

UNITED NATIONS CONCILIATION COMMISSION FOR PALESTINE

RESTRICTED

W/21*

11 August 1949

ORIGINAL: ENGLISH

TEXT OF UNITED KINGDOM TREASURY STATEMENT
ON THE BLOCKING OF PALESTINE'S STERLING
BALANCES AND HER EXCLUSION FROM THE
STERLING AREA, 22ND FEBRUARY 1948

(Circulated for the information of the Commission)

During the period of the Mandate, Palestine has been a member of the Sterling area. She is also the holder of sterling balances, the present total of which is about £ 100,000,000: a large amount in proportion to the size of the country. These balances have been drawn on rapidly in recent months, so that the resources of Palestine, which will be needed for the development of the country, are in danger of being unduly depleted and the balance of payment problems of the sterling area is aggravated.

As in the case of other countries holding large balances - e.g. India, **Egypt**, and Iraq - the only way in which the drain can be stopped is by blocking the greater part of the balances. His Majesty's Government have decided therefore that the balances of Palestine must be similarly blocked and have taken steps accordingly. In order to provide immediately for the carrying on of ~~Palestine's~~ Palestine's normal international trade, His Majesty's Government will make available from those balances during the remaining period of the Mandate and subsequently the resources which they are satisfied are necessary.

For immediate requirements £ 7,000,000 is being released in order to provide £ 4,000,000 as working balances for the banks in Palestine and £ 3,000,000 to be used together with current accruals of sterling; this £ 7,000,000 will be at Palestine's disposal for current expenditure until the middle of May.

The amounts of these releases have been arrived at after careful consideration and consultation with the present Administration, and His Majesty's Government are satisfied that they should prove sufficient to enable

* See also W/8, W/17, W/18, COM.GEN/W.1 and COM.GEN/W.4

Palestine to meet all her essential needs during that period. A future policy for release from the sterling balances will be the subject of consultation between His Majesty's Government's representative at the United Nations, Sir Alexander Cadogan, and the Commission for Palestine which has been established by the United Nations, and the views of the Commission will be given full consideration in the formation of policy in regard to future releases.

In the special circumstances of Palestine, where His Majesty's Government must assume that, for a period at least, a thorough and comprehensive exchange control will be lacking, the blocking of the balances would not entirely safeguard the resources of Palestine or of the sterling area. If His Majesty's Government allowed a situation to continue in which leakages could occur, they would not be carrying out their responsibilities to the sterling area or to Palestine. His Majesty's Government therefore consider it desirable that Palestine should not remain a member of the sterling area, and she has ceased to be a member from February the 22nd, the date on which the balances have been blocked. Should the successor Governments desire it, His Majesty's Government will be ready to discuss with them the question of their re-admission to the sterling area.

Owing to the fact that Palestine currency is also the currency of Transjordan it is technically impossible for Transjordan to remain in the sterling area when Palestine leaves it, and arrangements are being made accordingly. The Transjordan Government has however already informed His Majesty's Government that it intends to make such currency and exchange control arrangements as will enable Transjordan to return to the sterling area. His Majesty's Government have undertaken to give all possible help and advice to this end, and in the meantime to continue to provide for the necessary foreign exchange requirements of Transjordan and to do everything in their power to minimise any inconvenience to the Transjordan Government and people.

"The Times", 23 Feb. 1948.