NOTE*

on the Blocked Palestine Assets in relation to the Refugee Problem

1) The "Palestine assets" referred to in Commission Document W/8 are part of the "national capital" of Palestine. It seems feasible that a part of these assets should be devoted to the relief of Palestine refugees (people resident in Palestine when the Mandatory Power left the country) and to financing in part their repatriation or re-settlement.

2) Actually, the fact that at the moment these assets are "blocked" is an advantage for the negotiators. So long as they remain blocked in London, it will be easier to present claims on behalf of Palestine refugees, whereas once they are distributed, the problem will be more difficult.

3) These assets must not be regarded as purely and simply "available" to finance repatriation and re-settlement of refugees. Of the £56,000,000 held by the "Palestine Currency Board", over £52,000,000 represents the backing (100%) of Palestine currency; and these assets will probably be exchanged for the Palestine pound notes presented by holders when the Palestine Currency Board is liquidated under the terms of its statutes.

4) However, there is a surplus of nearly £4,000,000 in the assets of the Palestine Currency Board, and the unspent balance of the bond issues. These sums may to a certain extent be regarded as not earmarked under the statutes for a particular purpose. They are at the moment "undivided", and could possibly be used to finance the repatriation and re-settlement of Palestine refugees.

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* This document forms a sequel to document W/8.

5) Pending the final settlement of the blocked Palestine assets
(assets belonging to Jews or Arabs, or "undivided" assets) partial
unfreezing is permitted by the British Treasury to enable Transjordan
and Israel to obtain sterling or other currency. The limited sums
unfrozen are handed over in exchange for Palestine pounds held by the
two states in question, and are used mainly to cover imports they have
to pay for in the sterling area.

6) Negotiations have been taking place in London between representa-
tives of the Israeli Government (Mr. Mordecai Eliash, Israeli Minister,
and Mr. Horowitz, Financial Expert) and representatives of the British
Government, regarding the unfreezing of part of the Israeli assets.
In addition, the Israeli press has given publicity to talks in Tel Aviv
between Mr. Alexander Helm, British Minister to Israel, and the
Israeli authorities, regarding settlement of assets and claims on
both sides.

7) A financial agreement was reached on 30 May 1949 between Israel
and the British Treasury, by which about £7,000,000 belonging to Israel
was unfrozen, as stated in paragraph 5 above. Israel is at liberty
to use this £7,000,000 during the next six months. In October further
negotiations will be held. An attempt will probably be made to settle
not only the unfreezing for the subsequent six months, but also the
problem of the blocked assets, and economic and financial relations
generally between Israel and Great Britain.

8) According to the "Palestine Post", the breakdown of the sums
unfrozen is as follows:

£4,200,000 can be used at the rate of £700,000 per month from
May onwards. A special fund of £1,750,000 to be used in fixed monthly
instalments, will be devoted to credits for the purchase of petroleum
products until October, and about £1,000,000 will be used to back

about half the payments which Israel has already had to make in
sterling since 30 April 1949.

Of the £4,200,000, a sum of £1,200,000 to be used at the rate
of £200,000 a month, may be converted into soft currency of countries
outside the sterling area. This unfreezing is no doubt the result
of a compromise, the Israeli delegation having asked for £1,500,000
per month to be unfrozen and the British Treasury having proposed
£500,000.

9)   This agreement does not affect the assets of the Palestine Currency
Board and the unspent balance of the issues of the Mandatory Power.
These still remain blocked, and their final settlement remains in
abeyance.