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UNITED NATIONS CONCILIATION COMMISSION FOR PALESTINE SUMMARY RECORD OF THE TWO HUNDRED AND EIGHTY-SIXTH MEETING (Closed)

Held at Headquarters, New York,
on Wednesday, 27 August 1952, at 3 p.m.

CONTENTS:

1. Statement by the representative of Israel
2. Consideration of the report of the Commission's
Land Specialist.

<u>Chairman:</u>	Mr. BARCO	United States of America
<u>Members:</u>	Mr. ORDONNEAU	France
	Mr. DERINSU	Turkey
<u>Also present:</u>	Mr. RAFAEL	Israel
	Mr. PRAGAI	

<u>Secretariat:</u>	Mr. CHAI	Acting Principal Secretary
	Mr. GAILLARD	

STATEMENT BY THE REPRESENTATIVE OF ISRAEL

On the invitation of the CHAIRMAN, Mr. RAFAEL (Israel) took a seat at the Commission's table.

The CHAIRMAN, welcoming Mr. Rafael, recalled that at the previous meeting the Commission had discussed how best to proceed, following the statement made earlier by the representative of Israel concerning his Government's decision to release to the legitimate owners all accounts in Israel blocked under the Defence Regulations of 1941. The Commission had stated its belief that in the last analysis the matter was one between the State of Israel and the banks concerned. The Commission's view was that the best method would be for the release to be carried out as a banking operation through corresponding banks in the countries where the holders of the accounts were at present. Reference had also been made to the way in which the actual transfer might be carried out, the Commission suggesting that, in conformity with the proposal made by Israel, an equitable system of payment in instalments be worked out. Mr. Rafael had subsequently discussed those matters with the Secretariat, which had presented the Commission's views on the process of carrying out an instalment release on the following lines: the Government of Israel would inform the banks of its intention to release the accounts, and the banks, in consultation with the competent Israeli authorities, would work out the necessary procedures. The procedures would be reviewed by the Commission and would be made public by Israel when agreement was reached. The initiative would then be in the hands of the account holders and the banks would have the task of settling the details of verification, transfer, etc. The present meeting had been called to consider the matter further.

Mr. RAFAEL (Israel) made the following statement:

At our last meeting the Chairman presented the views and comments of the Commission on the offer made by the Government of Israel to release in stages blocked accounts of Arab refugees. Since the statement of the Commission dealt with specific technical aspects of the question, careful study had to be given to the points raised.

At the same meeting it was suggested that informal preliminary discussions should be held on the technical problems with the expert consultants of the Commission. We availed ourselves gladly of this opportunity and met with your experts. We had a frank and very useful informal discussion which helped us to clarify a number of important points bearing on the implementation of the offer made by the Government of Israel.

With these consultations in mind and basing myself on the Aide-Memoire submitted by the Ambassador of Israel, as explained by me at our first meeting, I now wish to comment on the statement made by the Chairman at our last meeting. The observations which I am going to make are all intended to facilitate the early release of the first instalment of blocked accounts.

However, before dealing with the technical aspects and procedures, I wish to offer a few comments on a matter referred to by the Chairman in the opening remarks of his statement. This is the question of Israeli accounts blocked in Arab countries. We deem it necessary to ensure clarity on this point. 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

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 the progress achieved in the release of Israel accounts blocked in Arab countries.

I hope that these remarks will clarify our position on this point, leaving us now free to tackle the problems and procedures connected with the release of Arab accounts blocked in Israel. I propose to deal with the following subjects, aimed at promoting an effective and speedy scheme for the release of Arab blocked accounts:

1. The amount of the first instalment
2. Priorities of release
3. Safe deposits
4. System of release and transfer of funds
5. Commission's good offices.

1. The Government of Israel confirms its undertaking to release at this stage the sum of ILL million as a first instalment. In its desire to alleviate the plight of Arab refugees, the Government of Israel will do its best to effect payment of this first instalment as soon as possible and authorize the transfer of these funds to the legitimate applicants.

2. We share the opinion of the Commission as expressed by its Chairman that the system of release "should aim to put the greatest possible number of refugees in possession of their assets from the first instalment." For this reason we feel that priority should be given to holders of small private accounts who are in particular distress, such as widows, orphans or recipients of pensions. We would therefore defer at this stage consideration of accounts belonging to banks, commercial firms, trustees, or persons who were not Palestine residents and whose refugee status would require further examination.

Having this consideration and our common objective in mind, we request the Commission to suggest an order of priority for the release of the first instalment.

3. The Commission expressed the hope that the transfer of securities and valuables could be carried out without delay. All these assets are, of course, kept in safe deposits which have not been touched by the Government. We are ready to release the contents of such safe deposits after a procedure for their opening has been agreed upon by all parties concerned. The transfer of these securities and valuables will be allowed with the exception of such items which are included in the restricted list, such as foreign currency, etc. and which are subject to special authorization.

4. In the informal consultation which took place with the Commission's experts, certain suggestions were submitted to us with regard to the procedure of application and release. These proposals were based on the Commission's opinion that "the best method of implementing the Israel Government's decision would be a simple banking operation." We are inclined to subscribe to this opinion with a small amendment which would read: "Omit the word simple." After careful study it seems to us that the technical side of the operation is rather involved in view of the state of "frozen relations" existing between the countries in which the beneficiaries of the transaction reside, and Israel which has undertaken to make these assets available in an effort to break the ice.

The experts of the Commission suggested that an international bank with branch offices in Israel and the Arab countries should be entrusted with the handling of the banking operation. Barclay's Bank was regarded as being the most suitable institution. The depositors would submit their applications for release to the branch office of Barclay's in the country of present residence, to be transmitted via its London main office to its office in Israel. Barclay's in Israel would make the necessary arrangements to act as agent for all those banks in Israel which keep deposits to be released and would also act in behalf of those other banks which would be authorized to accept applications in those Arab countries where Barclay's Bank is not represented.

In order to prevent abuse and to exclude the submission of fraudulent claims, a procedure has to be worked out for the identification of applicants and their respective deposits.

/Barclay's Bank

Barclay's Bank in Israel would submit these applications to the Israel Custodian of Absentee Property who after verification would release these funds. The Government of Israel would provide the means, subject to the availability of foreign currency, to effect the payments to the applicants in accordance with an agreed scheme of priorities.

These are the procedures which evolved from our discussions with your experts. We are ready to adopt and implement them.

5. The next step therefore is the opening of negotiations with Barclay's Bank in London. We wish to avail ourselves of the offer of the Commission to lend its good offices and facilitate expert assistance and would therefore request the Commission to initiate these discussions with the Bank. It seems to us that the whole operation would be considerably expedited if these technical talks were to be conducted by the representatives of the Commission and not by one of the parties concerned. The transaction involves action in countries which do not maintain diplomatic relations with Israel, to say the least.

Negotiations directly conducted by a neutral body such as the Palestine Conciliation Commission would certainly prevent unnecessary and unforeseeable difficulties arising out of this situation. Moreover, the experts of the Commission have gained valuable experience and established important contacts with financial institutions in their previous discussions on this subject which could be profitably applied to the new situation. We therefore invite the Commission to conduct these technical discussions through its experts in line with the proposals discussed with them and elaborated by me today.

In his statement at our last meeting the Chairman expressed the Commission's appreciation of the fact that the Government of Israel had agreed to release Arab accounts blocked in Israel prior to the final settlement between Israel and the Arab States.

I had an earlier opportunity of explaining to the Commission the effect of the continued hostility exercised by our neighbours against us on any action by the Government of Israel towards the alleviation of the existing political tension and the deplorable plight of the Arab refugees. The Government of Israel nevertheless has decided to release Arab blocked accounts to give proof

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to its sincere determination to do its part in the promotion of peaceful relations between Israel and its neighbours through practical, reasonable and honourable action.

This is not the only step which Israel has taken recently in this sphere. A week ago the Prime Minister and the Foreign Minister of Israel reaffirmed from the rostrum of the Knesset, Israel's long standing offer to enter into direct negotiations with each and all of the Arab Governments for the establishment of normal, peaceful relations between our countries. The welfare of the peoples of the Middle East, living in conditions of abject poverty and the security of the region which might determine the peace of the world, demand from all States concerned a great measure of international maturity and responsibility in the conduct of their foreign relations. Israel has time and again manifested its readiness to do more than its share for the advancement of peace and progress throughout the area.

We believe that these objectives can be achieved in the near future if the Arab Governments would show willingness to join in this effort, and assume common responsibility for the mutual benefit of all the peoples of the Middle East.

We are gratified to note that the Commission regards the decision of the Government of Israel to release Arab blocked accounts "as an important step towards the settlement of differences existing between Israel and her neighbours".

The CHAIRMAN thanked Mr. Rafael, and said that the Commission was gratified to find the degree of common ground between it and the Government of Israel on the kind of operation envisaged, when the Commission had referred to a "simple" banking operation it meant not an "easy" but "normal" procedure involving the Government and banks, and banks and their clients. The statement made by Mr. Rafael justified the Commission's optimism that such an operation could proceed expeditiously.

As Chairman of the Commission, he would like to allude briefly to the question of bilateral discussions between the Government of Israel and the United States Government, to which Mr. Rafael had referred, in the same frank spirit as that in which the question had been raised. It was not within the competence of the Commission to consider the bilateral relations of the Government of Israel with the Government of the United States. The good office

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to which Mr. Rafael had referred were a matter between the United States and Israel; and he was very glad to note that Mr. Rafael had not implied that the question was one for the Commission's deliberation, and had repeated that the undertaking of the Government of Israel was not conditional upon reciprocity. He thought that there was no misunderstanding on that question.

The statement made by Mr. Rafael was a very full one. It raised problems which were developments of points discussed earlier and which would require further consideration by the Commission and further consultation with the delegation of Israel. In particular, the Commission would have to give careful consideration to the assistance which Mr. Rafael had requested that it render. At the meeting held on 16 July, it had been envisaged that the Government of Israel would take the initiative in relation to the banks. Mr. Rafael had indicated that the Government of Israel felt that the Commission should take part in that initiative. The Commission would want to consider the matter urgently. Another question was that of foreign exchange. He assumed that, when Mr. Rafael spoke of the first instalment as being one million Israeli pounds, that was the measure of the first instalment and did not refer to payment in Israeli pounds. In other words, the assumption was that the Government of Israel would make available the equivalent of that amount in foreign exchange.

Mr. ORDONNEAU (France) also expressed satisfaction on the statement made by Mr. Rafael, which gave every reason to expect an early solution of the matter. He asked Mr. Rafael if a given date were envisaged for the start of the operation.

Mr. DERINSU (Turkey) joined in expressing appreciation of the step taken by the Government of Israel, which would certainly prove to be a great step forward towards the aim of securing a peaceful settlement in the Middle East. He enquired whether the sum mentioned by the representative of Israel was one million pounds sterling or one million Israel pounds. He had the impression that the amount had been mentioned earlier in terms of sterling

In view of the decision taken earlier by the Commission, it would be necessary to consider the question of participation in the banking operation. Was there anything that the Commission could do to accelerate the coming into effect of the operation?

Mr. RAFAEL (Israel) would endeavour to give an immediate answer to the questions put to him in order to expedite the matter. On the question of Israel accounts in Arab countries, he accepted the interpretation contained in the statement of the Chairman, which clarified the position. As to the amount of the first instalment, there was no doubt that the amount of one million Israel pounds would be made available in foreign exchange at the legal rate of exchange. He believed, in connexion with the question of technical assistance by the Commission, that the operation might definitely be expedited if the support of the Commission could be given on the technical side. With regard to the question of the date of the release of the accounts, he stated that as soon as banking procedures had been adopted his Government would be ready to make the operation function. If within the next three weeks, for example, agreement could be reached with Barclay's Bank in London, the processing of claims could start, and money would be made available for payments as they were cleared.

His delegation had no hard and fast views on the question of a public announcement of the decision of the Government of Israel. If the Chairman so wished, he thought that they might state that the consultations had now reached the end of the clarification stage and were now moving to the practical stage of implementation.

The CHAIRMAN thanked Mr. Rafael for replying immediately to the questions put by the Commission. He considered the question of a communique to be important, particularly in view of the general goodwill which it was hoped would be furthered by the step being taken by the Government of Israel. The question was one of timing which would depend somewhat on the consideration given by the Commission to the questions that had been raised. It might be considered when the Commission studied the role which it was to play.

Mr. ORDONNEAU (France) pointed out that when the results of the consultations were made public one question that would clearly be asked by the public was that of when other instalments would become available. Though the Commission understood the burden that the release would place on the finances of Israel and the need for payment in instalments, it would be useful for it to have any information available on the dates and amounts of further instalments.

Mr. DERINSU (Turkey) thought that the communique should be issued as near as possible to the date of the start of the operation. On the question of priority, he agreed that it would certainly be well to have the neediest benefit first, as Mr. Rafael proposed. How would such information be obtained?

The CHAIRMAN thought that matters of technique for the carrying out of the operation should be de-emphasized in the communique in order to avoid arousing concern among the recipients and to stress the continuing nature of the operation.

Mr. RAFAEL (Israel), referring to the question put by Mr. Ordonneau, drew attention to the statement in the Aide Memoire of his Government to the effect that the release would be subject to his Government's foreign exchange position. The statement made by the Chairman covered the point very adequately. 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. The question of determining recipients for priority puzzled his Government also, since it did not have access to the holders of the accounts. Perhaps information might be obtained through UNWRA. He thought that the Commission would be better placed than his Government to secure that information.

The CHAIRMAN believed that the Commission must consider the important problems raised and suggested that they contemplate further consultations at an early date.

At this point Mr. Rafael (Israel) withdrew.

The meeting was recessed for five minutes and was resumed at 4.35 p.m.

The CHAIRMAN said that for his part he would have to consult his Government on the points raised by Mr. Rafael. He suggested that while members of the Commission consulted their Governments on the question of the request that the Commission take the initiative in approaching the banks and provide assistance on the technical level in dealing with the banks, the Secretariat might prepare estimates as to what assistance could be made available. The Secretariat might also devote some study to the question of priority, should the Commission want to take up that question. The important point which had emerged from the meeting, he thought, was the acceptance by Israel of the view that the release should be carried out as a banking operation. In response to a question put by Mr. Ordonneau, he proposed that the next meeting be held at 10.30 a.m. on Friday 29 August, when he thought that he might have a preliminary reaction from his Government on the points raised by Mr. Rafael.

2. CONSIDERATION OF THE REPORT OF THE COMMISSION'S LAND SPECIALIST

The CHAIRMAN drew attention to the report and supplementary report submitted by Mr. Berncastle on the question of evaluation of the individual property of Arab refugees who had left their homes in Palestine. On that question, the Commission had always taken the position that when compensation was paid, it would be necessary to know the basis of individual claims in order that the proper proportion of the total amount would be received by each claimant. Mr. Berncastle had recommended that the study of individual claims should be undertaken as soon as possible. The Commission had micro-film copies of the land registers of the Mandatory Government, and would also need the tax distribution lists of that Government, which were in the hands of the Government of Israel, to

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to make a study of the property holdings. Mr. Berncastle favoured the setting up in Jerusalem of a body of technicians to study the micro-film and tax lists. His estimate involved a rather large number of people - as many as fifty persons to work for as much as two years. The view of the United States delegation was that the study should be undertaken by the Commission promptly. It felt, however, that the study should be made in New York at Headquarters, since the kind of operation envisaged by Mr. Berncastle in Jerusalem would in all likelihood be a centre of attraction such as would not be conducive to the settling process in Arab-Israel relations for which the Commission hoped. Moreover, there were at Headquarters competent experts whose assistance would be more valuable to the Commission than untrained individuals in the area, and it would therefore be more economical for the Organization if the study were undertaken in New York. It might also be possible, with the greater facilities and expertise available at Headquarters, to reduce the time and personnel required. He suggested that the Commission therefore consider instructing Mr. Berncastle to move immediately to New York in order to set up a working group. He believed that Mr. Berncastle's time was limited and that he was anxious to return to his post in the British Government. Mr. Berncastle's services were valuable to the Commission and it should therefore take an early decision in the matter. There would be certain problems for the Secretariat to consider in connexion with the staffing of the unit and the provision of facilities. He thought that the Government of Israel could be requested to make the tax distribution lists available and added that his own Government was ready to lend its assistance to the Commission in that connexion.

Mr. ORDONNEAU (France) agreed largely with what the Chairman had said. The Commission must do all it could to speed the preparation of the necessary studies. He had no formal instructions as to how those studies should be carried out. He wished to ask, however, whether the Secretariat was in a position to commence the necessary recruiting and to make provision for facilities.

/Mr. DERINSU

Mr. DERINSU (Turkey) had received no instructions on the matter, but hoped to receive them before the next meeting.

Mr. CHAI (Acting Principal Secretary) said that if the Commission decided to have the study made at Headquarters the Secretariat would co-operate.

The CHAIRMAN believed that it would be desirable to take a decision on the matter at the next meeting in order to get the work started and make use of Mr. Berncastle's services.

The meeting rose at 4.55 p.m.