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UNITED NATIONS CONCILIATION COMMISSION FOR PALESTINE

SUMMARY RECORD OF THE 310TH MEETING

Held at Headquarters, New York,
on 17 February 1954, at 3:00 p.m.CONTENTSMeeting with the representative of Israel on the question
of blocked accounts.PRESENT:

<u>Chairman:</u>	Mr. ORDONNEAU	France
<u>Members:</u>	Mr. ASIROGLU	Turkey
	Mr. BARCO	United States of America
	Mr. KIDRON)	Israel
	Mr. TOV)	
<u>Secretariat:</u>	Mr. CHAI	Acting Principal Secretary
	Miss FLYNN	UNRWA

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

"The Conciliation Commission for Palestine wishes to convey to your Government its sincere appreciation for your Government's efforts to ensure the success of the first phase of the release of blocked Arab accounts. After the solution of certain technical problems, the plan is working smoothly and provides continuous tangible proof that progress of a practical nature can be made towards the solution of outstanding questions. Many refugees are already reaping much-needed benefits from the scheme. It must also be appreciated that a number of problems were encountered during the first stage which should not arise again, and that the attitude of greater understanding which is emerging promises that future action will prove much more productive of results. It is the Commission's considered opinion that if the release operation is pressed home vigorously the results will more than compensate the cost and effort, by removing one of the causes of friction and thus helping to bring about the change in attitude so essential to the establishment of friendly relations between Israel and her neighbours.

"In its Thirteenth Progress Report, issued at the end of the year, the Commission indicated its determination to pursue the question of blocked accounts until a total release has been achieved. For our part we are prepared to do everything within our power to see that the benefits thus far achieved shall not be dissipated and to ensure the maximum advantage for both sides from the continuation of the release operations. We believe that the best and simplest method of securing such an advantage is to proceed, without a break in the continuity of the scheme, to the total liquidation of the problem as was the intent of the agreement arrived at between the Commission and the Government of Israel. The only reservation made by your Government at the time was a technical one, namely that the release operation should be made effective in stages subject to the availability of the necessary foreign currency to your Government. The Commission understands that means can be worked

to remove this obstacle, through the banks concerned and the good offices of the United Kingdom Government. The Commission is prepared to lend its assistance to that end. If this problem is solved, the Commission feels that there should be no other objection to the rapid liquidation of all the blocked accounts still outstanding, nor should there be any serious technical difficulties in working out the necessary procedures.

"A procedure for the total release of accounts would much reduce the technical difficulties at present encountered by the banks concerned and the office of the Custodian and would also do away with many of the drawbacks of the present system which have to a great extent inhibited the submission of applications and wasted some of the psychological effects of Israel's gesture. As regards the technical difficulties, it is sufficient to say that an account would be liquidated in one single operation instead of having to be processed a number of times by the Custodian and then paid out in small monthly instalments. The fear among account holders that applications for a partial release would prejudice their rights to the balance of their accounts appears to have persisted in spite of Israel's assurances that amounts over 500 pounds would be fully available in future releases. This fear should be completely dispelled by an agreement for a general release of accounts. Payment under this system would also provide capital to the refugees in amounts large enough to be used for constructive enterprises rather than in small sums which are consumed by day to day expenses.

"The Commission is convinced that there would be great advantage in issuing an assurance that the release operation is to be continued without delay and conversely, that grave harm will be done if the time lag between the end of the first stage and the resumption of the operation were extended.

"We would appreciate having your Government's views on this matter as soon as it is convenient and are ready to supply you with all the supplementary information at our disposal. The Commission's experts will be available for consultation and technical questions can be discussed in the same frank and informal manner which proved so successful in the past."

Mr. KIDRON (Israel) said that he would naturally not be able to comment on the Chairman's statement until he had conveyed it to his Government. He would, of course, inform the Commission as soon as he had received a reply.

Meanwhile, he did have certain general observations to make on the whole history of the blocked accounts question, which could be regarded as a commentary on the Commission's desire to extend the scheme further. Mr. Kidron recalled that the scheme now had a history dating back four years to an agreement signed in Geneva, in February 1950, between the Commission, a representative of Israel and a representative of Egypt on behalf of the other Arab States. The latter Governments refused, however, to ratify that accord. The present scheme was begun last spring, as a result of the efforts of the Commission and its then Chairman, Ambassador Palmer, in May 1952. The process of release had thus gone through many stages, the present one being now nearly two years old.

Since November 1952, continued Mr. Kidron, when agreement with the banks was finally reached, there had been three interruptions, none of which had been caused by any action or inaction on the part of the Israel Government. His Government had not been fully convinced at the time that the scheme would achieve the ends envisaged by the Conciliation Commission, and remained unconvinced that its extension would achieve them. It was true that the release of the accounts would solve a technical problem and Israel shared the Commission's view that the solution of technical problems could lead to a relaxation of political tensions. Unfortunately, however, that had not happened.

Mr. Kidron assured the Commission that he did not wish to condemn the scheme; he merely wanted to point out that it was being conducted under conditions of provocation and extreme difficulty. Israel had acted with considerable forbearance and patience in the face of difficulties raised by the Arab Governments, particularly Jordan, and had done its best to maintain an atmosphere of goodwill. The results could not be considered as spectacular.

Mr. Kidron recalled that the original agreement called for the release of a first instalment of £1,000,000 to be paid out at the rate of one pound Israeli

for one pound sterling. To date, of approximately 6,000 account holders, only some 3,200 had submitted applications. The sums approved for release amounted so far to a little under £700,000, meaning that in the course of over eighteen months even the first million pounds had not been expended. It should also be recalled that some 5,000 of the 6,000-odd depositors would be completely satisfied by the first instalment and that the extension of the scheme affected slightly under 1,000 depositors who held accounts of over £500. Even these, pointed out Mr. Kidron, would be partially satisfied as they would receive £500 on their accounts under the first instalment.

Mr. Kidron went on to state that neither from the practical point of view, in terms of money paid out, nor from the point of view of political gain or benefit had the scheme produced the results which the Commission had reasonably expected of it. Nevertheless, the Government of Israel had given an undertaking, at the outset of the operation, that it would continue if this were practically possible. Negotiations were at present being carried out between Israel and the two banks concerned, and Israel had had an exchange of communications with the United Kingdom Government. Mr. Kidron was not au fait with the technical details of how the scheme would be carried on under the Commission's latest proposal, if and when agreement were reached. He did know, however, that the negotiations with the banks were still proceeding. He assured the Commission that his Government was endeavouring to do its best; it was aware of the difficulties confronting the banks and had no desire to contribute to those difficulties.

Mr. Kidron reiterated that he would inform the Commission as soon as possible as to the reactions of his Government to the Chairman's statement.

The CHAIRMAN thanked the representative of Israel for his remarks and asked the other members of the Commission for their comments.

Mr. BARCO (United States of America) observed that his Government had always had great interest in the blocked accounts question, since the Geneva meetings in 1950, on down to Ambassador Palmer's negotiations with Ambassador Eban in 1952 and through the past year, during which, in the opinion of the United States Government, the scheme had produced some happy results.

His Government had been greatly disappointed that the scheme had met with difficulties and had not been carried out as quickly as hoped for, but it felt that the worst was now over and saw a real hope that a continuation of the operation would be smoother, since the initial difficulties had been ironed out.

Mr. Barco went on to say that his Government greatly appreciated the efforts made by Israel and particularly by Mr. Kidron himself in connexion with the operation. He welcomed the implications of further constructive effort contained in Mr. Kidron's statement, and emphasized that the United States would continue to lend its support to a successful completion of the scheme.

Mr. ASIROGLU (Turkey) was gratified by the expressions and evidences of Israel's goodwill in the matter. While recognizing that the scheme had not materially lessened tension, he felt that it was only by overcoming technical difficulties that political problems could eventually be solved.

The CHAIRMAN agreed with the representative of Turkey and added that although a solution of technical problems would not entirely solve political problems, the Commission had always felt that the technical problems could be overcome and it was in that spirit that he hoped the Government of Israel would continue. He thanked the Israeli representative for his expressions of goodwill and hoped that the Commission would soon have the reply of the Israel Government.

Mr. CHAI (Acting Principal Secretary) raised the question of a statement to the press.

After some discussion it was agreed that a brief statement would be preferable, indicating that the Commission had met with the representative of Israel on the question of blocked accounts and recalling the Commission's Thirteenth progress report in which the Commission indicated its determination to pursue the question of the release of blocked accounts.

4/3 p.m.

The meeting rose at 4.10 p.m.