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UNITED NATIONS CONCILIATION COMMISSION FOR PALESTINE

Summary Record of the 316th Meeting (closed)

Held at Headquarters, New York,  
on Monday, 27 September 1954, at 11.50 a.m.

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Meeting with the representative of Israel

PRESENT:

<u>Chairman:</u>	Mr. ORDONNEAU	(France)
<u>Members:</u>	Mr. DERINSU	(Turkey)
	Mr. BARCO	(United States)
<u>Secretariat:</u>	Mr. CHAI	(Acting Principal Secretary)
<u>Also present:</u>	Mr. KIDRON	(Israel)

#### MEETING WITH THE REPRESENTATIVE OF ISRAEL

The CHAIRMAN asked the representative of Israel if he wished to comment on his Government's press statement concerning blocked accounts, which members of the Commission had received during the weekend.

Mr. KIDRON (Israel) wished first of all to recall the events leading up to the drafting of the press statement which the Commission now had before it. The Government of Israel had replied to the Commission's Aide Memoire of 25 May 1954 in a letter dated 19 August. Since that time, no meetings had taken place and no further action had been taken. Negotiations had, however, been carried out between the Government of Israel and representatives of the banks concerned on the question of what foreign exchange might be made available to Israel for the purpose of continuing the release of the blocked accounts. An agreement was signed in Jerusalem on Saturday, 24 September, one feature of which was the joint statement which the Commission had before it. Mr. Kidron had been instructed to ask the Commission to lend its support to the statement. For technical reasons the statement had to be issued at five o'clock that afternoon in order to make the next day's editions of the local press in the Middle East. The wording of the statement was not, Mr. Kidron stated, subject to any change. He added that he was not authorized to make any changes in the text, which was the result of lengthy negotiations between the Government of Israel and the banks concerned.

Mr. Kidron then read out the text of the statement (see annex). He felt that it would be of great benefit to all concerned if the Commission could agree to lend its support to the statement so that it could be issued from New York as a joint statement. He added that if the Commission could not associate itself with the communiqué, it would be issued in any case.

The CHAIRMAN thanked the representative of Israel for his explanation. The Commission, he said, had been studying the communication and had certain doubts in connexion with the final paragraph, concerning the readiness of the Government of Israel to "consider the necessary procedural adjustments, including

such as may be proposed by the representatives of the depositors themselves..." The Chairman felt sure that the views of the Commission were well known to the delegation of Israel as a result of the informal meeting which had taken place on 8 September between the Commission and Mr. Kidron. The Commission considered that under the original agreement concluded between the Commission and the Government of Israel, the latter had undertaken to release the blocked accounts, subject to the sole condition of the availability of the necessary foreign currency. It was quite clear that no other reservation existed. In its letter of 19 August 1954, the Government of Israel had put forward a new plan - involving what seemed to be a new reservation - which suggested negotiations between the refugee depositors and the Government of Israel. That suggestion was also included in the press statement.

The Chairman thought that before the Commission could adopt a position in the matter it should be quite clear as to what that new proposal actually meant. The Commission was certainly not opposed to negotiations between the parties, but it felt that the new proposal for negotiations in this connexion placed a new condition on the entire scheme which might lead to unfavourable results. The Commission could not agree that the final release of the accounts would be impossible if the proposed negotiations were not held or did not lead to positive results. He asked the representative of Israel if the proposal for negotiations was in fact a condition for the implementation of the release scheme.

Before replying to the Chairman's question, Mr. KIDRON (Israel) wished to address two questions to the Secretariat. In the first place, he wanted to know what, if anything, had been done in connexion with the letter of 19 August from his Government and whether any efforts had been made to ascertain whether the Israeli proposal could be acted upon. In the second place, he understood that a letter had been addressed to the Commission from a group known as the Arab Refugee Congress, which expressed readiness to send representatives to discuss the question of blocked accounts. He asked whether such a letter had been received.

In response to the Chairman's question, Mr. Kidron agreed that a possible discrepancy might seem to exist between the letter of 19 August and the press statement. This was, however, more apparent than real. The letter of

19 August did state in fairly emphatic terms that 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". From even a cursory reading of this statement, it did not look like a conditio sine qua non. The press statement referred to Israel's "readiness to consider the necessary procedural adjustments", which had even less of the quality of a condition and which could not be considered as a demand for face-to-face discussions. It was merely an invitation to the account owners to suggest methods which would allow Israel to improve on a procedure which had run into difficulties in the past. The position set forth in that sentence of the communiqué was therefore to be considered as the final position of the Government of Israel. The banks - which were, after all, possibly the most interested party - had agreed to it and Mr. Kidron could see no reason for the Commission to take objection to it. He was, he added, glad to learn that the Commission had no objection in principle to negotiations between the parties; he would have been most surprised to learn otherwise.

In reply to the two questions addressed by Mr. Kidron to the Secretariat, Mr. CHAI (Acting Principal Secretary) said that the letter of 19 August from the Government of Israel had immediately been brought to the attention of the members, and copies circulated. Informal meetings had then been held to consider the document. With regard to a letter addressed to the Commission by the Arab Refugee Congress, he had no knowledge so far of any such communication having been received.

Mr. BARCO (United States of America) added, in connexion with Mr. Kidron's question to the Secretariat concerning the letter of 19 August, that the Commission had decided to meet privately with Mr. Kidron on 8 September and had communicated its views to him for transmittal to his Government. The next thing that the Commission learned was that the position of the Government of Israel remained unchanged. During the meeting of 8 September with the representative of Israel the Commission had stated its views very clearly and had asked for a reply. The responsibility of the Secretariat was not in any way involved.

With regard to the new procedure which Israel had proposed, Mr. Barco stated that unhappily he was not fully convinced that he understood the position of Israel in the matter. He would like to know whether the suggested meetings with the account holders were a necessary preliminary to the release of the accounts. He felt sure that Mr. Kidron would realize that the Commission's misgivings in the matter were not lightly taken. He had been instructed by his Government to say that it was not convinced that any new procedural arrangements were necessary or feasible. According to the original undertaking it had been agreed that the best procedure would be one based on a simple banking operation. While there was no question of obstructing discussions between the parties concerned, the Commission still felt, Mr. Barco added, that it would have to know if the consultations envisaged would in fact involve meetings between the Government of Israel and the refugee account holders.

Mr. DERINSU (Turkey) felt that the Commission had made it clear during the meeting of 8 September that it did not see what benefits were to be derived from the suggested new procedure. The Turkish delegation had considered the matter very carefully, and was anxious to be co-operative, but in view of the fact that the availability of foreign currency had been the only condition laid down under the original agreement, the delegation was still unclear as to what possible advantages might accrue from the proposed new procedure.

Mr. KIDRON (Israel) asked the Commission to consider the text of the proposal as it appeared in the statement rather than in the letter of 19 August. In the former document it was stated very clearly that the Government of Israel was prepared to consider, etc. The Commission seemed to be objecting, not in principle, but on grounds that the proposed negotiations might tend to delay or wreck the entire scheme. The Government of Israel was vitally interested in the success of the scheme and had no desire whatsoever to delay it. Moreover, it must be remembered that the banks, which were a highly interested party, had agreed, and obviously did not feel that any condition was imposed or that the proposed negotiations might wreck the operation. With regard to Mr. Barco's reference to a simple banking operation, Mr. Kidron did not think it would be possible to restore the banker-client relationship as it had previously existed;

the situation had changed and the depositors no longer had access to the banks with which they had dealt.

Mr. Kidron pointed out that the first stage of the release scheme had been a limited one but that its procedures were possibly rather complicated. Although he did not know the details he felt that the next phase would be simpler: the instalment basis would, in all probability, disappear. His Government felt that the depositors, who were the real sufferers from the continued delays, should be encouraged to state their views on the next phase of the operation, since the interferences which hindered the first instalment did not derive from them but were essentially political in character. Perhaps the views of the depositors would make it possible to speed up the operation. Perhaps the banks and the Government of Israel could not carry it out effectively by themselves. Mr. Kidron stressed that the Government of Israel had no ulterior motives in the matter. It wanted to carry out the scheme with minimum of trouble. If the plan were to be allowed to drag on, as in the case of the first instalment, Israeli interests could only suffer from what would turn out to be a botched and inefficient scheme.

Mr. Kidron reiterated that he was not empowered to agree to any changes in the text of the statement. He felt sure that the Commission, which had maintained such a close interest in the blocked accounts question over so long a period of time, would consider it extremely important to clear the matter up in as short a time as possible.

The CHAIRMAN observed that the fact that there could be no modifications in the text put the Commission in a difficult position. The representative of Israel had made some very precise statements which the Commission would have to consider carefully before it could take a position. Since the Commission was not being asked to consider the communiqué rather than the letter of 19 August as representing Israel's final position, it would seem that the situation had changed.

Mr. BARCO (United States of America) then addressed three questions to the representative of Israel:

- (1) Was the Government of Israel withdrawing its letter of 19 August?
- (2) Did the Government of Israel wish to enter into consultations with the Commission, looking towards discussions with refugee depositors?
- (3) Inasmuch as the Commission did not believe such discussions, as stated, to be desirable, did the Government of Israel continue to insist upon them?

Mr. KIDRON (Israel) replied that the letter of 19 August was not being withdrawn and repeated that there was no essential contradiction between the two documents. In neither case did the text impose an unbreakable condition. The text of the press statement could certainly not be construed as a condition. No new demands were being made; nothing was being concealed; the Government of Israel would simply like to receive suggestions from the depositors as to how the plan might best be carried out. With regard to Mr. Barco's second question, Mr. Kidron replied that the Government of Israel would be happy to enter into such consultations but not if they were to delay the execution of the scheme in any way. Mr. Kidron further stated that the plan had been agreed upon with the banks who were, after all, the interested parties and who could afford no further delay.

The CHAIRMAN asked whether, if the invitation to the account holders were not accepted and no suggestions were put forward, Israel would then say that the plan could not go forward.

Mr. KIDRON replied that, as of the present, the answer was no.

The CHAIRMAN thanked the representative of Israel for answering the Commission's questions. The Commission could now meet to consider the position, though it was possible that the members might have to seek new instructions from their respective Governments.

Mr. KIDRON (Israel) expressed the hope that the Commission would decide to lend its authority to the issuance of the statement which would, in any case, be released. The Commission's support would be most helpful. If the Commission

were to decide not to support the statement, it might appear to the depositors that there was something which was not quite right. If the Commission, a United Nations body which had always taken such an active part in the matter, were now to withhold its support from a statement announcing the most important phase of the release scheme, there would be a very unfortunate reaction from the outside world and great regret in Israel.

Mr. BARCO (United States of America) stated that he did not wish to appear insistent in the matter, but that he was acting under strict instructions. It was not a help, he continued, to be faced with a situation over which the Commission could exercise no influence. Such an approach did not create a good impression. In the meeting of 8 September the Commission had expressed its views to the representative of Israel in order to be helpful. Since that time, nothing had been done to remove the difficulties. Mr. Barco continued to have grave misgivings as to the wisdom of the Israeli proposal and felt that it was only too apparent that the Commission had been presented with a fait accompli. In his opinion, the exercise of such pressure was not a helpful way to proceed.

Mr. Barco stated that if the press statement were to be released without the agreement of the Conciliation Commission, he would have to press for a communiqué by the Commission in which the Commission's position would be made clear. Perhaps if there had been more time, other arrangements could have been worked out. But as matters now stood the Commission, whose position had been well known since the meeting of 8 September, was now being forced to agree to something to which it could not lend its approval.

Mr. KIDRON (Israel) said that he too was acting under strict instructions, but he wished to make it clear that he was in no way holding a sword over the Commission's head or attempting to exert pressure. He was merely asking for the Commission's support. The banks, which were faced with certain legal proceedings the following day, had insisted on the publication of a notice to the effect that Israel was prepared to proceed with the release scheme. Mr. Kidron felt that there was nothing in that statement to which the Commission could take exception. A consideration had been included which, he



thought, would have been welcomed by the Commission, in that it would serve to obviate difficulties which had arisen in the past. He could conceive that the Commission might possibly not wish to lend its support to the statement, but for it to issue a contradictory statement would, in his view, be most unfortunate. He urged the United States representative to reconsider his position.

Mr. Kidron expressed regret over the hurried manner in which the affair had been carried out, but there was a deadline which could not be avoided. He had, he concluded, approached the Commission to request support for something which the Commission had long wanted Israel to do, and he hoped that the position of the United States could be reconsidered.

Mr. BARCO (United States of America) said that he wished the position of both sides could be reconsidered, adding that the present state of affairs placed the Commission in an extremely difficult position.

The meeting rose at 1.10 p.m.

ANNEX

Notice

For publication 1700 hrs EST  
27 September 1954

In continuation of its discussions with the Palestine Conciliation Commission and in pursuance of its undertaking of September 1952, the Government of Israel has agreed to proceed with the release to absentee or refugee owners of the outstanding balances of their accounts with banks in Israel together with articles deposited for safe custody and the contents of safe deposit lockers at present vested in the Custodian of Absentee Property. As previously, the balances of accounts will be paid on the basis of one Pound Sterling being equal to one Israel Pound.

It will be recalled that as from September 1952 the Government of Israel has already released the sum of one million pounds sterling of which the major part has been paid out, to the benefit of thousands of refugees in various Arab countries.

The new arrangement for the release of outstanding balances has been made possible by special long-term facilities as regards the provision of foreign exchange offered to the Government of Israel by one of the banks concerned.

The Government of Israel is now in consultation with the Palestine Conciliation Commission regarding the procedures to be adopted for the implementation of the scheme. It has informed the Commission of its readiness to consider the necessary procedural adjustments, including such as may be proposed by the representatives of the depositors themselves, designed to secure a speedy and efficient release to those entitled to benefit from the scheme.

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