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QUESTION OF THE APPLICABILITY OF THE FINANCIAL PROVISIONS OF PARAGRAPH 3
OF CHAPTER 3 OF PART I C TO THE CITY OF JERUSALEM

(Working Paper Prepared by the Secretariat)

1. Paragraph 3 of Chapter 3 of Part I C of the General Assembly's Resolution on Palestine relates to the declarations to be made to the United Nations by the provisional Government of each proposed State before independence. (See paragraph 1, page 6). This section deals, therefore, with declarations to be made by the Arab State and by the Jewish State, respectively. Furthermore, paragraph 3 (a) of Chapter 3 of Part I C uses the word "the State", which is used in the Resolution for the Arab State and the Jewish State.

Considering the location of paragraph 3 of Chapter 3 of Part I C and the word "the State" used therein, it might seem that the provisions of this paragraph are not applicable to the City of Jerusalem since nowhere in the Resolution is the word "State" used in connection with the description of the City of Jerusalem.

Nevertheless, such is not the case and there may be no doubt about the intention that the provisions of paragraph 3, Chapter 3, Part I C, are also applicable to the City of Jerusalem. This fact may be established by the following reasoning.

2. From the principle of continuity of state life, it follows that all rights and titles to property belonging to a State continue to vest in it regardless of changes in its government. In the case of the division of a State into distinct States, it may be said, as a general rule of international law, that the new State, through all changing forms of government, is responsible for the public debts of the previous government. Such, for example, was the case of the succession states formed in 1918 after the dissolution of Austria-Hungary. The succession states assumed their part of the Austro-Hungarian pre-war public debts. (Digest of International Law, by Hackworth, Volume I, page 543.)

3. But the General Assembly's resolution itself makes it clear that the provisions of paragraph 3 of Chapter 3 of Part I C are applicable to the

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City of Jerusalem, when the text of this paragraph is compared with the provisions of Part D dealing with the Economic Union and Transit.

Sub-paragraph b. of paragraph 3 of Chapter 3 of Part I C states that the financial obligations "shall be fulfilled through participation in the Joint Economic Board in respect of those obligations applicable to Palestine as a whole, and individually in respect of those applicable to, and fairly apportionable between, the States".

The participation in the Joint Economic Board is compulsory for the Arab State, the Jewish State and the City of Jerusalem. This fact is clear from the wording of paragraph 7 of Part D, which reads as follows:

"In relation to economic development, the functions of the Board shall be the planning, investigation and encouragement of joint development projects, but it shall not undertake such projects except with the assent of both States and the City of Jerusalem, in the event that Jerusalem is directly involved in the development project".

Furthermore, it is also clear the the financial obligations of whatever nature assumed on behalf of Palestine by the Mandatory Power during the exercise of the Mandate and recognized by the State shall be a first charge on the customs and other revenues of the Joint Economic Board (Part D 13 (c) (ii), page 12, and Part C, Chapter 3, 3 (a), page 9).

4. It is, therefore, evident that it was the intention of the General Assembly's resolution to apply the financial provisions of paragraph 3 of Chapter 3 of Part I C to the City of Jerusalem. This is also the only possible interpretation when comparing the text of the respective provisions with Part D dealing with the Economic Union and Transit.
