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Series I: General Correspondence, 1914-1969, undated.

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American Zionist Emergency Council, American Palestine
Investment Corporation, 1946.

PROPOSED AMERICAN-PALESTINE INVESTMENT CORP.

THE PROBLEM

Despite the strained political situation, Palestine today can employ investment funds. Venture capital will greatly increase the absorptive capacity of the country. Under careful management investment funds can yield a reasonable return.

1. The weight of the American community is not felt in Palestine due in part to the lack of aggressive leadership in the investment field (compared to the South African group). American participation in the development of the country cannot be effective unless it is backed by substantial funds at the disposal of such leadership.
2. Many important financial institutions in Palestine, some of which are sponsored by the Agency in which Keren Hayesod money has been invested, are contemplating coming to this country to secure American capital through the sale of shares or bonds. Registration with the S E C though difficult, can be effected. Thus a number of Palestine companies plan to approach American Zionists to induce them to purchase foreign securities. The result would be confusion on the American Zionist scene. In as much as these companies are quasi-official, the ZOA would probably have to take some position. In all events there would be a moral responsibility.
3. Investment in Palestine by Americans can now be made through two main channels; 1. The Palestine Economic Corp., 2. Ampal. The PEO is a private undertaking controlled wholly by its shareholders. Ampal is controlled by Histadrut. The prospective American investor must choose between the two, and most frequently chooses neither.

4. Both companies mentioned above whose shares are in dollar denominations, are faced with the risk of fluctuating sterling exchange rates.
5. There does not exist in America any Zionist financial instrument which can approach the normal money market to secure underwritings for the large sums which Palestine will undoubtedly require.

THE PROPOSED SOLUTION

The major investment potential among American Jews lies in that group which is prepared or might be induced to invest in a general company, directed by leading businessmen who will select and manage its investments rather than in individuals seeking specific undertakings in Palestine or establishing "branch factories."

1. One company, capitalized at \$25,000,000 and recognized as the official investment channel for American Jewry, would best meet this situation.
2. The two existing companies (PEC and Ampal) should consolidate with or merge into the new company.
3. The American Keren Hayesod should participate in the capital structure of the new company to the extent of 20% of the invested capital, with a maximum subscription of \$5,000,000 as contributed surplus. K H is to be represented on the Board of the new company in a minority capacity with certain veto rights on fundamental policy. The result would be a company having a quasi-public status but remaining in the control of the investors.

4. The above mentioned K H investment would provide a cushion to absorb exchange fluctuations and possible initial losses.
5. The new company as the recognized channel for investment would eliminate the confusion which would result due to the offerings of many diverse securities by various Palestine companies.
6. The new company should operate through existing institutions in Palestine and wherever possible avoid setting up new instrumentalities. The company should participate in any business undertaking that is sound and of benefit to Palestine, irrespective of sponsorship.
7. Management both in the U.S. and in Palestine (assuming a consolidation or merger) should be strengthened by bringing in young, aggressive personnel.
8. The existing companies plus the subscription of K H would provide an initial capital of between \$10 - 11,000,000. About \$15,000,000 in new money would have to be mobilized. Utilizing the apparatus of the ZOA and other Zionist groups, this might be secured within a period of two years. It would provide a constructive project for Zionist Districts and would not interfere with the appeal for contributed funds.
9. A company with a paid-up capital of \$25,000,000 would be able to approach the general money market, and subject to the needs of Palestine, the capital might be increased substantially through underwritings of preferred stock and/or bonds and debentures. A basis for a capitalization of as much as \$100,000,000 would be available. Since a market could be ^{main} ~~ob~~ tained for the stock of such a corporation it is likely to obtain considerable public support by way of subscription to its shares.

July 1946.