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UNITED NATIONS PALESTINE COMMISSION - SECOND SPECIAL REPORT

TO THE SECURITY COUNCIL:

THE FOOD SITUATION IN PALESTINE

The United Nations Palestine Commission, acting under paragraph I, B, 14 of the resolution of the General Assembly on the future Government of Palestine (Resolution 181 (II)), herewith presents to the Security Council a special report on the food situation in Palestine.

1. The Commission urgently brings to the notice of the Security Council the fact that a serious food shortage, with the threat of starvation, is imminent in Palestine. The steps which should have been taken by now to place orders for essential foods and to make arrangements for their shipment have not been taken.
2. This situation is the result, on the one hand, of the decision of the Mandatory Power to provide only the amount of food necessary to cover normal consumption needs until 15 May and, on the other hand, of the absence of means at the disposal of the Commission for the financing of food purchases.
3. The interruption of food supplies which this situation implies can only be remedied now by emergency measures to divert to Palestine cereals already purchased and in process of shipment to other areas.
4. Not only is there an interruption in the flow of food imports, but on 15 May the existing arrangements for internal warehousing and distribution will come to an end.
5. The manner in which this situation has developed and the steps which the Commission has taken since early in February to find a solution are set out in the following pages of this report.
6. Palestine depends on imports for a large part of its essential food. If this flow of imports ceases, even for a short time, there will be immediate danger of widespread starvation. Without imports Palestine would be deprived of half its present consumption of cereals, all its sugar, more than half its oils and fats and more than half its meat. All these products are in short world supply and therefore difficult to obtain, especially at short notice. Cereals and oils and fats are subject to allocation by the International Emergency Food Council. Allocations of these products for Palestine are at present obtained by the Mandatory Power, as part of the allocations for the British Middle East area. Many of these products, including cereals, sugar, and dairy produce, have been purchased in bulk by the Ministry of Food for the Palestine Administration, the funds for this purpose being advanced from the revenues of Palestine.
7. On 14 January 1948, the Palestine Commission was informed by the representative of the Mandatory Power of its intention to terminate the Mandate on 15 May and to maintain undivided authority in Palestine until that date. Since the food supplies of Palestine have to be drawn in many cases from distant overseas countries, the food situation in the weeks immediately following 15 May depends entirely on procurement and shipments arranged at a very early date. Therefore, when the Commission started its work, it naturally assumed that among the normal
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administrative functions which the Mandatory Power would exercise until 15 May would be the completion of the current procurement and shipping arrangements to assure a continuous flow of food imports.

8. On 4 February 1948, the Commission was informed by the Mandatory Power, in answer to a question addressed to it on 19 January, that:

"(a) His Majesty's Government in the United Kingdom will maintain sponsorship, procurement, and shipping of food and fertilizer supplies for Palestine which will be required up to the date of the termination of the Mandate.

"(b) His Majesty's Government in the United Kingdom will accept no direct responsibility for sponsorship, procurement, and shipment of supplies which may be required subsequent to that date.

"(c) Within the limitations of these decisions, His Majesty's Government are anxious to give all possible assistance to ensure that the continuity of food supplies for Palestine is maintained and it is suggested that it might be of assistance to the Commission in assessing the present supply position and in making their arrangements to take over the responsibility for food supplies for Palestine if they were to send a representative to the United Kingdom so that he could consult with the Ministry of Food and obtain all the necessary information from the Ministry's various Commodity Divisions."

9. The Commission was thus confronted with a serious situation. If it accepted the position adopted by the Mandatory Power, it would have to make arrangements before the termination of the Mandate to procure the food supplies required by Palestine for the period immediately after 15 May. Yet at the time at which these arrangements would have to be made (i.e. prior to its assumption of authority in Palestine,) the Commission would have no funds which it could use for that purpose. A gap was thus likely to arise in the flow of food imports to Palestine. As food stocks in Palestine are very low, this would result in a serious food shortage soon after the termination of the Mandate. The Commission has, in fact, been informed by the Mandatory Power that, unless steps are taken well in advance of 15 May to provide for a regular flow of imports, stocks of bread cereals in Palestine will be completely exhausted by the end of May. The Commission has constantly tried to impress upon the Government of the United Kingdom its own view that the responsibilities of the Mandatory Power include the normal arrangements up to 15 May for uninterrupted shipments of these essential foods.

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10. On 14 February, in an endeavour to overcome this serious situation, the Commission, through its Senior Economic Adviser and its food expert, initiated discussions in London with the British Ministry of Food. Subsequently, the Commission proposed, in letters dated 5 and 11 March 1948 that the Mandatory Power purchase well before 15 May a sufficient quantity of bread cereals to complete the allocations made by the International Emergency Food Council up to 30 June, together with 5,000 tons of sugar, all these supplies to be financed in the customary way from the revenues of the Palestine Administration. The Mandatory Power replied that, while it would be prepared to make all the other necessary arrangements for the procurement and shipping of these supplies on behalf of the Commission, it would not accept responsibility for financing them out of Palestine revenues. The Mandatory Power stated that the customary method of financing such food supplies from current revenue has become impracticable because the existing Treasury surplus has been used up, and Palestine Government accounts are already in deficit. The Commission, however, has left the Mandatory Power in no doubt as to its own view that Palestine Administration funds would have been sufficient to provide for the financing of essential food supplies had they not been used for certain extraordinary items of expenditure which, according to the Assembly resolution, should not have been undertaken by the Mandatory Power without consultation with the Commission.*

11. In the light of this situation, the Commission next proposed that the Government of the United Kingdom should procure the quantities of bread cereals and sugar previously agreed, against a guarantee by the Commission of reimbursement at an early date after 15 May out of the revenues of Palestine. The Commission recognized explicitly that the cost of any food supplies obtained in this way to cover the needs of Palestine after 15 May should be met out of such Palestine revenues as will be at the disposal of the Commission after that date. As an alternative, the Commission proposed that the repayment for such supplies provided by the Government of the United Kingdom should be

* The Treasury surplus, which was one of the specific assets of the Palestine Administration named in Part I, E, 2 of the Assembly Resolution, amounted to £P5.5 millions at the end of December 1947.

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guaranteed either by the current income or by the surplus assets of the Palestine Currency Board.*

12. The Commission received the reply to these proposals in a letter dated 5 April 1948. The Mandatory Power re-stated its position that, although it is willing to undertake procurement and shipping arrangements on an agency basis, it finds it impossible for the Government of Palestine to advance money for the procurement of these supplies. Further, the Government of the United Kingdom is unwilling either to advance the money for these supplies or to accept the Commission's pledge of a portion of the future revenues of Palestine. As regards the alternative proposal of the Commission, the Mandatory Power replied as follows: "His Majesty's Government consider that the disposal of Palestine Currency Board funds would be a matter on which the views of the successor currency authority should be obtained. Under the General Assembly's Partition Plan, this was envisaged to be the Joint Economic Board and until the future currency authority is set up, the disposal of any such funds must rest in abeyance." The Commission is not in agreement with this view taken by the Mandatory Power, since the Assembly resolution (paragraph I, B, 13) clearly establishes it; for the transitional period following the termination of the Mandate, as the authority in Palestine under which the Joint Economic Board is to act.

13. The Mandatory Power further suggested, in the letter of 5 April, that "the Commission might wish to consider approaching the Secretary-General with a view to funds being provided for this purpose. His Majesty's Government understand that the Secretary-General has powers to advance up to two million dollars at his own discretion and further amounts with the agreement of the Advisory Committee out of the Working Capital of the United Nations for purposes of urgent economic rehabilitation. It appears to His Majesty's Government that the financing of urgent supplies for Palestine would come within this definition."

* Palestine currency is backed by an equivalent amount of British securities and currency, which are held in London by the Palestine Currency Board. The total assets of the Currency Board, as of 31 March 1947, amounted to £51.4 millions (now blocked by a Treasury Order of 22 February 1948) of which £46.9 millions represented the statutory one hundred percent backing for Palestinian note circulation and £4.5 millions represented surplus assets. These surplus assets provide a generous margin against the risk of depreciation of the statutory assets, considering that the latter are in the form either of cash or of gilt-edged securities. This margin could be considerably reduced without risk. It may be noted that in its earlier years the Palestinian Currency Board operated with a much smaller percentage margin of surplus assets. For the last completed financial year for which figures are available, i.e. 1946-47, the net income of the Currency Board amounted to £1.2 millions.

14. The Commission is advised, however, that the sum required, not less than \$4,000,000, far exceeds the amount which at present is available to the Secretary-General under the authorization quoted by the Mandatory Power. Even assuming the approval of the Advisory Committee for the withdrawal from the Working Capital Fund of the amount required, the fact is that this Fund might be unduly strained by such withdrawal at this time, since it was not designed to meet major operational expenditures in excess of those already authorized in the Working Capital Fund Resolution.

15. The only positive action which the Mandatory Power has taken to safeguard the food situation immediately after the termination of the Mandate is to extend the issue of import licenses to private traders to include commodities which have up to the present been obtained by Government purchase. While this may bring in some supplies, private traders will scarcely be able to provide, at such short notice, for the needs of Palestine in the weeks immediately following the termination of the Mandate. In present world conditions, there are innumerable difficulties which private traders would have to overcome in securing commodities which during the past few years have been purchased almost entirely by the Government. These difficulties have been increased by the action of the Mandatory Power itself in promulgating the British Treasury Order of 22 February 1948, blocking Palestinian sterling balances in London and excluding Palestine from the sterling area.

16. These discussions have taken a considerable time, and the matter has now become extremely urgent. In the letter of 5 April the Mandatory Power states: "This question is now a matter of great urgency since if continuity of supplies to Palestine is not to be interrupted, it is essential that shipping arrangements should be made within the next week or ten days. Failing that, His Majesty's Government understand that on the 15th May Palestine's stock of cereals will not exceed two weeks' supply except insofar as the position may be covered by private importers, a point upon which further information is being sought from the Government of Palestine."

17. It is now quite evident that the Commission cannot obtain the co-operation of the Mandatory Power in respect of the financing of these food supplies, though it can count on its co-operation in respect of procurement on an agency basis.

18. The Commission is informed that negotiations are now proceeding between representatives of the Jewish Agency in Palestine and Messrs. Steel Brothers, a British firm which has hitherto acted as an
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agent for obtaining and distributing food supplies in Palestine on behalf of the Palestine Administration. These negotiations are for an arrangement whereby responsibility for initial financing of essential food imports into Palestine will be shared between Messrs. Steel Brothers and the Jewish Agency. If such an arrangement is successfully concluded within the next few days, the danger of a food crisis in Palestine will be partially overcome. It is almost certain that such an arrangement would meet the requirements of the Government of the United Kingdom regarding the financing of food supplies, which they would then be willing to continue to procure for a period. This arrangement would not, however, provide for the whole population of Palestine. In the main, it must be regarded as a means of meeting the needs of the Jewish population. For this reason, the Commission feels bound to point out that it is not an entirely satisfactory solution of the problem. There are, in present circumstances, considerable obstacles to the making of a similar arrangement to meet the needs of the Arab population.

19. At the moment of writing this report, the Commission has not had confirmation that this proposed agreement has been concluded. If it should not be concluded within a few days a desperate situation will arise for the Jews in Palestine and emergency measures will need to be taken. The same will apply only to lesser extent for the Arab population of Palestine. For these reasons, the Commission feels compelled to bring the matter to the notice of the Security Council, since the development of famine conditions in Palestine would aggravate the very serious security situation which already exists there.

20. The urgent need is for immediate shipments of not less than 25,000 tons of wheat flour or its equivalent, and even this quantity would maintain only present consumption levels and existing minimum stocks for a few weeks after 15 May. This emergency supply would, however, give a brief respite during which more permanent arrangements may be made for the supply of both the Jewish and Arab sections of the population of Palestine.

21. It should be emphasized that such emergency shipments are necessary to prevent starvation in Palestine towards the end of May and will do nothing to relieve the serious shortages of other products including meat, oils and fats, sugar and rice. Steps are, therefore, also urgently necessary to secure supplies to Palestine of all these products

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during the next few months and the Commission is continuing to explore all possible lines of action open to it. It is also essential that the facilities for receiving, storing and distributing imported food in Palestine, which are now in danger of disintegration, should be maintained without a break.

(signed)

Karel Lisicky (Czechoslovakia), CHAIRMAN

Raul Diez de Medina (Bolivia), VICE CHAIRMAN

Per Federspiel (Denmark)

Eduardo Morgan (Panama)

Vicente J. Francisco (Philippines)

13 April 1948
Lake Success, New York.

