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UNITED NATIONS CONCILIATION COMMISSION FOR PALESTINE

SUMMARY RECORD OF THE TWO HUNDRED AND EIGHTY NINTH MEETING (Closed)

Held at Headquarters, New York,
on Friday, 5 September 1952, at 2:30 p.m.

CONTENTS:

1. Consideration of the statement of the representative of Israel on the question of blocked accounts
2. Consideration of the report of the Commission's Land Specialist

Present:

Chairman: Mr. ROSS United States of America

Members: Mr. ORDONNEAU France
Mr. DERINSU Turkey
Mr. BARAN Turkey
Mr. BARCO United States of America
(Alternate)

Also present: Mr. RAFAEL Israel
Mr. ZINDER

Secretariat: Mr. CHAI Acting Principal Secretary
Mr. REEDMAN
Mr. GALLIARD

1. CONSIDERATION OF THE STATEMENT OF THE REPRESENTATIVE OF ISRAEL ON THE QUESTION OF BLOCKED ACCOUNTS

The CHAIRMAN welcomed the representative of Israel and made the following statement:

"At our joint meeting on 27 August, the Commission received with gratification your Government's views on the technical aspects of implementing its undertaking to release in stages to their legitimate owners accounts of Israel blocked under the defence regulations of 1941. The Commission feels that on the basis of the discussions which we have had, it should now be possible to begin the discussions with the banks concerned on the methods for carrying out the Government of Israel's undertaking. The Commission has noted that your Government considers that Barclay's Bank is the most suitable institution to carry out the actual transfer of the accounts and notes with satisfaction that your Government considers that negotiations with Barclay's Bank for this purpose can be opened forthwith. The Commission is ready to lend its good offices to facilitate such negotiations. At the same time it believes that the initiative in this matter belongs to the Government of Israel and that the technical aspects of the operation particularly are matters between the Government of Israel and the banks concerned. It believes therefore that it is important that the Government of Israel itself open discussions with Barclay's Bank. Since the Government of Israel must participate at some stage it would seem preferable for it to do so from the outset. In order to be of the greatest possible assistance the Commission is prepared to use its good offices by approaching the British Government through the United Kingdom Delegation and requesting its support with Barclay's Bank to expedite the discussions between the bank and the Government of Israel. The Commission's representations would be made at such time as Israel indicated to the Commission that it is approaching Barclay's Bank directly. The Commission is prepared to make available to Barclay's Bank and the Government of Israel a representative at the expert level for consultation and such assistance in the discussions as may be feasible. In this way while the

initial and principal responsibility for the discussions would rest with the Government of Israel, the Commission would, from the outset, provide its good offices and assistance.

"The Commission believes that the decision of the Government of Israel to make available at this stage the sum of 1,000,000 E in foreign exchange at the legal rate of exchange as a first instalment in effecting transfer to the owners of the released accounts is a first step of the greatest importance in insuring fruitful discussions with the bank. It is essential for the bank to know the extent of the first instalment in considering the procedures for payment. It is equally important that the magnitude of the first instalment should demonstrate the importance Israel attaches to its undertaking as a 'contribution towards the alleviation of the lot of the Arab refugees and the advance of peaceful relations between Israel and the Arab countries'. The Commission understands in this connexion that your reference to the legal rate of exchange means that 1 E Israel equals 1 E Sterling and feels that an instalment of this magnitude will do much to achieve the results we all so much desire.

"On the question of priorities for release there is common agreement that the terms of release should aim at putting the greatest possible number of refugees in possession of their assets from the first instalment. This as a criterion for release of the accounts tends to establish the smallest accounts as those which might have priority for release. It is not possible, however, for the Commission to go beyond this and to set up machinery for examination of the conditions of each individual account holder. The Commission believes that the Government of Israel and the banks should be in a position to work out the practical arrangements for release on the basis of the principle referred to.

"The Commission assumes that your desire to consider after the accounts of individuals those belonging to banks, commercial firms, etc., simply means that individual accounts will be liquidated first and that the other accounts will be dealt with in the course of later instalments and not that there is any question as to the subsequent release of accounts not belonging to individuals.

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"In the matter of the transfer of securities and other valuables in safe deposits frozen by the Government of Israel, the Commission notes the readiness of your Government to release such property after a procedure for their opening has been agreed upon. It regards the matter as one falling within the normal activities of banks and one to be dealt with in the discussions between the Government of Israel and the banks involved. There is no need, in our opinion, for the Commission to lay down procedures, and the opening should not be considered as taking place under the authority of the Commission, though it would willingly provide a witness to the opening of the vaults, should such assistance be requested.

"The Commission does not believe that there should be any restrictions on the transfer of the contents of the boxes and assumes that Israel would have no claims to such contents which the holders of the boxes were legally entitled to possess at the time of blocking. Accordingly procedures should be worked out with the banks to enable the claimants to receive the entire contents of the boxes directly from the banks.

"We hope that these comments will enable the Government of Israel to proceed promptly with discussions with Barclay's Bank. This seems to us the more urgent since in the absence of such discussion, further consideration of individual questions of procedure tends to become academic and to delay the carrying out of the release."

The Chairman added, for the benefit of his colleagues on the Commission, that he had met informally with Mr. Rafael, in accordance with the decision taken at the Commission's meeting on the previous day. He had pointed out to Mr. Rafael that the Commission's immediate concern was the promptest possible initiation of discussions between Israel and Barclay's Bank, although there were, at the same time, a number of questions of detail which were still to be worked out. He had mentioned that up to now there had been two elements in the situation, namely the Commission and the Government of Israel, and that before being able to proceed further it would be necessary to bring in the third element, namely Barclay's Bank. The Chairman hoped that within a week or ten days the discussions might start. That would require an indication from the Government of Israel of

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its readiness to open them and of the method proposed so that the Commission could then approach the United Kingdom.

Mr. ORDONNEAU (France) shared the Chairman's concern for getting the operation started as soon as possible. Since the other parties involved knew of the present discussions, the advantages and good will to be gained by the operation would be measured in terms of the time-lag between those discussions and the achievement of concrete results. He hoped that Mr. Rafael would be able to transmit his Government's views with as little delay as possible.

Mr. DERINSU (Turkey) agreed that the time element was now certainly the most important factor.

Mr. RAFAEL (Israel) stated that until he had had time to study the Chairman's statement his comments would necessarily be of a preliminary nature. There was one point, however, which he wished to emphasize: from the moment at which Israel had announced its readiness to accept the banking procedures which had been worked out with the experts of the Secretariat, it had been ready to see the actual discussions begun at once. His delegation had thought that the Commission could take the initiative in those discussions, and he regretted that the Commission had not been able to agree. Since a new procedure had now been proposed, he would, of course, have to ask for his Government's views. He continued to believe that negotiations carried out by the Commission would have expedited the operation considerably, though he was glad to note from the Chairman's statement that the Commission would lend its co-operation and assistance. It only remained to work out a commonly acceptable procedure for approaching the bank, and he assured the Commission that it would have the views of his delegation in the very near future.

It had been mentioned, Mr. Rafael continued, that he had previously referred to the legal rate of exchange for the first instalment as one Israel pound for one pound sterling. Nothing of that kind had been stated by him. He wished to draw the Commission's attention to his original statement in which he had said

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that the first instalment would be released in foreign currency at the official rate of exchange. In any case, he thought that the matter was of no immediate concern, as it was a technical question which would have to be discussed more fully, along with other points of detail. The important point was that the principles were now settled and that an announcement could be made as soon as actual procedures had been agreed upon.

With regard to the question of priorities, Mr. Rafael thought that the Commission's suggestion put his delegation in a rather difficult position, since Israel had no knowledge of the depositors or their circumstances. He hoped, however, that an exchange of views with the banks would result in the working out of an equitable system.

The CHAIRMAN expressed his gratification with Mr. Rafael's remarks and noted that, subject to the agreement of the Government of Israel, the operation could proceed forthwith. He emphasized that once agreement had been reached between Israel and the bank, the Commission was anxious to help fully in every way it could.

With regard to the question of the rate of exchange, the Chairman said that the Commission had been somewhat puzzled by that point originally. The purpose in raising it now was that the Commission wanted to emphasize its view that the magnitude of the first instalment was of primary importance. A first instalment based on the rate he had mentioned in his statement would, in the Commission's view, be the minimum necessary to achieve the ~~over-all~~ aim of the unfreezing operation.

The Chairman added that the Commission would offer every possible assistance in determining a system of priorities. He thought that the aim should be to determine a formula which would lend itself most readily to the operation.

Mr. RAFAEL (Israel) said that if such a formula could be worked out, it would be of the greatest assistance. His delegation would welcome any suggestions on that point.

Mr. CHAI (Acting Principal Secretary) said that in the case of difficulties arising between Israel and the banks, the Secretariat would continue to be available and would be happy to offer its assistance.

After an exchange of views it was decided to defer for the time being any formal announcement to the press.

Mr. Rafael and Mr. Zinder then withdrew.

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

In answer to a question by the Chairman, Mr. CHAI (Acting Principal Secretary) said that from a budgetary standpoint the expenses of carrying out the work in New York would not be large, as existing staff could be used; if the work had to be completed in a very short time, of course, it would not be possible to rely solely on existing staff.

Mr. DERINSU (Turkey) stated that he had been asked by his Government to concur with the majority of the Commission. His Government had no particular preference as to where the task of individual assessment should be undertaken. It was anxious, however, to make sure that the work would not be exposed to criticism if carried out in New York. In making its decision the Commission had to weigh carefully all the factors on both sides.

Mr. BARCO (United States of America) felt that Mr. Berncastle's ideas as to how the operation should be carried out in Jerusalem were based on an ideal solution. If this solution were both realistic and possible, the Commission might be able to adopt a different attitude. But it was not realistic to proceed as though an ideal outcome were possible. Since a compromise was necessary, he felt that the important thing was for the Commission to take a decision to start the work and then to review the situation from time to time as the work progressed. With regard to the Tax Distribution Lists which would be needed in the evaluation, he thought that Mr. Berncastle should if possible obtain them before returning to New York. He understood that the United States Government had offered to make representations on this point to the Government of Israel.

Mr. DERINSU (Turkey) suggested that an approach to Mr. Rafael in this connexion might be helpful.

The CHAIRMAN thought that a decision should be taken to initiate the work at Headquarters on the basis of existing staff and then consider details of

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thing, etc. He was reluctant to decide on future aspects of the operation without being fully informed as to the budgetary implications.

The Commission decided to ask Mr. Berncastle to return to Headquarters to undertake the individual evaluation of abandoned Arab property.

The meeting rose at 3:45 p.m.