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UNITED NATIONS CONCILIATION  
COMMISSION FOR PALESTINE

Letter dated 19 August 1954 from the Director-General  
of the Ministry for Foreign Affairs of Israel to the  
Chairman of the Conciliation Commission for Palestine

I have the honour to reply to the Aide Memoire on the question of blocked accounts handed by the Commission to the Israel Representative to the United Nations on 25 May 1954.

The Government of Israel notes with satisfaction the Commission's appreciation of its efforts to ensure the success of the first phase of the release scheme.

The Commission is doubtless aware of the obstacles placed by certain Arab Governments in the way of a speedy and effective implementation of the release scheme which was worked out between the Commission and the representatives of the Government of Israel. This obstructive attitude was overcome only by the joint efforts of the representatives of the Commission and Government of Israel.

The expectations, however, frequently expressed by the Commission, that the release of the funds would contribute to an improvement in the existing relations between Israel and the Arab states, by removing one of the causes of friction, have not materialized. Active Arab hostility and economic warfare against Israel were markedly intensified during the very period of the release operation. Arab propaganda did not even refrain from making the release of the funds an object of its attacks against Israel.

Thus the experience gained in the release of the first instalment can hardly be regarded by the Government of Israel as an encouragement to proceed with further releases without subjecting the purposes and procedures of the scheme to a thorough review.

As the Commission will recall, the question of further releases after completion of the first instalment was discussed as long ago as 1952 between the Commission and the Israel Representative. At the 286th meeting of the Commission on 27 August 1952, the Israel Representative made certain reservations with regard to the proceedings at later stages. Apart from making further releases subject to the availability of foreign currency he stated:

....."it is correct to state that Israel's undertaking is not made conditional to reciprocity. Yet to define our position as being unrelated to the question of Israel accounts blocked in Arab countries is not altogether accurate. Paragraph Two of our Aide-Memoire says clearly:

'At the same time the Permanent Representative of Israel to the United Nations pointed out that there were many Israel residents who had left Arab countries, especially Iraq, and whose bank accounts were still held by Arab Governments and banks. It would be reasonable to expect that the interest of these refugees from Arab countries should be treated with no less concern than those of Arab refugees from Israel'.

"The Government of Israel has agreed not to raise the question of reciprocity in its present dealings with the Palestine Conciliation Commission concerning the release of Arab blocked accounts, because of its desire to make a practical contribution towards the alleviation of the lot of the Arab refugees and the advance of peaceful relations between Israel and the Arab countries. We have requested the United States Government to lend its good offices 'to secure arrangements for the corresponding release of bank accounts of Israel residents blocked in Arab countries'.

"Meanwhile the Government of Israel is prepared to proceed with the release of blocked accounts held in Israel banks by Arab refugees. It trusts that parallel action undertaken upon the initiative of the United States Government as requested will show early and positive results. The Government of Israel will review the position with the United States Government on the completion of the release of the first instalment of Arab accounts blocked in Israel, in the light of Israel accounts blocked in Arab countries".

The Government of Israel regrets to state that there has been no progress whatsoever in the release of funds belonging to Israel residents and blocked by Arab Governments.

Furthermore, in reply to the question of the Chairman of the Commission with regard to final dates of the release operation, the Israel Representative stated at the same meeting:

"The process of release would be accelerated in large part by the amount of goodwill generated and by the amount of foreign exchange available. It was therefore not possible to fix amounts and dates. Of course, his Government envisaged the complete liquidation of the blocked accounts, but had not reached the point of visualizing a final date."

Despite its disappointment at the results of the release scheme so far, the Government of Israel has decided nevertheless to proceed with the implementation of the scheme provided that procedures are adopted which will exclude the recurrence of obstructive interference and ensure genuine relief to all those entitled to benefit from the release of funds.

To achieve this object, the Government of Israel deems it necessary to discuss new suitable procedures with representatives of Arab account holders who are the beneficiaries of the release scheme.

The Government of Israel, as previously in 1950, is ready to conduct these discussions under the auspices of the Conciliation Commission for Palestine.

The Government is prepared to enter into these discussions as soon as it is informed by the Commission of the readiness of the representatives of the account holders, to work out together with representatives of Israel adequate procedures for the liquidation of the blocked accounts.

The Government is willing at the same time to discuss procedures for the release of the items held by the banks for safe custody or held in safe deposit lockers.

It is understood that all further releases are subject to the availability of foreign currency - and there is reason to believe that this may now not be an insuperable obstacle - as well as to such procedures as will effectively promote the objectives of the scheme as envisaged by the United Nations and the Government of Israel.

(Signed) Walter EYTAN  
Director-General