Commission is to bring into existence as soon as possible the Economic Union and the Joint Economic Board which is the executive instrument of the Union.

The nature and purposes of the Economic Union are laid down in Section D of the Plan of Partition. These are:

(a) to provide for a common customs tariff with complete freedom of trade between the Arab and Jewish States and the City of Jerusalem.

(b) to provide for a joint currency system with a single rate of foreign exchange.

(c) to provide for the operation in the common interest on a non discriminatory basis, of railways, interstate highways, postal, telephone and telegraphic services and ports and airports involved in international trade and commerce.

(d) to encourage, plan and investigate joint projects of development and to undertake such projects if they have the assent of both states.

(e) to secure access for both states and for the City of Jerusalem on a non-discriminatory basis to water and power facilities.

3. The Joint Economic Board

The Economic Union is to be administered by a Joint Economic Board which is to consist of three representatives of the Arab State, three of the Jewish State and three appointed by the Economic and Social Council of the United Nations. The Preparatory Economic Commission will have to take whatever steps it can to bring this Joint Economic Board into existence and to establish it as an effective instrument of the Economic Union. It is not probable

that the Joint Economic Board could assume full responsibility until a late stage in the Commission's work. The Economic and Social Council would not be in a position to appoint its three members at its meeting in February 1948 unless the Palestine Commission is itself sufficiently prepared by that date. However, the Economic and Social Council could probably adopt a procedure which would enable the appointments to be made subject only to confirmation at its next meeting. The Economic and Social Council meets again on July 12, 1948.

Before the Economic and Social Council could appoint three members to the Joint Economic Board it would need to be informed of the Palestine Commission's decisions regarding:

- (a) Conditions of appointment as regards salary and related matters.
- (b) Term of office.

No guidance is given in these matters by the Assembly resolution which only specifies the functions of the Joint Economic Board, its composition, and the responsibilities and voting powers of its members. The administration expenses of the Joint Economic Board are a first charge on the revenues of the Economic Union and, therefore, decisions as to salaries etc., of members of the Board should be taken in consultation with local organisations in each state in so far as this is possible without undue delay.

#### Specific Problems

##### (1) Customs Union

The organisation of the customs union requires the preparation of a complete scheme for its administration, covering decisions of policy regarding customs tariff and excise rates and collection of dues, staffing and other problems involved in the

establishment of the customs administration under the Joint Economic Board.

(2) Currency

Under the plan for partition the Joint Economic Board will become the heir to the responsibilities of the Palestine Currency Board. It will have the sole right of note issue, and must maintain a single rate of foreign exchange for all Palestine. The Preparatory Economic Commission will have to formulate a plan for the Joint Economic Board to take over the issue of currency and to draw up the general regulations which should govern its procedure and its relations with and control over the banking and monetary activities of the two States. It will be particularly important to negotiate with the Mandatory Power concerning the most effective means of transferring the present functions of the Palestine Currency Board to the United Nations Commission and ultimately to the Joint Economic Board.

These currency arrangements will also have to cover the question of sterling balances and the relation of Palestine currency to sterling.

4. Transport and Communications

The Joint Economic Board is to be the authority ultimately responsible for the operation of transport and communications services in the common interest. The preparation for this stage involves decisions in principle as to the manner in which operation in the common interest can best be secured, as to those services which should be administered directly by the Joint Economic Board and those which should be subject to some other type of joint arrangement under the aegis of the Board and those which are of local interest only.

Very extensive studies by an expert staff are necessary to

assist the Preparatory Economic Commission to formulate plans. These studies should be begun as soon as possible in the first instance at Lake Success and later supplemented by an intensive survey on the spot.

5. Economic Development

Problems of economic development affecting the interests of both states and the City of Jerusalem may appear less urgent in the light of the immediacy of other tasks of the Preparatory Economic Commission. Nevertheless the United Nations Palestine Commission will probably find that if it can point to the prospect of joint economic development schemes the chances of co-operation between the two peoples may be improved. The Preparatory Economic Commission should, therefore, from the beginning, devote attention to the study of development questions in order to encourage co-operation on useful projects and also to provide a basis on which outside financial assistance for them may be secured.

6. Access to Water and Power Facilities

The Preparatory Economic Commission would need a survey to be made of the effect of the partition on water and power facilities in order, in the first instance, to indicate the measures which may be necessary to preserve existing rights and also as part of the study of development needs and possibilities.

III. THE DRAFT UNDERTAKING REGARDING ECONOMIC UNION AND FREEDOM OF TRANSIT (Part I, Paragraphs D-1, D-2, and D-18)

The Plan of Partition provides that each state, as a condition of its independence, shall enter into an undertaking establishing the Economic Union of Palestine and providing for freedom of transit. The resolution further provides that if it has not already been entered into by the States by April 1st, 1948, the Undertaking shall

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be put into force by the Commission. In drafting this undertaking, the Commission is enjoined to utilize to the greatest possible extent the advice and co-operation of representative organisations and bodies from each of the proposed states.

It will be necessary to draft the terms of undertaking at an early stage in the work of the Commission and before the details of the Economic Union have been fully worked out by the Preparatory Economic Commission. The preparation of the draft undertaking as far as concerns the Economic Union should be undertaken by the Preparatory Economic Commission in consultation with the legal adviser. The substantive matters which would enter into this part of the agreement have been covered in the paper on the Preparatory Economic Commission. Freedom of transit and other non-economic matters of common interest, fall outside the scope of the activities of the Preparatory Economic Commission. Consequently, the study and negotiations necessary for the drafting of these clauses of the undertaking should be begun parallel with the work of the Preparatory Economic Commission.

#### IV. ALLOCATION AND LIQUIDATION OF ASSETS (Part I, Paragraphs E-1 and E-2 of Plan of Partition)

The principle which should govern the disposition of such immovable assets of the Palestine Administration as would not fall under the control of the Joint Economic Board, is simple since they would become the property of the state in whose territory they would fall.

As regards movable assets the Commission is required to allocate them to the Jewish and Arab States and the City of Jerusalem on an equitable basis. For this purpose, an inventory will have to be made in consultation with the Mandatory Power. It will then be necessary for the Commission to lay down certain guiding principles on the basis of which an equitable distribution would be made. It

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might be advantageous to the Commission to make a study of similar cases, e.g. India and Pakistan.

Paragraph E-2 requires the Mandatory Power to consult with the Commission on any measures it proposes to adopt regarding the disposal of certain specific assets (as distinct from ordinary day-to-day operating) such as the accumulated Treasury Surplus, the proceeds of Government Bond Issues and State Lands.

The Commission should begin consultations with the Mandatory Power on these matters at the earliest possible date, in order that it may know what assets of this nature will be left in its control when the legitimate charges against them have been met; and to make sure that there is no conflict of policy on these matters between itself and the Mandatory Power. In the first instance certain agreements in principle should be reached between the Commission and the Palestine Administration, especially as regards state lands and the proceeds of bond issues. As regards the accumulated treasury surplus, the situation is more complicated owing to the fact that day-to-day costs are probably chargeable against it and, therefore, the amount involved is not clearly fixed. The working out of details will require a close collaboration between the Commission and the Palestine Administration, and negotiations may be protracted. If, however, agreement is reached at an early date the working out of the details need not be unduly hurried.

The full extent and nature of the assets subject to distribution by the Commission can only be known when the Palestine Administration has submitted an inventory. Broadly, however, they will comprise the following categories:-

- A. Immovables: 1) Land
- 2) Buildings

/3) Bridges,

3) Bridges, roads, railway tracks, etc.

B. Movables: 1) Machinery and equipment

2) Furniture

3) Animals

C. Special Items:

1) Treasury Surplus

2) Proceeds of Government Bond Issues

3) Assets of Palestine Currency Board.