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## SPECIAL COMMITTEE ON PALESTINE

## VERBATIM RECORD OF THE SEVENTEENTH MEETING (PUBLIC)

Held at the Y.M.C.A. Building  
Jerusalem, Palestine  
Sunday, 6 July 1947, at 9:00 a.m.

## PRESENT:

The CHAIRMAN:	Mr. Sandstrom	Sweden
	Mr. Hood	Australia
	Mr. Rand	Canada
	Mr. Lisicky	Czechoslovakia
	Mr. Garcia Granados	Guatemala
	Sir Abdur Rahman	India
	Mr. Entezan	Iran
	Mr. Blom	Netherlands
	Mr. Garcia Salazar	Peru
	Mr. Fabregat	Uruguay
	Mr. Simic	Yugoslavia
SECRETARIAT:	Mr. Hoo	Assistant Secretary General
	Mr. Garcia Robles	Secretary

CHAIRMAN: I call the meeting to order.

The agenda contains continuation of the hearing of representatives of the Jewish Agency. Mr. Bernstein, I think, is going to be the next speaker. Will you come to the table please?

(Mr. F. Bernstein, representative of the Jewish Agency, took a seat at the table.)

I recognize your right to speak.

Mr. BERNSTEIN (Representative of the Jewish Agency): Mr. Chairman and Members of the Committee:

I have to present, on behalf of the Jewish Agency for Palestine, some of the economic aspects of the case in which the judgment of the United Nations has

been invoked by the Mandatory Power. Any such presentation should, it seems to me, be preceded by several general observations:--

1. In reviewing the past, it should be borne in mind that the determining element in the history of the British Mandate in Palestine has been a vast discrepancy between the ascertainable purposes of British Palestine policy and those of the Jewish Community of Palestine. The Jewish Community here (or Yishuv, as we commonly refer to it) has accepted as valid objectives of public policy only the purposes laid down in the Balfour Declaration and subsequently embodied in the terms of the Mandate, while the Mandatory has often created its own national and imperial objectives as primary. This discrepancy of purposes was not too conspicuous during the first ten years of the Mandate. It was perhaps ill-understood on the part of the Jews and became only gradually more distinct, and was clearly revealed finally in the White Paper of 1939. Though not unaware of the effort made by some elements in the British Government to place ever more restricting interpretations on the obligations of the Mandatory Power towards the Jews, world Jewry nevertheless remained convinced that, on the ground even of the 1922 White Paper, no restriction could be placed on Jewish immigration and Jewish development other than that naturally imposed by the rate of progress of the economic absorptive capacity of the country. But those elements in the British Government which became clearly dominant in 1939 had in view, as in the meantime has become abundantly clear, a limitation of Jewish development which, expressed in demographic terms, meant to prevent the growth of the Jewish population of Palestine beyond about a third of the total population.

There are, it is true, some doubts about the exact number of the Arab population as estimated by Government statistics, the source of estimates in rural Arab districts being only unverified statements of mukhtars, but it may be assumed that in actual fact the one third limit has not been seriously transgressed.

However this may be, it is quite natural that so striking a difference between the purposes of the Mandatory Government and those of the Jewish people caused friction, steadily growing in intensity, between the Jewish national bodies and the Jewish Yishuv on one side, bent on development as comprehensive as possible, and the British Central Government and the Palestine Administration on the other side. The Palestine Administration contemplated with increasing disquiet the progress of Jewish development, which necessarily would bring about much earlier than thought desirable the somewhat dreaded moment when the appropriate Jewish population limit, as envisaged by the British Government, would be reached and the freezing-up of Jewish development would have to be enforced.

Our attitude to the economic and fiscal policy of the Government, largely critical it must be admitted, is the inevitable result of the discrepancy of purposes indicated above. Jews regarded themselves as entitled to an economic policy actively furthering the Jewish colonisation effort and the development of the National Home and to a fiscal policy employing the gradually growing taxable capacity of the Jewish Yishuv for the benefit of those who were creating that capacity by their labour and investments as well as for the benefit of those large sections of world Jewry who needed and desired to emigrate to Palestine. The British Government used and uses Jewish tax money largely for Arab development. The Mandatory could not conduct the economic policy required by the interests of building up the Jewish National Home without speeding up a process which even without the help of an adequate Government economic policy went at a pace much too stormy for the aims of British Palestine policy.

2. Inquiries into the economic possibilities of Palestine, conducted by experts and commissions at various stages of Palestine development, seemed initially to be genuinely concerned with the gravely-doubted ability of the Jews to build up a National Home. But in the course of time such inquiries, as far as they were official, became increasingly governed by the political objective of proving that the absorptive capacity of the country could not be considerably increased and that therefore Jewish immigration ought to be severely limited. Consequently we Jews went to great pains in order to prove that we could achieve something in the field of colonisation and upbuilding and that an adequate development policy would secure a productive self-supporting livelihood for a great number of additional Jewish immigrants, without displacing a single Arab. There were of course differences in the estimated numbers, according to some necessarily hypothetical elements in the estimates. But the numbers of even cautious estimates were rather impressive.

By now the manifold apprehensions of inquiring experts have proved unfounded. The Jews have shown some measure of ability in the field of agricultural and urban colonisation. Considerable numbers of immigrants were absorbed long after British statesmen had expressed the opinion, that

the economic absorptive capacity of the country was entirely exhausted. No Arab has been displaced. But now the British Administration sees the main danger precisely in the Jewish ability for colonisation and even more in the objective possibilities, no longer to be doubted, of developing the absorptive capacity of the country to such a degree, that additional numbers of immigrants to a total most frightening to the British Administration, could be absorbed.

From the purely political point of view now adopted by the British Administration instead of the economic argumentation earlier adhered to, anything said about the economic aspects and prospects of Jewish colonisation can be construed as proving the need to halt, if need be artificially, a development which, on the strength of its economic possibilities, would open vast future perspectives.

Nevertheless we believe it our duty, to place the economic facts, as we know them, and the economic possibilities as we see them, before your Commission.

3. The promise contained in the Balfour Declaration seemed to provide the enterprise of Jewish colonisation with what it needed most: a firm political basis, consisting (a) of the recognition of the political aims of that colonisation by the Power ruling the territory, (b) a governmental Administration acting in consonance with the recognised aim and the main purpose which caused the Mandate for Palestine to be entrusted to Great Britain.

Though the fundamental discrepancy between the aims as understood at the time of the Balfour Declaration and those of the actual British Palestine policy revealed itself distinctly only at a relatively late stage of development, it became clear already in the first years of the Mandatory regime that the confidently expected political basis was lacking in both respects. The political aim ostensibly recognized was subject to a series of interpretations gradually emptying it of its original meaning. The Palestine Administration, barely tolerating the Jewish colonisation effort instead of assisting it, seemed chiefly concerned with what was explained as the protection of the Arab population from the dangers threatening them, in the freely expressed opinion of the Administration, from Jewish colonisation.

The consequences of this lack of political basis initially hoped for were far-reaching in many respects, more particularly in the economic field.

Jewish colonisation, i.e. the total of economic activities bringing about the absorption of Jewish immigrants into the economic structure of the country, instead of being supported by adequate political conditions, and consequently being freed from any consideration with regard to their political effect, had, on the contrary, to be instrumental in regaining or acquiring the political basis which had been lost or perhaps never really existed. This reversal of the necessary relation between political basis and economic colonisation forced Jewish colonisation to the necessity of seeking a maximum of autonomy and thus, from the outset, introduced an element of mutual suspicion into the relations between Jews and the Administration. And, still more important, Jewish colonisation and Jewish enterprise had to observe, with regard to the Arab population a measure of exclusivity, which would not have been necessitated to such an extent by the mere requirements of a national colonisation, had political conditions not been so very adverse.

It is true that the Arab population nevertheless derived immense advantages from the Jewish colonisation. But what Arab goodwill towards the Jews could have been obtained as a result of these economic benefits was, in large part lost due to the lack of a more direct economic cooperation and due to the fact that those benefits were represented as the gift of a protecting Administration, which by the very attitude of protector denounced Jewish colonisation as harmful and dangerous to Arabs.

After these introductory observations, I propose to request your attention to some of the main problems besetting Jewish colonisation in the field of urban and industrial development, agricultural colonisation being dealt with by my colleague, Mr. E. Kaplan.

While the Jewish Agency concentrated, for both ideological and practical reasons, during the first two decades after the British occupation, mainly on agricultural colonisation, urban and industrial development was left on the whole to private initiative. The beginnings were certainly modest, but it is

an error to believe that Jewish industry was established only during the war. The output of Jewish industry and handicrafts in 1936 already reached a net value of £9,109,000; of this total, £7,837,000 was contributed by "factories" proper (viz, enterprises employing more than 10 hired workers. But it is true that industrial development made exceptionally great strides during the war years. This rapid progress was due to two main factors. The war situation necessitated the provision of the local population and of the Middle East armies with commodities locally produced as far as possible. For once, and as far as war necessities were concerned, the Government assisted industrial development with all available means. The Jewish population of Palestine, owing to experience gained in Europe, was able to develop the required industries. The isolation of the Middle East, caused by the war and by the diversion of the resources of the old industrial countries to war purposes, fulfilled the function of a protective tariff, behind the walls of which young industries had developed in most countries.

I do not want to tire you by figures and facts which have been provided to you, I hope not too abundantly, in writing. But I should like to say a word about the specific problems of this development.

As a matter of course, industrial development in Palestine is not an isolated case. It is part of what might be called the migration of industry from the old industrial countries to colonial or semi-colonial territories. The case of Palestine, within this movement, is somewhat irregular in character and certainly in intensity, but it is nevertheless part of this general movement. Its significance is not always fully understood, especially not by economically backward populations who will ultimately be its main beneficiaries. Those populations, and especially their ruling classes, still labour under the illusion that political independence can be gained by diplomacy and maintained without an adequate economic basis. The illusion is understandable, since the so called diplomatic victories can be won, sometimes, rather easily while the prerequisites of full economic, and especially industrial development

are not quickly and not easily acquired. The introduction of modern industry into the Middle East by the Jews means in this respect a unique chance, since they are sufficiently equipped to perform the task and vital, interested in performing it. The same cannot be said with regard to any other factor inside the Middle East or outside it. The Jews are therefore, --though the dominant social group in the Middle East are slow to recognize this--by their industrial achievement and example, laying the only really solid basis for a measure of independence of the Middle East from imperial domination by great powers whose primary economic base lies elsewhere.

Industrial development in Palestine has to struggle with great disadvantages. In the beginning no one thought it possible, or even desirable, and the Jews themselves regarded it rather as an unimportant sideline. The Mandatory Government certainly accepted this general view most gratefully, not being interested in the general movement of migration of industries into colonial territories, nor in a quick increase of the Jewish population of Palestine. The preservation of Palestine in a state of patriarchal somnolence, which means the preservation of its economic structure as a country of rather primitive agriculture, seemed at the time the main idea of dominant elements in the Palestine Administration.

Nowadays industrial development is largely dependent on the economic policy of the Government, especially on its policy of customs tariffs, import licensing, exchange control, and taxation. This does not mean that even the most favourable Government policies can build sound industries. But Government policy can greatly hamper and almost prevent industrial development. Palestine has been, in this respect, extremely ill-fated, the famous--or infamous--paragraph 18 of the Mandate (much more carefully respected than some other paragraphs of the Mandate) having been interpreted to deprive the country of any possibility of preventing it from becoming the dumping place of industrial produce of all industrial countries, especially Germany and Japan. As a consequence of the absence in Palestine of a well conceived trade policy

designed to protect and foster the rational development of industry, the few industries which try tentatively to supply the local market which gradually became significant as the result of immigration, were confronted by crushing competition of foreign import made cheap, in many instances, by export premiums or similar measures. The question of industrial exports did not yet exist, but in the field of the citrus export the obnoxious influence of that paragraph 18 was severely felt. It established the most favoured nation principle unilaterally with regard to all countries then members of the League of Nations (and even for countries like Japan, who had flouted the authority of the League but maintained friendly relations with the United Kingdom), and it deprived Palestine of every possibility of concluding trade agreements with other countries securing equal treatment and adequate outlets for its own produce. The Anglo-American Enquiry Commission has stressed the obnoxious effect of this paragraph (on pages 12 and 33 of their Report).

The customs tariff of Palestine is built on purely fiscal lines. Some raw materials have been exempted, after many representations, from customs duties, but there is still a rather impressive list of raw materials and partly finished industrial products on which duties are levied while local industrial products are in no way protected, even modestly, by tariffs. During the war additional duties were introduced, but, again in accordance with the purely fiscal aim, indiscriminately on dutiable raw materials, half finished industrial products and consumer goods alike. The financial results are important. Government income from custom duties arose from LP 2 million in 1939/40 to LP 11 million in 1946/47. It should be noted that some essential commodities not produced in Palestine pay high duties, as sugar 43 percent. So do some industrial products not made in Palestine as motor cars, tractors and typewriters.

Since the war the Government policy of granting (or withholding) import licences forms a very important part of Government economic policy. In its effect on the Palestine economy, it is complementary to customs policy and even supersedes it to some extent. This matter is complicated by monetary problems,

such as the protection of the pound sterling and the rate of release of Palestine held sterling balances. Agreements with regard to "loading areas" (the permitted sources of imports) too play a part. Both questions will be touched upon shortly in another paragraph. Meanwhile it should be stated that import licences have been granted with special liberality for industrial consumer goods that were also produced in this country at a time when it was clear that the transition from war economy to peace economy would severely test the staying power of the young Palestine industry. At the same time the Government displayed no concern whatsoever about providing us with imports of raw materials and machinery at low world-market prices. We are, in fact, being asked to meet the impact of world competition with our hands tied. Can there be any wonder that there is a growing suspicion among the Jewish business community that the Government of Palestine is deliberately attempting to stifle our young industry?

As every protection tends to pamper industry and to delay the introduction of efficiency, so the opening up of the country to foreign competition can have a salutary effect. Palestine industry is now, however, being exposed to that cure somewhat recklessly, and it cannot be denied that the transition period causes many difficulties. In some branches, medium and small plants will have to combine or to coordinate their production.

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In some instances new plants now being built will insure still better finishing processes. The establishment of marketing companies for some kinds of industrial produce is also contemplated. In any case, it seems improbable that any important part of our industry will succumb or that the industrial expansion now in progress will be thwarted. But great difficulties will have to be overcome, and many of these difficulties are unnecessary and are connected with the unconstructive character of Government economic policy.

In the first place, the high cost of labour stands in the way of Palestine industry becoming fully competitive with that of the old industrial countries, now that the cost of labour may seem to be an entirely internal affair not dependent on Government policy. But the high wages prevailing are partly due to the labour market having been virtually closed by the severely restricted immigration policy of the British Government and partly -- even for a greater part -- to the high cost of living prevalent in Palestine, one of the worst heritages of the war. There has been much discussion about now this high price level has come about, how prices could have been prevented from soaring sky-high and how they could be lowered. We have come to the conclusion, which lately seems to have been partly accepted by the Administration too, that the high cost of living is chiefly caused by the fact that Palestine is obliged to buy some of the most essential foodstuffs and cattle fodder from the high priced areas of the Middle East. Lowering the cost of living will not be possible, to any important extent, unless Palestine gets access to the low priced countries exporting foodstuffs and unless Palestine is able to buy these commodities at the same prices as the United Kingdom; the United Kingdom now allocates to itself supplies at half the price of the supplies that it allocates to Palestine.

This lowering of the prices we have to pay would be partly a matter of change in agreements about loading areas. Partly it would depend on the full availability of Palestine earnings in hard currency, especially dollars, for

## Palestine purchases.

Palestine has earned during the years 1940-1946 165,088,000 United States dollars, of which 98,182,000 so-called gift dollars, provided by American Jewry to funds for upbuilding Palestine, and 66,906,000 from exports to the United States of America, especially polished diamonds. This total all went, in the first instance, to the United Kingdom. Neighbouring countries got dollar allocations from Britain far in excess of their own earnings. So, in fact, Jewish dollar earnings were transmitted to Arab countries boycotting Jewish produce. The Jewish Agency has been allowed to use gift dollars for the requirements of the Yishuv under such restrictions that in actual fact about two-thirds of the gift dollars have gone to the London pool. Therefore, by her control of our dollars and our imports, the United Kingdom has, in fact, been exploiting Jewish Palestine on a very large scale. We hope that the United Nations will be in a position to end this exploitation -- which is certainly very far from the purposes for which the Mandatory system was established. It is not yet clear at all what amounts of hard currency and sterling will be available for the Palestine economy in the future, but experience has taught us that in the case of Palestine lack of an independent bargaining position has allowed the British Government to let political considerations and the interests of the United Kingdom override those of Palestine in general and of the Yishuv in particular.

There are, of course, some additional basic factors affecting not only the industrial development but, in different degrees, all branches of economy. I would like to mention here the high cost of oil and oil products, determining to a great extent the price of electricity, industrial power and cost of transport. When, twenty-five years ago, the economic possibilities of Palestine were under discussion, it was always stressed that the prospects must needs be poor, since Palestine did not possess coal or such water resources as would enable the generation of power. Meanwhile, one of the

most potent sources of power became available on the spot in practically unlimited quantities, oil. But Palestine does not get this oil at cost price plus normal profit.

We are charged for benzine, excluding excise duty, at Haifa 190 mils per four gallons, as against a price of 104 mils for exactly the same oil c.i.f. United Kingdom ports, thus including freight and insurance. Fuel oil costs at Haifa LP 4.800 per metric ton as against LP 2.950 for exactly the same oil sold at Haifa port for bunkering. Gas oil is sold at Haifa at LP 7.350 per ten, in Haifa port for bunkering at LP 4.429.

I hope you will pardon me for giving you some figures for once, but you will easily imagine how great is the hampering effect on Palestine development of such exaggerated prices and profits being charged for the main source of industrial power. The differences of price, as specified above, are the more striking since Palestine oil concessions have been granted to oil companies at so fantastically favourable conditions (exemption from all existing and future Government and municipal taxes, exemption from paying customs duties on goods brought in by the concessionaires, expropriation by Government of land needed; freedom to import workers; no effective obligations as to selling prices in Palestine; no obligations to sell by-products in Palestine) that the Permanent Mandates Commission before the war criticized these concessions as being too favourable to the concessionaires and too unfavourable to Palestine. The British Government has, in fact, a large interest in the petroleum business of the Middle East and great influence even over the companies in which it has no ownership participation, but the position of the British Government has not been used to protect Palestine from monopolistic extortion.

The usual assumption that the development of industry is impossible without large natural resources of raw materials has been denied in Palestine, though not there alone. Enterprise, ability, the skill of workers, experience, and scientific training, together with a burning and all-persevering desire to create new possibilities of living are of far greater importance.

But an economic policy, conducted by a sympathetic government, bent on furthering that development instead of viewing it with apprehensive suspicion, would greatly facilitate and speed up a process which until now, the war years excepted, had to rely only on the driving force of private initiative undeterred by whatever difficulties.

Theoretically, the future possibilities of industrial development in Palestine are nearly unlimited the more so since space, so essential for agriculture, is less vital for industry.

But the major policy of the British Government, resolved to keep the growth of the Jewish population within the limits of a numerous clausus, does affect our growth possibilities very seriously. A continuation of that policy would deprive industrial development of the expanding home market urgently needed, both as the necessary basis for an export industry and for the additional workers, who are required for industrial development.

In connection with industrial exports, a single observation may be made with respect to the Arab boycott. We believe that those who advised the Arab governments to resort to this boycott did singularly bad service to the Arab cause, not so much because Arab consumers are being deprived of some goods which they used to buy for their own advantage and not for that of the sellers, but because the real Arab interest lies in an industrial center being established in the Middle East. It can never be or become a watertight center, even if the Jews wished it to become so and it must needs have a beneficial influence on general economic development in the Middle East. But then politics are often short sighted, and they are ruled more frequently by passions than by clear reasoning. The effect of the Arab boycott can never be what it was meant to be according to its sponsors: to destroy the economic basis of the Jewish Yishuv. It has not remained, of course, without some adverse effects, but they are certainly not decisive and new export markets have been opened up to Jewish

industrial products. But can it not be imagined that the British Government might have been able to protect the interests of a population entrusted to its care, and assailed by such a boycott, by other measures than some very belated, very weak, very reluctant, and manifestly ineffective declarations?

The British Government has, in fact, treated the boycotting countries with every conceivable indulgence. In 1945, before the boycott, Palestine bought from the high-price Arab Middle East countries (apart from oil) some LP 4,237,000 of goods more than she sold them; in the following year -- the first of the boycott -- Palestine, under British trade exchange controls, bought from the boycotting countries LP 7,334,000 more than she sold them. The boycotters received a reward of some LP 3,100,000 in increase in Palestine's net payments to them. Palestine had dollars to buy the same goods elsewhere far more cheaply, but British controls deprived Palestine of the use of these dollars. The dollars were transferred to the boycotters by the sterling pool. Is there any wonder that the boycotting countries believe that powerful forces in the British Government approve of their action?

It would perhaps be worthwhile to devote part of this short survey to the fiscal policy of the Palestine Government and its influence especially on Jewish development in this country. Also it might be of value to say something about a question apparently puzzling the Government itself: how it is possible that Palestine could accumulate sterling balances amounting to some 150 million pounds, while the value of imports has exceeded those of exports almost during the whole period of the Mandatory regime by one-third and more?

But both questions would involve a rather implicated analysis of figures. I am afraid it would be a too tiring procedure. We are prepared to give any information on those subjects, if desired, in writing. At present, I would like to content myself with two general remarks.

It has been contended that the structure of Jewish economics in Palestine is essentially weak, because a too important part of the outlay is covered by Jewish contributions received from abroad. As far as these moneys are used for investment purposes, there is certainly no reason for apprehension, it being clear that colonization in Palestine is not possible without large capital import whether this be private or public capital. It is only the use of these contributions, as they indeed are partly used, for services, which could elicit unfavourable comment. However, it should be remembered that the Jewish Yishuv pays at least 70 per cent of the Government budget, that is in the present financial year something like LP 18 million. Of this sum, admittedly a very small part is returned for Jewish services, whilst the balance, as far as not needed for direct administration expenses of the Government, goes to the Arab sector. It can be assumed, in all confidence, that the Jewish economy could largely cover the expenses of its own services by local income, were it not obliged to pay so largely for non-Jewish needs. And I believe it can be stated in truth that foreign Jewish contributions, as expended on services, make up only part of the sums extracted from the Jewish Yishuv for non-Jewish purposes.

As regards the seemingly so unfavourable balance of trade, it should be understood that in a country of colonization the difference between balance of trade and balance of payments must be great, since a considerable part of the import in goods, paid by capital import, is spent on investment and development purposes. The situation would become dangerous if the consumption and services of the settled population of the country were partly paid for out of import of capital, but the accumulation of balances in London alone proves that this cannot be the case.

There is an additional reason why I do not want to analyze government budgets and balances of payments before your Committee. This might have been necessary if I thought that the case to be judged were essentially

an economic one. If it ever was, it has ceased to be so, I am afraid, long ago. We are confronted with the puzzling situation that what was demanded from us at earlier stages, namely to prove the economic possibilities of Palestine colonization, is by now largely used against us because we have proved them. The issue has now become visibly what it, in fact, always has been: whether the Jewish people will be given the opportunity to build up a future in which the famous four freedoms are not only a figure of speech, or not. We do not really understand the motives of those who want to cut off our development. If there are really conflicting interests, and I doubt it, it should be remembered that there are conflicting interests everywhere in the world, and wisdom can only decide what solutions are most promising of peace and development. As to the moral issue it should not be forgotten that whatever claims of other interested parties may be, the Jewish people in its effort to build up its national future in Palestine, is fighting for life in the most primitive sense of the word. All others concerned are, at best, fighting for power. We trust that the moral issue will be decisive in the judgment of the United Nations.

CHAIRMAN: We have heard the testimony of Mr. Bernstein.

Now, I suspend the hearing for ten minutes.

(The hearing was suspended for ten minutes and then resumed.)

CHAIRMAN: The meeting is called to order.

The next to give evidence for the Jewish Agency is Mr. Kaplan.

Mr. KAPLAN (Jewish Agency): My task is to sum up the economic evidence of the Jewish Agency and to answer questions, if any, with regard to the economic and financial activities of the Jewish Agency, with regard to our general plan of economic development, and with regard to our programme for the financing of this development.

In summary, our contentions are: that Jewish immigration has created new economic absorptive capacities in Palestine and has given a great impetus to the economic progress of the country as a whole, to the benefit of all its inhabitants; that we have established a Jewish economic entity which is sound and self-supporting; that we are in Palestine still at the beginning of the development process; that Palestine can absorb additional millions of people; that our plan for the absorption of a million Jews during the next decade, as submitted to the Anglo-American Inquiry Committee, is a practical one; and that, given a reasonable amount of international cooperation, the means can be found to finance this absorption.

I had the privilege of testifying before the Anglo-American Committee mainly on matters pertaining to agriculture. I tried then to indicate, in some detail, that the supplies in Palestine of the basic natural resources of land and water are not the limiting factors in the absorption of large numbers, and that the agricultural population of this country can easily be doubled and maybe trebled. The things that are needed to make this great agricultural expansion possible are large-scale immigration and a broad development policy designed and executed with vision, courage, and a pressing sense of need on the part of the responsible authorities. The progress of modern agriculture depends upon the expansion of urban markets, and we consequently envisage further agricultural development in this country as a part of its general all-round

progress. My previous testimony on these questions appears as a part of the statements and memoranda submitted to you under the title "The Jewish Case". In the hope that you had an opportunity at least to glance through the printed material, I shall, with your permission, confine myself to a brief review of the basic data. I shall try to supplement our printed submissions principally by summarising for you the research and development work accomplished during the past fifteen months.

Let me begin with the legends that Palestine is a country where land is scarce and water is still scarcer. The latest memorandum of the Government of Palestine on "The Administration of Palestine under the Mandate" states that "under British rule in Palestine the main impediment to large-scale planning was, however, and remains, uncertainty as to the availability of land, not only for close settlement of an additional agricultural population, but adequately to support the existing population. The position as regards water resources was equally characterised by imprecision". Please note that this uncertainty and imprecision still holds good in the minds of the Government after 27 years of its rule in the country. It might perhaps not unreasonably have been anticipated that, if the Government of Palestine was so uncertain of the land and water resources of the country, it might have used more of its resources during the past 27 years to go thoroughly into these questions instead of leaving them predominantly to Jewish public and private bodies. The Government has, on the other hand, not refrained from translating its uncertainties into policies that stand as barriers across the main line of economic progress. Despite the uncertainty in its own judgments, the Government justifies the White Paper by the argument that "there was no room in certain areas for further transfers of Arab land, while in some other areas such transfers of land must be restricted if Arab cultivators were to maintain their existing standard of life and a considerable landless Arab population was not soon to be created". "In fact, a review of the condition of congestion in Arab and Jewish rural areas

carried out in 1938, had indicated serious congestion in almost the whole of the Arab area, whereas Jewish land supported fewer families in proportion to the acreage". In my evidence before the Anglo-American Committee, I repudiated this assertion with regard to the use of land at Jewish disposal. If we take only the rural population, we have a ratio as between Jewish & Arab population of 1 to 5 in Palestine as compared with a ratio of cultivated land of 1 to 10. Further, in accordance with Government statistics relating to 1944-45, the ratio of Jewish to Arab use of cultivated land under main groups of crops (excluding citrus), was 1 to 13, while the ratio of value of crops was 1 to 4 1/2. Jewish rural population is therefore twice as dense as Arab rural population per unit of cultivated land, and Jewish output is therefore three times as great as Arab output per unit of cultivated land. Nevertheless the Government again now cites conclusions of a "review" made in 1938 - a review never put at our disposal so that we might be able to analyse it and show how it had fallen into error. At the same time the Government ignores its own published figures, which flatly contradict the conclusion of this 1938 "review".

With a clear conscience I say: the truth is that this little country contains sufficient land and water to feed not only its present population but twice and thrice this number. I say it upon the strength of our colonising experience during three generations and on the basis of the scientific research which we have conducted during the past 35 years. Of course Palestine, like many other countries, cannot and should not produce everything. But then Palestine produces some commodities in abundance which other countries will gladly take from her in exchange for products of which she is short.

The White Paper divided Palestine into three zones, in reverse direction from the official explanation of the reasons for the restrictions on land transfer. The free zone, consisting of about 5% of the total area of Palestine, embraces the most congested areas. The restricted zone, constituting 32% of the total area, and the prohibited zone, constituting 63%, are the zones which

comprise land to a large degree uncultivated and described by the Government as "uncultivable". It may be of interest to add that the agricultural standard of living in the so-called congested free zone is the highest of all the farming population of Palestine. The Government of Palestine has restricted or prohibited land transfer and development precisely in those parts of the country in which least development had taken place. The backward are to remain backward.

I would ask for permission to illustrate it by a few maps. Here is the map of Palestine and here are the three zones. The green one is the so-called free zone. The red one is the so-called restricted zone, and the other part, the yellow one, is the so-called prohibited zone.

We Jews own, in the free zone, about 50 per cent., or, to be accurate, 49.2 per cent.; in the restricted zone we own about 6 per cent. In the prohibited zone we own less than 3 per cent.

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I will not go into an explanation of the map. This map and the next are part of a set of maps that <sup>we</sup> have submitted to you, together with the book mentioned by me, "The Jewish Case". This is the map showing the density of the population in the different parts of Palestine. If studied more closely, it will show, as I said, that the free zone is actually the most congested one. If you look at either Zone "D" or Zone "A" you will find large areas where the population is between eleven and twenty-six to fifty per kilometer. It is, as I said, less populated.

<sup>The other</sup> This map shows, in accordance with the Government statistics, the distribution of cultivable land. The brown ones are uncultivated. The green are cultivated between sixty and a hundred per cent. The brownish one is cultivated between twenty and sixty per cent.

Again, if I take the so-called free zone, apart from these few patches, which are sand dunes <sup>it is highly cultivated.</sup> ~~also in accordance with the Government statistics~~ <sup>in the other two zones you</sup> will see a lot of these <sup>brown + brown</sup> patches which mean uncultivated land. Even the <sup>Indian</sup> Negeb <sup>Judean</sup> Desert, where there is no population, is included <sup>in the prohibited zone.</sup>

The total area of Western Palestine is about <sup>26,400,000</sup> ~~24,600,000~~ dunums, counting a thousand square metres to the dunum. About a third of this area is uninhabited desert and largely unexplored. Of the remaining 17,000,000 dunums, about 9,000,000 are cultivated, and about 8,000,000 are uncultivated and given up by the Government as uncultivable. We have shown by experience and reasonable analogy that this area of cultivable land can be increased by millions of dunums, which would provide a livelihood to <sup>tens</sup> ~~tens~~ of thousands of families in agriculture.

Mr. Chairman, and gentlemen, you have visited the Negeb. In accordance with <sup>G</sup>overnment figures there are in that area about 1,600,000 dunums of cultivable land of which only one-half is cultivated. You have seen the primitive form of cultivation which now prevails. You have seen the first begin-  
 ings of our efforts to convert this semi-desert/ <sup>into a highly</sup> cultivated area. It calls  
 claim  
 for vision, and certainly we cannot always / success but we are pursuing

the method of trial and error. After observing the experience of three experimental settlements over a period of three years, we established an additional thirteen settlements during the past ten months. I should rather say the nuclei of additional settlements. We have tried to study the climatic conditions, the proper form of cultivation; we have tried to bring water to these places. You have seen the dam and the reservoir at Bevitan. It was quite costly, as is each new experiment, but--from the point of view of the development work that will be carried out there in the future--such a cost is amply justified. In the neighbourhood of Beersheba, on a plateau three hundred meters above sea level, we are trying a different system of water supply--that of underground storage. By building a number of lower dams, we are trying to stop the fast flow of flood water and to recharge the underground basin. Experiments have shown that by this method an accumulation of millions of cubic meters of water is possible. We are trying a third method of bringing water from a distance, and you have seen the work done at Nirvan and our water pipeline that may soon cover a distance of 16½ kilometers. The cost of the water through the pipeline will be, in its first stage, about 16 mils per cubic meter. But again we are still in the stage of experimentation. Higher than average water costs are justified in this arid zone. Water will bring a blessing, not only to the Jewish settlements, but also to the whole area. We are already supplying water to our Arab neighbours.

During your visits you have no doubt had an opportunity to see our work of reclamation in other parts of the country. You saw that we have succeeded in converting large areas of so-called bad land into what are now among the most productive parts of the country. May I mention that of the one million dunums of land acquired by the Jews during the last twenty-five years, more than half was thought to be uncultivable and unhealthy waste land. The total area reclaimed by us is more than <sup>600,000</sup> 500,000 dunums and we believe that larger possibilities are still before us in this country. More than half of Northern Palestine--about 8,000,000 dunums--consists of hill country, of which only about 2,000,000 dunums, according

to Government statistics, are cultivated. This very low ratio of cultivation is the result of centuries of neglect. By deforestation, over-grazing and improper cultivation, large areas have been reduced to rocks and boulders. The soil itself is of the highest fertility. Many of these areas can be revived, and I state this on the strength of the achievements both of our settlements in the hills and of many Arab farms. All this area is now part of the prohibited zone. I firmly believe that the White Paper of 1939, with its land prohibitions and restrictions, was not only a blow to the Jews, but continues to be a major handicap to the proper development of the country as a whole. So much for the legend of the scarcity of land.

Of even greater importance than the size of cultivated area is the question of better, more economic and more intensive use of the land. In my statement before the Anglo-American Committee I dwelt at some length upon farming methods. I told the story of the reduction of the land area in our settlements from as much as three hundred dunums per family three generations ago, to twenty-five dunums of irrigated land in our intensified farms of today. Experience has shown that on the average, in Northern Palestine, one dunum of irrigated land is worth, from the agricultural point of view, five dunums of unirrigated land--in the Negev much more. I wish here merely to sum up the required land area that we now accept as the basis of our settlement activities. In the plains, ten to twelve dunums of irrigated land for citriculture or for market-gardening farms in the neighborhood of towns; twenty-five dunums of irrigated land for mixed farming; one hundred dunums of unirrigated land for mixed farming. In the hills a family unit should comprise fifty dunums, of which thirty should be of superior quality reclaimed and ameliorated for fruit growing, green fodder and vegetables, and twenty dunums of inferior quality for carob and controlled grazing.

I have also, in my testimony before the Anglo-American Committee, challenged the Government's figures with regard to its hypothetical data bearing on the problem of the "lot viable". Our figures have never been refuted. I do not intend to go into all these questions today.

The experience of agricultural improvement in Palestine is the basis for our belief that it is the character of land<sup>use</sup> which is of primary importance to both Jews and Arabs. Our Arab neighbors have improved and intensified their land use greatly during the past fifteen years of rapid Jewish growth. This improvement has taken place often as a direct consequence of resources made available by Jewish land purchases. Other stimuli have been Jewish urban markets, the example of Jewish farm methods, and the aids made available through Jewish-paid taxes. It is a most notable fact that in Trans-Jordan, under the same mandatory rule, but from which Jewish immigration was excluded by the partition of 1922, the Arab farmer shows no corresponding progress despite the availability of large land resources.

In accordance with official figures, the average income of the Arab farmer increased from the year 1931 to 1939 by approximately 30% (disregarding the gain in citrus). By 1945, again utilizing only Government figures, and disregarding war-time price advantages, the income of the average Arab<sup>farm</sup>/family was approximately 50% higher than in 1931. This gain reflects great progress in land use and in farm management. The Arab fellah has diversified his farm and has greatly increased his production of vegetables, olives, fruits, eggs and fodder. The Arab agricultural economy also profited to a very important extent from a favourable war-time price development. Arab agricultural output increased during the war by about 15%, but the portion of output designed for the market increased to about 30% of the total Arab production. Prices of characteristic Arab farm products rose far more than his cost of production or than the costs of the consumer.

goods that the Arab farmer buys. Because of this price differential in his favour--along with his increased productivity--the Arab fellah was able to raise his standard of living notably and at the same time to pay off the greatest part of his debts.

There has been, in the past eight years, an even greater development in Jewish agriculture. The increase of the output on Jewish agriculture (again apart from citrus) during the war, in constant prices, was about 110%. This increase has continued in the two years after the war; the output is now about 140% higher than the output of 1939. This increase in Jewish agriculture was caused by further intensification, by a substantial increase in the irrigated area, and by establishment of new settlements. From the beginning of the war we have established 94 new settlements; this includes 36 nuclei of new settlements, established during the past 15 months. I should actually say now thirty-*eight*

Again I wish to give an idea of the expansion of the Jewish settlements on the two maps which I have here.

Here are the Jewish settlements after the first war. We had then 45 settlements. You can see where they were concentrated. Here is the progress made by us up to July 1947. We have now in Palestine 328 settlements. Of these, close to 300 are agricultural settlements. It is now two years after the war, and both Jewish and Arab farmers face a difficult problem of readjustment and adaptation to <sup>world</sup> / markets. The Jewish agricultural economy is based mainly on the production of protective foods. The prices of its products have risen since the beginning of the war by about 360%. During the past year there was a <sup>limited</sup> / decrease the prices of Jewish farm products, but I regret to say there was at the same time some increase in the cost of production. Jewish agriculture, which produces about 75% to 80% for the market, depends to a high degree on imported fodder. The <sup>has</sup> cost of fodder / increased substantially during the last year. Our agricultural

settlements paid last year about 600,000 pounds more for fodder than the year before. We are compelled as a result of Government policy, to buy our fodder mainly in Middle Eastern countries, where prices are extremely high. We pay about six times the pre-war price for grain. Jewish farming has to face the difficult situation of a high cost of labour resulting both from the high cost of living and from the scarcity of labour. An increase in immigration will make labour more readily available. Then, with a sizeable increase in the importation of cheaper fodder, we will be able, though not without a difficult transition period, to adapt ourselves to prevailing world prices as we did before the war.

But the question of agricultural reconversion will be no less difficult for the Arabs. The prices of Arab products have increased since the war even more than those of the Jews; in fact, by 460%. The Arab farm is based to a much greater extent than Jewish farming on the production of grain, and when the present sellers' market is over, Arab grain growers too will have to adapt themselves to world market prices. Before the war Arab cereal villagers were generally unable to cover their expenses out of their farm income and were compelled either to incur debts or to seek additional sources of income through hiring themselves out for labour. In our view the only way for these Arab farmers to avoid a post-war relapse into their former indebted and impoverished condition is by the improvement of farming methods and additional irrigation -- with corresponding expansion of urban markets.

The Government of Palestine stresses the great obstacles in the way of rapid development. Certainly they exist, but these obstacles are not the scarcity of natural resources, but are rather connected first of all with the present system of tenure of land, then with the lack of education and training, and finally with the lack of capital. All these obstacles call for a bold development scheme. The methods of land tenure and the extreme fragmentation of holdings call urgently for a thorough-going land reform;

lack of capital can be made good by additional Jewish immigration and new farm credit facilities; marketing possibilities can be provided by a rise in the standard of living and by additional Jewish immigration. Irrigation water can be provided in exchange for land. Training calls for example. There must be Government intervention, guidance and planning; without Government authority and initiative it is hardly possible to carry out large development schemes. But I regret to say that our experience under the present regime has been a disappointing one. The Government of Palestine has lacked imagination, determination and interest in economic development. The aim of the Mandatory Government's intervention in economic affairs has been "keeping the balance" - mainly not development, but restriction, and the sufferers have been Jews and Arabs alike.

I wish to add to my text one remark with regard to the most important question of land. We inherited <sup>ferre</sup> ~~it~~ <sup>this backward system</sup> from the Ottoman Regime. In Turkey itself this system has been abolished, but in Palestine it is still in force in its main lines. The settlement officer is not empowered here to readjust <sup>and to redistribute</sup> the land so as to improve agrarian conditions. He is authorized only to deal with the rights of ownership. In this connection I call your attention to page 607 of "The Jewish Case."

I have mentioned briefly the land regulations of 1940. Only this week we were confronted with the publication of a draft law called "Irrigation Water Bill, 1947". We were amazed by the Government's decision to introduce such radical legislation, putting all underground water under strict Government bureaucratic control without recourse to the courts at a time when the whole question of Palestine is sub judice. The general tendency of this law, as of most other laws enacted since 1939, is restrictive and not creative. What Palestine needs is a governmental authority which is determined to execute large development schemes combined with large immigration. Such development initiative is the primary economic requirement of both the Jewish and Arab population now resident in the country and of the many hundreds of thousands of Jews who need to come here.

I turn now to the second of our stultifying legends - that of the scarcity of water in Palestine.

About forty years ago, in 1908, the Zionist Organisation started its colonising work in this country. There was then not a single modern well in

Palestine. About fifteen years later the total irrigated area in Palestine was about thirty-thousand to forty-thousand dunums. Now the area under irrigation totals 450,000 dunums, which means that in the last twenty-five years the area has increased more than ten-fold. But we are confident that it is possible to increase the irrigated area of Palestine further to an amount totaling at least eight times as much as is now irrigated. In this direction lies the future of Palestine's agriculture. We are only at the beginning. The discovery of water is, in our view, the greatest discovery ever made in Palestine. I would like to say that in the last fifteen months we have had quite a number of further striking successes in finding water in different parts of the country.

I discussed the question of irrigation at length in my statement before the Anglo-American Committee, and on that occasion explained the work of our water companies and the schemes prepared by local and American experts, especially the over-all irrigation scheme prepared by Hays and Savage. Mr. Hays is an outstanding American irrigation engineer with very wide experience, while to Mr. Savage may perhaps be accorded the title of the foremost irrigation engineer of our times. I understand now that the Hays-Savage scheme is contested, in some particulars, by the Palestine Government's water officers. We proposed fifteen months ago that a round-table conference should be held where the American experts and the water officers of the Palestine Government would be brought together in order to clear up the differences of opinion. Some Members of the Anglo-American Committee heard the explanations of Messrs. Hays and Savage (see "The Jewish Case", page 612), but I regret to state that the Government representatives did not appear at that meeting, and up till now most of the criticism of the Government has been kept secret. This seems to us an extremely strange way for a Mandatory to deal with a scientific and technical question that is of the greatest

importance for the development of the country.

Mr. Chairman, I am in a position to state that our local and American experts are ready to appear before you whenever you desire; they are ready to appear before you in Europe, if that is more convenient, and they are prepared to give you, or any competent engineer you may designate, any explanations you may care to have of their scheme. In accordance with Mr. Hays' report, an additional area of about 2-1/2 million dunums beyond what is now irrigated can be irrigated by utilizing the water sources of this country. He envisages a further development by way of cooperation with the neighbouring countries.

Our Agricultural Research Institute at Rehovoth has followed up the Hays-Savage scheme by more detailed calculations of actual water requirements, by crop and region. They have prepared cultivation plans in accordance with the soil and climatic conditions prevailing in various parts of the country, and they have reached the conclusion that with the same quantity of water as estimated by Mr. Hays a further area of about 800,000 dunums can be irrigated, bringing the total area of new irrigable land up to 3,300,000 dunums. About 120,000 intensive farm units can be established under this scheme. This means doubling the agricultural population of Palestine. We estimate that there are now in Palestine about 85,000 Arab farm units and about 15,000 to 16,000 Jewish farm units.

Arguments have been brought against this scheme, questioning the quantity of water available and the feasibility of the scheme because of the present form of land tenure, and also stressing the high price of water. I do not intend to go again into all these questions. As regards the high price of water I would like to stress again that what is decisive is not the absolute price of the water, but the relation of the cost of <sup>the</sup> water to the value of the crops produced. Our Agricultural Research Institute has made a detailed study

of the ratio of the cost of water to the value of different crops in the different parts of this country, and they came to the encouraging conclusion that a price of 2 1/4 mil per cubic metre is an economic one as regards most of the products of an intensified farm unit, even assuming the low pre-war level of agricultural prices. Mr. Hays believes that the price of water in Palestine will be less than 2 mils. He emphasizes that the water will cost less here than in California. We know that it will be less than that paid in many places in Palestine before the war.

Mr. Chairman and Gentlemen, in order to narrow the field of controversy, and to explain the large development possibilities, we instructed our Agricultural Research Institute to prepare an additional plan as a part of Mr. Hays' over-all scheme based upon quantities of water which are indisputably known to be available for irrigation and which do not raise serious objections as to cost. It was laid down by this instruction that such schemes should not embrace the whole of agricultural Palestine, but only limited areas of cultivated or cultivable land which could be brought under irrigation under the most economic conditions. After careful examination of the soils, of the climatic influences, of the water available, of agricultural practices, of marketing demands, eleven agricultural districts were chosen, extending over a development area of 2 1/2 million dunums -- all to be cultivated in an irrigated and intensive manner. The major part -- about 1 1/2 million dunums -- of the area is in the coastal plain. This area requires one billion cubic metres for irrigation. The rest of the development area consists of inland plains -- valleys known as the Huleh, the Valley of Jezreel and Asdraclon, and others. These inland plains cover an area of about one million dunums. They require about six hundred million cubic metres of water for their irrigation.

Here you have again the map of Palestine, and in general it is the Hays-Savage scheme covering, as I said, additional land of 3,300,000 dunums, together with the irrigated land -- about <sup>3,700,000</sup> 3,900,000 dunums. That is, as I said,

a provisional scheme prepared by us covering the 2 1/2 million dunums.

Leaving that aside for the moment, <sup>you see</sup> <sup>to irrigate the area of</sup> you have the Jordan Valley and ~~you see~~  
~~what Hays intended to do~~ about one million dunums of irrigated land in the  
south of Palestine in addition to the 2 1/2 millions which I mentioned just now.

CHAIRMAN: Is that map to be available for us?

Mr. KAPLAN (Jewish Agency): Yes, it will be available.

The authors of this limited scheme confined themselves to no more than 60 percent of the irrigable area of plain land and to a quantity of water which is available even at the most conservative estimate of water potentialities in Palestine. (Most conservative experts agree that at least 2 billion cubic metres of water are available for agricultural and other uses.) An important feature of this development plan is the carefully worked out "water duty", which is not derived by a purely statistical average but is a directly computed sum of the quantity of water actually required by the various crops under the actual conditions of their growth, taking into consideration soil, climate, season and farm practice.

The development area under consideration in this most recent scheme contains at present about 45,000 farm units, Jewish and Arab, in the approximate proportion of 1 to 2. The plan envisages the establishment of an additional 50,000 farm units on the same area, bringing the total to about 100,000 farming families. In addition there would be about 25,000 to 30,000 families in this area engaged in other rural occupations. A comparison of the value of the agricultural output from the area in question, at pre-war prices, before and after development, will illustrate clearly the resulting change. While the present value of the farm output of the area is about five million pounds, the estimated value of the future output is about eighteen million pounds <sup>at constant prices</sup>. The net income of an Arab farm which paid no rent or interest, was authoritatively estimated at about £30 and £40 in pre-war years, while the development scheme provides now for a net income of £60 at pre-war prices in the first stage of the plan, which will grow to £100 in its final stages. In the case of a mature Jewish farm, this net return is now about £100 to £120 at pre-war prices if the farmer practices irrigation and mixed farming. In the Jewish section, the development plan is mainly designed to increase the number of farms, the principle of intensification and diversification having been now well established. It is of course to be expected that, in the long run—as farm practices are perfected—the average income per Jewish farm unit will also rise.

As I have stressed earlier, we asked that this development plan be prepared within the general framework of the Hays-Savage Report, into which a series of regional or local water projects can fit at various stages. These water projects would be capable of functioning separately to a large extent. The linking of regional water projects insures their advantageous functioning and collateral safety in that each can, when necessary, rely upon the surplus water reserve of the other. This fact becomes of the utmost importance when it is considered that both water resources and rainfall are not evenly distributed in the country. The Hays-Savage design permits great elasticity in the carrying out of the work in such stages. Working schemes, balance sheets of the different types of farms and estimates of production and cost have all been prepared, and - provided a market for the produce is assured by new urban development - the whole scheme is economically sound.

We consider it dangerous to neglect the market factor in planning for agricultural improvement. Our plans are very cost-conscious, and therefore we must emphasize that the presence of a large number of new consumers is a pre-condition for the full utilisation of the agricultural resources of Palestine. Modern agricultural development depends upon urban development. For that reason, I said in my statement before the Anglo-American Committee that the whole discussion of the quantity of water is not relevant to the present proposal made by the Jewish Agency with regard to the immigration of the first million Jews. Even the limited scheme designed by our Agricultural Experimental Station provides for more additional irrigated land than would be needed to meet the agricultural needs of an additional Jewish immigration of one million persons. As shown in our memoranda submitted to the Anglo-American Committee, the quantity of irrigated land needed for an additional Jewish population associated with one million immigrants is about 650,000 to 700,000 dunums and the quantity of water needed is about 450,000,000 cubic metres. These quantities of land and water are certainly available. There is no question that Palestine has far more available land than water and are required for a Jewish immigration of one million.

Serious disagreement is possible only if we consider significant multiples of one million.

This brings me to the ten years' scheme of absorbing one million Jews into Palestine. My colleague, Mr. Bernstein, has explained to you the development <sup>possibilities</sup> of industry. Industry and agriculture are the main cornerstones upon which we have built our scheme for the economic development of the country and absorption of one million Jews. The details of the scheme were given in testimony by Mr. Hoopien before the Anglo-American Committee. May I also draw your attention to the books Palestine Problem and Promise, by Messrs. Nathan, Gass and Creamer, and The Outline of a <sup>Development</sup> Plan for Jewish Palestine, by Mr. Gruenbaum. The former is a searching review of our development problems and possibilities by three independent American economists; the latter is a parallel study by a Palestinian economist associated with the Jewish Agency's planning work. We have built our blueprints for the absorption of one million Jews (during a period of ten years) upon past experience, upon research, and planning. We know that the experience of life will be more varied than we can take into account fully even in our most judicious blueprints. Our planning is correspondingly flexible.

The Government of Palestine discloses a basic lack of understanding of the fundamental nature of our work in Palestine when it accuses our Jewish economic system of exclusive racialism. At the same time, the Government engages in unfounded innuendo when it states that it is inconceivable "that a civilized society consisting of a privileged group and a balance of hewers of wood and drawers of water should be deliberately constructed under international agreement." A society divided along national lines into privileged and exploited is exactly what we have tried and succeeded in avoiding. We Jews hew our own wood and draw our own water.

It is impossible to understand the Palestine problem (and Zionism) if one does not understand our conception that we are trying in Palestine not only to find a haven for refugees but to re-establish a Jewish nation. We must do our

work of national building with our own hands; our national home can not be based on the exploitation of another people. The Government policy derives from entirely false premises and could only result in failure when it conceives, as a common end, a unitary Palestine and not cooperation between two/peoples, two nations - Jewish and Arab. There is no lack on our side in desire and effort to achieve cooperation, but only on a basis of Jewish nationhood in Palestine. Government policy was unwilling to encourage this development. At best the Government has, in principle, been neutral towards our efforts, but de facto often hindered them.

Mr. Horowitz in his evidence explained to you the occupational structure of the present Jewish population of Palestine. About 47 percent are occupied in primary and secondary industries, and about 53 percent in tertiary occupations. We Jews have not infiltrated ourselves into the existing Arab economy. We have already built a new entity, more or less upon the pattern of Western economic life. From the economic point of view we are already a nation in the making. The ten year plan provides for the further and faster development of the present trends.

We believe that the economic and social foundations laid by us are sound and the possibilities for great expansion are there, provided proper conditions are forthcoming. We are strengthened in that belief by postwar developments here. Two years have passed since the termination of hostilities. We have had to face quite a number of difficult problems. Like other countries engaged in the war effort, Palestine was confronted with the tremendous task of readjusting its economy from war conditions to the requirements of peace. But our task was not limited to preserving our economic equilibrium and safeguarding the standard of life of our people. Our economy is a dynamic and expanding one, governed by the clear objective of absorbing new immigrants. During the years 1945-46, in accordance with Government quotas, 36,000 Jewish immigrants were absorbed into the country, and this task was successfully more or less solved in addition to the re-absorption of almost 26,000 Jewish men and women demobilized from the armed forces. The adjustment of Palestine's economy to these needs took place under

adverse political conditions which are not without repercussions on the economic life of the country: restriction of immigration, terror, reprisals, martial law, Arab boycott and curfew. All these formidable obstacles had to be overcome.

Moreover, while in other countries the task of postwar reconstruction was considered as the main purpose of the Government in the period of transition, and all endeavours of Government were directed towards this end, here the Government was largely indifferent to this problem and concentrated its activities mainly on the prevention of immigration and the maintenance of the political status quo. Neither the foreign trade policy nor the foreign exchange policy of the Government of Palestine has been governed by the objective of fostering the economic development of the country to carry out the purposes for which the mandate was entrusted to the United Kingdom; quite other considerations have been determinative. As a result, we had to work under conditions of unnecessarily high costs. We had to carry out our economic development tasks in an unorganized economy, with a quite unnecessary degree of inflation, bringing a vicious spiral of soaring wages and prices. Despite these necessary and unnecessary difficulties, I dare say that we succeeded to a considerable extent, and we have tried to prove our success in the memorandum on the Reconversion of Palestine which has been submitted to you. Our economy is continuing to expand, though with certain important structural shifts due to the reconversion of war industries; citriculture and construction - both hard hit by the war - are progressing rapidly; mixed farming is growing in all its branches. Even in these two difficult and hard years, we have therefore strengthened and expanded our economic position, and we have correspondingly <sup>by</sup> strengthened our belief in the feasibility of our large development scheme.

The ten year plan calls for large finances and for government authority.

In our presentation to the Anglo-American Committee, and in the books mentioned above, this problem of financing is discussed in detail. The question was also discussed in great detail in negotiations with the Anglo-American experts in

connection with the recommendation to bring 100,000 Jewish refugees to Palestine as soon as possible. The experts then reached the conclusion that the immigration and integration of this 100,000 would cost a sum of E70 million or about E700 per head. We believe that this amount is perhaps a little too high even under current high cost conditions; in any case, only about half of the funds for the first 100,000 would be required in the first year.

The cost of absorbing immigrants before the war was between E200 and E300 per capita, but the index of cost of living has now risen to about 275 and that may explain the figure fixed by the experts of about E700 per head. However, we are discussing a ten year plan, and no one can give an exact forecast of the price structure and price development in the coming ten years. It is reasonable to expect however, especially upon the strength of our experience here in Palestine after World War One, that prices in Palestine will adjust themselves to the international price level. An average price level of 50 percent higher than the prewar figure is perhaps a reasonable expectation. That means, as Mr. Hoopien put it, that we may have to mobilize, invest and spend during these ten years a sum of about E400,000,000 to E450,000,000. We have tried to outline the different sources for mobilizing these funds: savings of the Palestine Jewish economy, immigrants' capital, investment from Jews abroad, Zionist funds, sterling balances abroad, non-Jewish foreign investments, German reparations, international bankloans, etc.

The question of international participation was discussed last year in connection with the abovementioned proposal of the 100,000 Jewish immigrants. The Government of the United States promised then to contribute its share. During my latest visit to the United States, a few weeks ago, I again discussed the possibility of an international loan provided there is a favourable political decision. During the same visit I was strengthened in my estimate of the participation of Jewish private capital in the building up of Palestine; the interest of world Jewry in Palestine is tremendous. I regret to say that the results of our activities with regard to reparation funds were less successful;

for the moment only some tens of millions of dollars are assured to Jewish organizations for the resettlement and rehabilitation of displaced persons, whereas our estimate of looted Jewish property runs into several billions of dollars.

Last year was quite a promising year as regards Zionist funds. Upon the request of the Anglo-American Committee, I placed before them some figures about the financial activities of the Jewish Agency and the other principle Jewish institutions. The total expenditure of the main Jewish bodies for the period 1917 to October 1945 was E45 million. From October 1945 to October 1946 the same bodies spent in Palestine an additional E12 million. The total expenditure of these bodies therefore came to about E57 million. Of this total about E21 million was spent for the purchase of land and agricultural settlement; more than E10 million for education and cultural activities; about E5 1/2 million for immigration; about E5 million for national organization and religious and cultural institutions; about E5 million for urban settlement, trade and industry and urban investments; about E4.6 million for health and social services; about E3 1/4 million for public works, labour and housing, and about E2.6 million for administration and miscellaneous. The income of these institutions reached a figure of E53 million. Of this the Jewish Agency and its financial instrument, the Palestine Foundation Fund, had an income of about E27 million and spent about E29 million. The Jewish Agency spent about E9 million for agriculture alone.

In addition to this capital brought into the country by the principal Jewish institutions (though about 10 percent of the above sum comes from Palestine itself), about E125 million of capital has been brought in by private Jewish individuals and companies. Of this total, about four-fifths was brought in during the period between the Great Wars.

I would, however, be doing this Committee a disservice if I were to give the impression that the sizeable capital sums which Jews have brought into Palestine during the past quarter century (more exactly thirty years), have served



These are the needs which have first claim on our attention.

I do not under-estimate the magnitude of the financial problem of the years before us, but the upbuilding of Palestine should not be discussed merely as an economic and financial problem. It is a great human problem for all the peoples of the world; for us it is a question of the revival and survival of the Jewish people, and who is able to appraise the cost of the survival of a people?

Mr. Chairman and gentlemen: The economic evidence of the Jewish Agency has tried to show you the Jewish achievements in Palestine and the possibilities latent in this country. This is a small country, but at a time when the whole world became too small for those Jews fleeing from Nazi persecution, Palestine alone was large enough to provide for them with a haven and a home. Palestine is our home, our only home. The Jews need Palestine, and Palestine needs the Jews.

I hope, Mr. Chairman and gentlemen, that during your visits you were able to see the spirit of the people behind these achievements. We have had to overcome great difficulties. Only the belief in national revival, and in an economic democracy, enabled us to overcome these difficulties. I ask to be permitted to finish my evidence with the same words that I used in my statement before the Anglo-American Committee. "Return to us confidence in humanity and international responsibility. We need this confidence to strengthen us in the unequalled effort of reviving a good but badly neglected land and the remnant of an ancient people. The land and the people are bound together."

CHAIRMAN: May I ask if we have the map before us that you have been referring to, or some other map?

Mr. KAPLAN: Of the six maps you have but two, but I am ready to submit, if you wish, all the other maps.

CHAIRMAN: What I would like to know is whether on this map which we had before us just now, or some other map, are indicated the regional or local irrigation schemes and the number of settlers which they would allow for?

Mr. KAPLAN: No sir, but I am ready to submit an additional map whereon will be indicated the regions of the development schemes, and the number is submitted here. Further, if you are asking for details, I am ready to submit all possible details.

CHAIRMAN: I think it would be useful to have such a map.

Mr. KAPLAN: Thank you very much, sir.

CHAIRMAN: The hearing is now adjourned until tomorrow morning at 9:00.

(The meeting adjourned at 12:00 a.m.)

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