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THE HAIFA REFINERY

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Of the economic legacies of the Palestine war, the most worldwide in its effect is the enforced idleness of the Haifa oil refinery. As at present constituted, this great plant, which is owned half by Anglo-Iranian and half by Shell, has a refinery capacity of 4,000,000 tons of crude oil per annum. Its planned potential capacity is much higher. It was until 1948 fed half by the Iraq Petroleum Company's pipe-line from Kirkuk and half by tanker carrying crude oil either from the Tripoli terminal of the same company's pipe, or from the Persian Gulf via the Suez Canal. Before the outbreak of the Palestine war, a second pipe from Iraq to Haifa was complete but for a sector inside Palestine and this, with additional refining plant under construction, was to yield a refining capacity of 8,000,000 tons annually by the end of 1951. But it has lain idle save for one brief interval since April, 1948, because, while British-managed and largely British-owned, it is situated in territory that has become Israel, and because it handles oil coming from an Arab source in Iraq or through an Egyptian Bottleneck at the Suez Canal.

As a result of the prejudices involved, Iraq, which is all but bankrupt, is losing much needed oil royalties that were due to increase very rapidly, Israel is losing the material and psychological advantages offered by the active working of a great industry, and the sterling area, which spent from mid-1948 to mid-1949 some £400 million on the purchase of oil fuels and refining equipment from hard currency areas, is losing an asset the output of which, at present capacity and current oil prices, is estimated to be worth £50 million per annum.

Is the deadlock unbreakable? The oil company, the British Government, Israel and Iraq would all profit, materially, by breaking it. But the Iraqis are led by die-hards who would far rather administer pricks to Israel than explain to their own people that to pump oil means more work and more royalties

\* See also W/22

to-day, and therefore more watered land and cheaper bread to-morrow. But even if supplies by pipe-line are out of the question, there is nothing to stop supplies by tanker. The Suez Canal is, by one article of its Convention, "in time of war as in time of peace" open to the ships of all nations, and, by another article never to be used for purposes of blockade. During the Palestinian war, the Egyptians, disregarding protests from many powers, inspected and questioned cargoes. Their motive was understandable. But Egypt is not at war now. Further, now that the arms embargo upon the Middle East has been raised by the Security Council, there is no possible reason for the questioning by anyone of cargoes and destinations. Daily oil tankers from the Persian Gulf laden to the waterline pass northward through the Canal to some refinery or other. The Saudi Arabians, questioned, say that it is none of their business where the companies concerned choose to refine the oil that started from their territory. Why not send some to Haifa?

So long as there is a chance of doing this, Israel is unwise to murmur, as it is now doing, threats to confiscate the refinery and to operate it with crude oil from outside the Middle East. Of course it could impound the plant. No doubt it could get crude oil from Rumania. But to suggest this abnormal step while normal steps are possible is undiplomatic if Israel, as it elsewhere avers, seeks normal relations with its Middle Eastern neighbours.

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