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POSITION WITH REGARD TO THE UNBLOCKING OF ARAB ASSETS*

(Working paper prepared by the Secretariat)

1. The question of the unblocking of Arab assets in Israel has been the subject of numerous discussions, and it appears useful, at a time when the General Committee has been considering the possibility of arranging for joint meetings of Arab and Israeli experts under the auspices of the United Nations, to give a brief account of the positions of the parties concerned.

A. THE PROBLEM OF UNBLOCKING

2. The Commission was the first to mention, as one of the preliminary measures likely to create a favourable atmosphere for exchanges of views, the idea of unblocking Arab assets. The Commission asked the Government of Israel for an assurance that

"it had no intention of confiscating blocked Arab accounts in Israeli banks and that these funds would be available to the proper owners on the conclusion of peace" (document IS/9, para. 4).

The Israeli Delegation replied:

"The Government of Israel declares that it has no intention of confiscating blocked Arab accounts in Israeli banks and that these funds will be available to the proper owners on the conclusion of peace, subject to such general currency regulations as may be operative at the time" (document IS/13, para. 4).

* The term Palestinian Arabs is used to denote the Arab inhabitants of Palestine who do not possess Israeli citizenship; the term Israeli Arabs to denote Palestinian Arabs of Israeli nationality.

3. The delegations of the Arab States submitted the following claim:

"The immediate unfreezing of Arab accounts in all banks and companies or otherwise in possession of the Jewish authorities and to permit to the owners to make use of them" (document AR/8, para. 2).

4. The delegations of the Palestine refugees have on several occasions submitted similar claims.

A. The Arab General Refugee Congress, through Mr. Bulos:

- a) "My delegation proposed that frozen assets in foreign banks operating in Jewish-occupied areas should be released for the benefit of their Arab depositors, and in particular that orange-growers should be allowed to draw on their frozen assets to enable them to meet the costs of maintaining and working their groves." (ORG/12).

The delegation of Israel replied:

"As far as the lawful Arab residents of Israel are concerned, their bank accounts are not frozen, but at the unrestricted disposal of their owners."

(The delegation of Israel subsequently explained that Arabs returning to Israel would be granted free disposal of their assets which are at present blocked.)

"The Israeli authorities also entertain applications from Arabs resident outside Israel for the disbursement of their deposits in Israeli banks to Arabs lawfully resident in Israel or to any other beneficiaries who may be designated. Each such application is considered on its merits in accordance with the generally adopted principles which are designed to ensure the bona fide use of these monies and entail no discrimination as to race or creed." (Document IS/31, para. 2.)

b) Mr. Bulos subsequently made a proposal which implied the intervention of the British Treasury, should the Jewish reply as to the proposal mentioned in para. a) be negative. Mr. Bulos' proposal was transmitted by the General Committee to the delegation of Israel for information (Com. Gen/6):

"... the Arabs of Palestine have large sterling balances to their credit in London. It might be possible, therefore, subject of course to agreement by the British Government, to induce a favourable reply from the Jewish authorities, if in return for the release of the whole or a part of Arab frozen assets, they could have the benefit of a sterling release by the British Government. Such a transaction would involve a double agreement: first agreement by the British Government to release sterling for use of Israel, and secondly a further release of sterling equivalent to such part or the whole of the Arab frozen assets as may be released by Israel, to make it possible for Arab refugees, wherever they may be, to draw on their deposits at present frozen in Israel."

The Commission suggested that Arab depositors in British banks might ask the latter to take up the question of their blocked accounts with the British Government (letter from Mr. de Azcarate ORG/22).

c) In reply Mr. Bulos stated that the British banks had been approached more than once in the past twelve months, and were unable to do anything in the matter. He therefore suggested that the Commission request the views of the British Government on the question (document ORG/24 para. 2).

The Commission is studying this proposal and has not yet given an official reply.

B. The Jaffa and District Inhabitants Committee, having given an estimate of blocked assets, stated that

"In regard to the suggested meeting with the Economic Adviser to the Jewish Delegation, once the principle of the conservatory and urgent measures is agreed by the Jewish Delegation, this Committee may then consider the possibility of this suggestion with the object of carrying out the details of the execution of these measures." (ORG/16)

5. The Delegation of Israel replied to these various requests:

(a) first of all, by stating that Israel did not intend to confiscate the blocked Arab assets (IS/13, par. 4);

(b) secondly, by making a concrete proposal, (document IS/31, par. 2) as follows:

"...As regards the question of releasing frozen deposits for payment to Arabs resident abroad, my Government desires to know whether the Governments of the Arab States would grant reciprocity. There is a considerable number of Arabs in Israel who own deposits in the banks of the neighbouring Arab States. My Government would be glad to know whether these States would be ready to allow the release and transfer of such deposits to persons in Israel if the Government of Israel agreed to release and transfer Arab deposits in Israel to persons in the Arab States. If the Arab Governments should be willing to allow this, clearing arrangements would become possible and would go a long way towards solving the currency problem. The question affects particularly those Arabs now in Israel who have deposits with the Arab bank and the Al-Umma bank, both of which institutions, as far as my Government is aware, transferred their funds to Egypt before the end of the mandatory regime."

(c) Mention should also be made of a proposal by the Israeli Delegation concerning the possible use of blocked Arab funds by relief agencies for refugees within Israel, in order to free other funds of those agencies which could be used to assist refugees outside Israel. (Com.Gen/SR.15). Subsequently, Mr. Hirsch said that this proposal was reserved for the future.

6. The Arab delegations accepted a proportional unblocking by both parties. They said they would hold themselves at the disposal of the Commission for studying the practical means of carrying out such unblocking (6.VIII.49.).

B. PROCEDURE

7. First of all, a distinction must be made between

- (1) the unblocking of Palestinian-Arab assets blocked in Israel and Israeli-Arab assets blocked in the Arab States, and
- (2) measures blocking Palestinian assets in London under the British Treasury decision of 22 February 1948.

The present working paper is restricted to the unblocking of Palestinian-Arab assets in Israel and Israeli-Arab assets in Arab countries. Point (2) will be dealt with in a separate document.

The first point to be settled is to ascertain who are the parties concerned.

One may regard as interested parties in connection with these unblocking measures, persons owning accounts who are:

- (a) Palestinian Arabs who, owing to the war, are in Palestinian territory controlled by Arab forces, in Arab countries, or in other countries;
- (b) Arabs of Israeli nationality, known as Israeli Arabs;
- (c) possibly Arabs of Lebanese, Syrian Egyptian or Transjordan nationality who, residing in Palestine before the end of the mandate and having accounts in Palestinian banks, had to take refuge in their own countries. The question is whether the Convention will, or will not, apply to such persons.

8. Two methods of procedure may be considered:

A. The setting up of an ad hoc committee of experts, without political responsibility, which would:

- (a) be responsible for collecting financial, legal and practical data, and
- (b) submit its findings to the Conciliation Commission.

This Committee of Experts might consist of an expert approved by the organizations of Palestinian Arab refugees and by the Arab delegations, and an expert appointed by the Government of Israel, who would meet under the permanent chairmanship of a representative

of the Commission, assisted by the Secretariat. The Commission's representative would be delegated by it for this question, and would report to it. This procedure appears to be flexible and would allow of unofficial and numerous contacts. It would be time enough, when the negotiations were completed, to have the agreement officially confirmed.

B. If, on the other hand, the Commission decided to appoint special committees, the problem of unblocking the assets might be submitted to the economic committee.

9. It would be desirable before setting up any committee of experts, or entrusting the task to an economic committee, to obtain beforehand certain information concerning:

- (a) (1) the total amount of the Palestinian Arab assets blocked in Israel, i.e. in banks operating on territory subject to Israeli civil and military authority;
- (2) the total amount of the assets of the Israeli Arabs in the banks which placed their funds outside Israel and which are blocked de jure or de facto;
- (b) the "form" of the assets should be determined in order to ascertain to what assets the convention is to apply:

gold in bars or minted;

Securities: shares, debentures, acknowledgements of debts, receipts for deposits, treasury bonds, miscellaneous securities;

currency, local and foreign (dollars, pounds sterling, Swiss francs).

The breakdown of these assets is one of the factors which will make it possible to determine their liquidity, i.e. the possibility of transferring them for compensation purposes.

- (c) the laws and regulations, both on prohibitions of trading and transactions with the enemy, and on exchange control, in both Israel and the Arab countries concerned;
 - (d) the list of banks and their branches, both in territory subject to the civil and military authority of Israel and in Arab countries, with blocked Palestinian funds.
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ADDENDUM

I). Israeli proposal concerning the unblocking of merchandise
(Com. Gen. SR/28)

Mr. SASSON said that "although he lacked the necessary data, he wondered whether it would not be opportune, in the interests of all concerned, to envisage a plan whereby the value of any merchandise belonging to Arab Israelis and blocked by the Arab States might be taken in exchange for the release of frozen funds in Israel, if the Arab State concerned had none or insufficient assets to enable the State of Israel to undertake an exchange under the scheme it had already suggested. Mr. Sasson did not have any precise indications as to the quantity or nature of the merchandise blocked by the Arab States, and he had not as yet consulted his Government in the matter. He thought, however, that that would be a practical suggestion which the Committee might well consider and which would moreover be evidence of the State of Israel's readiness to co-operate in the matter of unfreezing of Arab assets."