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Szold, Robert, 1943.

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MIDDLE EAST GOVERNMENT CONTROLS

Dec. 1943

1. Strict control over imports and exports, and building. Inter alia is exercised by Palestine Government. Much is regulated. A new stock issue must have government approval. Prices are fixed on many items. There are a Controller of Heavy Industries, a Controller of Light Industries, a Food Controller, a Finance Controller, a director of Reconstruction and others.
2. If the license of Government of Palestine is secured for import of raw materials or machinery from abroad, the consent of Middle East Supply Centre must then be obtained. This large organization has headquarters in Cairo. It operated as far as Turkey and Iran. Joint chiefs are a Mr. Jacobson, British and Joseph M. Landis. Landis is American Director of Economic operations in the Middle East and principal American Civilian Representative of M. E. S. C. with personal rank of Minister. The Army Headquarters in Cairo has an Economics Division which collaborates with M. E. S. C. and is represented therein. M. E. S. C. deals with civilian requirements. O. E. W. is connected with M. E. S. C. Most of the staff is British. William Rountree American is assistant to Mr. Landis. Marshall Mc. Duffie of O. E. W. is in the Materials Section. There are other Americans, not many. A Mr. L. Eisinger, a Rumanian, a British appointee is assistant director of Materials Production. Dr. Keith Murray is Director of Food. The army representative on M. E. S. C. is Lt. Col. Charles M. Bellin. Working with Col. Bellin is Lt. Col. John B. Breckenridge. Both Colonels are in Economics Division of H. Q. U. S. A FIME 5 Sharia El Walda, Kast el Doubara.

3. These gentlemen have considerable information regarding Palestine. Dr. Keith Murray explained to me certain food shortages, irrigation projects, and the desirability of increasing the production of peanuts and soya beans.- primarily for their edible oils. Mr. Eisenger said that Palestine industry was already being utilized to the maximum; there was 95% utilization; the real problem was not utilization of Palestine industry for the war, as I had indicated, but post war deflation. The workmen had no surplus. Many industries could not hope to withstand post war competition, and could not stand up at all after lapse of war orders. Figures of production varied from £25,000,000 per annum to £45,000,000. Only £ 2,000,000 according to Eisinger of the production, however, (exclusive of potash and oil, things apart) represented exports; and of this, 1/3 were textiles, 1/3 leather goods, and 1/3 miscellaneous. Eisinger is wrong on these figures. Exports in 1942 reached almost £ 3,000,000 exclusive of oil and potash. Almost £1,000,000 was diamonds; clothing was another £600,000. Exports in 1939 was £600,000, or about 1/5 in £. So it was not much. Pharmaceuticals, he had investigated for instance. There was no pharmaceutical industry in Palestine. All they did was to package. They took materials, which were in bulk, and put them in attractive packages. Besides, to make the pharmaceuticals they made, they had to import more bulk than they expected.- The two army Colonels had an interest somewhat different from the M. E. S. C. officials. Apparently to them, Palestine industry might be of use if its products were needed and of proper quality and price, even though it might not fit into official notions as to what constituted sound post war

economy. They explained that Palestine industry was in part poorly organized, poorly financed; that in general prices were high; that if they paid high prices it led to high wages which led to further high price levels, a self repeating cycle. They said they had met the argument as to the false economy of Palestine, which should not be encouraged, it was said, as it would only aggravate post war deflation problems and build up further troubles for America in the aftermath. Everywhere I was asked,- What was my mission? I explained that I was Vice Chairman of Palestine Economic Corporation, the largest American corporation in Palestine; that we had financial interests, by loans or stock or otherwise in a number of Palestine industries, large and small; that we wished Palestine industry to contribute its maximum to the war effort; that it was a question of knowing in detail intimately army requirements on the one hand, which constantly shifted, and Palestine industrial potentialities on the other hand,- and fitting them together; in addition to the financial influences P.E.C. had, I might have certain moral influence; and was there anything in which the army was interested. The two colonels talked most of spare parts for the large amount of trucks and motor vehicles. American, British and even, German and Italian, throughout the middle east. This might make they had thought a large industry. They had come to the conclusion that Palestine could not do anything in this regard; the manufacturers were too small, too disorganized and too weakly financed. I left them after the first interviews, to make out a list of matters that I personally would cause to be investigated. When I returned to them on October 26, I reported that Mr. Eisinger had indicated the job I had come to do had been done, that perhaps I was

a year or two too late. Col. Breckenridge said "The idea was good two years ago, it was good a year ago and it is good now. He gave me for investigation and report to him the following list .

Juice and fruit concentrates

Dehydrates and

Vitamins

Pharmaceuticals

Leather goods

Textiles

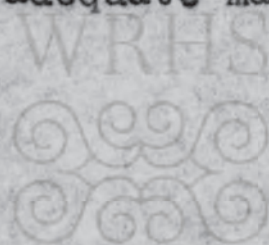
Chemicals

Spare parts

and asked that I should specify capacities in terms of 8 or 24 hr. shifts; labor and skills available; shortages, machinery and materials necessary; pricing; costs; and time schedules; transportation requirements and quality specifications. I saw Marshall Mc Clintock, who indicated the large powers the M. E. S. C. would have over economics of the Middle East; Mr. Landis who has just arrived; Mr. Albert Scott, Vice Consul and Mr. Joseph Jacobs counselor to the Legation. I asked Mr. Landis to come to Palestine while I was there. I also saw various other officials on other matters. I had carried letters of introduction to some, including a letter to Dr. General Cheves, who introduced me to Colonels Bellin and Breckenridge.

4. In Cairo, on December 13, and December 14, I handed to Col. Breckenridge memoranda on spare parts; pharmaceuticals; textiles; knit goods; fruit juices; shoes; underwear; jams and marmalades. He indicated the information should be handed to Unnrah. Mr. Landis was at that time in America.

5. It was only by great personal perserverance and much personal attention, while I was in Palestine, that I was able to get memoranda, particularly on spare parts and pharmaceudicals, that were suitable for submission to Col. Breckenridge. This was despite the fact that I reported the situation to the Agency at once upon my arrival in Jerusalem; that they recognized it as a matter of genuine importance which needed urgent attention, particularly in view of the current falling off of British Army orders and consequent threat of considerable unemployment and general dislocation of industry. The Agency not only has no Cairo office (though they have discussed its necessity for two years) but also no adequate machinery in Palestine for dealing with the situation.



on departure

ROBERT SZOLD TO EXECUTIVE BEFORE HIS DEPARTURE Dec. 5, 1945

1. Robert Szold said he had come to give information, to receive information, to promote mutual understanding, to prevent misunderstanding, so that movement would be prepared to act effectively in case decisions must be taken in the days to come. He asked particularly for expression of messages to carry to U.S.A.

2. He continued: He had brought the message that American Zionists are clearly definitely for the full Zionist position, what is known as the Biltmore Platform; that they mean it; that since the American Jewish Conference American Jewry as a whole supported it. American Zionists did not propose to see it whittled down. After his stay in the country his belief in the program was strengthened.

3. He added a few words on matters that he would have thought required no elucidation. (a) The Biltmore program did not require evacuation of Arabs. It did imply mass immigration of Jews, and as to that there was no question. He deemed it necessary to say expulsion or evacuation of Arabs was in no way involved, because the program had been so interpreted to him by opponents thereof since he had arrived. Further, he said American contemplated full rights of citizens to all inhabitants constitutional guarantees against discrimination and otherwise as in our Bill of Rights, and in addition certain linguistic, and communal safeguards; (b) Since partition had been actively put forward again, in British circles, as he had learned since arrival, he deemed it necessary to emphasize his own and the American deep complete opposition thereto. The wording of the American Jewish Conference negated any such notion as partition, the meaning and content were quite inconsistent therewith. It was not discussed. Large scale immigration was the crux; and how speak of large scale immigration if partition is to be in any way contemplated. He was quite clear against partition.

4. Zionism in America was on the increase quantitatively and qualitatively. An increasing number of Zionists felt an increased sense of dedication. He wished

the Executive and others in Palestine to feel the deep sense of comradeship.

5. He had been asked after his arrival in Palestine if he were still pro Biltmore. This, in view of the great obstacles and difficulties, which many Jews in Palestine felt were insuperable. He did not ignore the difficulties, which naturally were of closer perspective in Palestine than in America. But he had not modified his view. He felt we in America had considered all of the obstacles before we took our position. Perhaps, he said, the strongest way to put the argument of the opponents of the Biltmore Program was to contend that a more moderate statement of objective would result in more Jews coming to Palestine than the full position. He was prepared to admit that the opponents wished maximum immigration. It was, let us say, not a question of courage. But he had no doubt that even on this test the clear forthright statement of aim was the only way, and the best way to secure maximum Jewish immigration. These difficulties would be overcome.

6. The difficulties which concerned him, he said, were not the external difficulties, to which he had referred, but rather the internal. He was distressed particularly by manifestation of pettiness, and of partisanship; and of willingness to believe all evil of those who disagreed. Petty partisanship! It was not edifying to see members running out of town or leaving the room to ascertain what they thought and how they should vote.

7. These difficulties, he thought, also would be overcome. If those in Palestine did well, then well and good. If they did not do well, then Zionism would be achieved in spite of them. -- On balance he thought they had done well, fairly well.

8. As to methods: (a) He had sat with the Planning Commission. He was glad to see they were tackling the problems of the immediate future. They had analyzed certain problems, divided them into categories, and apparently at

work in a comprehensive way. (b) On water, power and irrigation matters - he had dealt rather fully with the subcommittee. Gathering of necessary information was under way, and the subcommittee was informed and had the matter in hand.

(c) Industrial effort was largely shadowed by the growing governmental controls and the increasing power of the M.E.S.C. He reported on his follow up of his Cairo conversations in this connection. (d) He had asked the Bureau of Economic Research for certain memos which would be useful in America, particularly on economic absorptive capacity in answer to the charge that Palestine economy is unsound and that the balance of trade - excess of imports over exports - is unfavorable. (e) The part that UNRRAH might play had been stressed, as well as other bodies which might place substantial orders with Palestine industry. He begged leave to suggest a political legal research committee which would evolve a plan of constitutional framework in the proposed Jewish Commonwealth.

9. He brought up a few points on which he desired action before he left the country. points he had discussed at his meeting with the Executive on October 31, 1948: (a) He had then reported that the Emergency Committee in New York had proposed a budget of \$250,000 for the coming year. This was not adequate to the job, extensive and intensive, that conditions in America warranted. Dr. Weizmann and Ben Gurion had both complained that the work in U.S.A. was inadequate. Expansion and intensification were necessary. All appropriations were carefully considered, and the Treasurer did not permit expenditures not within appropriations voted, nor unless properly applied. He had furnished Dr. Kaplan and Dr. Granovsky with written details of the budget, and explanations. He particularly wished no difficulties from the J.N.F.; The failure of J.N.F. Jerusalem to act had caused technical difficulties in the past. He did not ask for approval of the budget, but he wished to be able to report on his return that they had no objection. (b) Bad Press. He made specific recommendations for

remedy or alleviation among which was the request that a specific member of the staff be vested with specific responsibility to take care of the press in U.S.A.

(c) Means of communication. He said naturally the Executive was interested primarily in the merits of situations which developed. He pressed, however, that either one or three men on the staff be specifically charged with responsibility, say on a specific day of each week, to communicate with us in U.S.A. - one man if he could do it, but probably three men - one to report on matters generally, and political items in particular, one on economic matters, and one on water.

10. Members of the Executive, he said, were doubtless interested in his impressions of the country. He was prepared to give his impressions. (a) Agriculture had had a marked improvement since he had been there last in 1935. Not only had the number of colonies or settlements expanded, to about 300, (a large number since the White Paper), but also the variety of products. Now there are crops of potatoes, of tomatoes, New areas had been opened up. He had seen the beginning of a new settlement in the Negeb, miles south of Beersheba; and those to the north of the Huleh. But there was one principal outstanding impression of the agricultural communities, - the solidity and sturdiness of the people. (b) Industry to his mind had had a more striking development. People generally little realized its extent since the beginning of the war, nor the extent of the contribution to the war effort. The job done for instance in the production of anti tank land mines, and desert water and oil containers was a thrilling story and should be told. Tools had been improvised to make machines to make products, in all kinds of products and in substantial quantities. The demonstration had been made by actual doing of what old official reports said could not be done. It was particularly gratifying, Robert Szold said, because it showed what he had always previously said, that where

production was mainly dependent upon skill and training and less upon heavy raw materials and freight costs. Jewish ingenuity and Jewish need would do the job. War orders were already declining, and adjustments would have to be made. He was giving his outstanding impressions.

11. He was glad he was in Palestine while Mr. Kirshner was; and was glad to see how closely his point of view generally approximated that of Mr. Kirshner. (Mr. Kirshner is President of the So. African Zionist Federation and prominently identified with Binyon and other financial institutions).

12. He could not have been in Palestine for six weeks without now referring to two matters. (a) The resignation of Mr. Ben Gurion. This was regrettable. Mr. Ben Gurion should return. He had impressed many in U.S.A. by his singleminded devotion to the cause. At this time particularly, the cause cannot afford his absence. (b) The state of feeling between the British officials and the local population. After being in the country for six weeks, he was inclined to believe the tension was not as great as had been represented to him in the beginning. The idea of aggressive Jewish action was, of course, nonsense made up of fiction. In his opinion, also, the Jews while never accepting the White Paper (which was unconstitutional and void and had been so declared by the only body to pass upon it, the Mandates Commission) gave ~~Britain~~ Great Britain credit for the Balfour Declaration and then great stand against Nazi tyranny. Nevertheless, he felt it the duty of the Executive to reduce the expression of emotional anti-British feeling, to remove so far as possible, sources of irritation and he was sure the Executive would find ways and means of so doing. They were seeking, he felt, the proper and most effective means, and the most effective timing.

13. He offered comments on the internal workings of the Executive. He had not come for the purpose of investigation, or of criticism. He wished primarily to know how America could help. He observed that the Executive was

overworked and understaffed. They were overwhelmed by daily tasks. They had no time to think. They should guard their health, or they would break down. This was not by way of criticism. He wished to make two broad observations, - also not in order to criticize. One - he noticed a tendency to expand territorially and financially; to embrace more and more subject matter within the orbit of jurisdiction. By territorially, he instanced, the tendency, (he did not say it was a maturely deliberated policy) to administer relief in fields far from Palestine. By financially, he had noticed a tendency of the Executive to invest in many different business undertakings, for the purpose it seemed of an all embracing control or influence. He did not say a case could not be made for the extension of relief abroad. He would endeavor to state the case fully on his return to America. Two, as to both tendencies, - this second broad generalization was that human capacity is finite. There is a limit to what any individual or body of individuals can effectively do.

14. In 1919, Robert Szold said he had been in Palestine as a member of the Vaad Hatzirim. That was after the armistice when the slogan was "self determination of small nationalities." The King Crane commission held hearings in a hotel in Jerusalem near Jaffa gate. Arabs streamed in before that Commission, hour after hour. He, representing the Zionist Commission could not enter. There were more Arabs then percentage wise, than now. Yet within a matter of months, and in the spring of 1920, a few gentlemen sitting in a little town, far off called San Remo decided that the Jews should go to Palestine and the Balfour Declaration carried out.

15. Robert Szold departed, having in mind two points. One - Jews - all the Jews - should be clear as to what they want. This is of prime importance. We may not be able to control forces operating in the world. We should be able to control ourselves. If our objective is low, we may be sure we shall not get more. Know what we want. To paraphrase well known words, - "Do we will it".

Two, the second most important point is to believe in it. - Faith in the attainment of the clear objective.

16. Robert Szold repeated his assurance of the desire of many Americans to do their utmost, and their dedication to the nobility of the cause. He hoped the deep underlying sense of comradeship was understood.



PLANNING COMMISSION

1. The Jewish Agency Executive has set up a Planning Commission, to deal with post war problems. Ben Gurion is Chairman. Members are Messrs. Hoofien, Margolit (of Anglo Palestine Bank), Schmarak, Kaplan, Bonne and Horowitz. Bonne has been in charge of Economic Research Institute, since death of Ruppin. Horowitz is employed partly by the Institute, and partly by Agency. Special meetings were had with Robert Szold who asked (a) what they had done (b) what is their trend of thought (c) how can America help.

2. The work of the Commission is in process. No large scale plans have matured. A preliminary study on economic absorptive capacity is about to be printed. This is said to contain background material. It would be useful in answer to the argument that Palestine economy is unsound, that it has been supported by voluntary contributions, that the balance of trade i.e. excess of imports over exports, is unsound that Palestine cannot be expected to take in many more immigrants, a summary is transmitted herewith. The Commission had analyzed its many problems into categories, depending upon the extent and speed of the large scale immigration. It seemed to have paid more attention to the so called "Transitory Period." (a five page memo on "Problems of Transition from War to Peace Economy" is herewith attached).

3. Members of the Planning Commission were of opinion that 100,000 new immigrants could be absorbed without government financial assistance. They pointed out that over 60,000 were absorbed in 1935, and the economy is today very much larger and stronger. It is true that the immigrants in 1935 brought with them £ 12,000,000 of new capital, and the new immigrants would arrive naked. The cost of relief per head (i.e. assuming the immigrant produces no earnings) per annum was estimated by Horowitz at £50. Horowitz believes

the first 100,000 could be absorbed without any relief funds and an additional 100,000 by Keren Hayesod etc. loans. Housing, according to Kaplan, should be estimated at £150 per room. This is on the basis that a pre war room £100. Kaplan estimates the cost of absorbing a post war immigrant would be £150 to £200 per head, all told. Private capital would be provided, he thinks, for 1/3 of the housing cost. Margolit believed no reliable estimates of costs can be made until the value of the pound is stabilized. All were of opinion that a considerable immigration could be absorbed at once without governmental financial assistance.

4. The Commission insists that the two primary factors in the "Transitory Period" are raw materials and modern machinery. These in turn depend upon government controls, and the scene thus shifts from Jerusalem to Cairo, and to London and Washington. Given access to raw materials and efficient equipment, there appears to be sufficient ability and capital already in Palestine to go forward. Without them, a bad unemployment crisis looms large.

5. The large amount of government property now or formerly used for military purposes is another factor. This embraces barracks, storehouses, hospitals, trucks and ultramodern machine shops. This chapter is of sufficient importance to warrant a separate organization for proper attention.

6. The situation (of the "transitory period" would be eased, if not completely remedied, if orders could be obtained from UNRRAH or other similar bodies. Cargo space might thereby be saved, and part of the general purposes of UNRRAH achieved. The Committee points out certain items which can be produced in Palestine. 1. Pharmaceutical; 2. Disinfectants (200 tons of alcohol per mo. from Egyptian molasses); 3. Soap (1000 tons per mo. in one shift; home consumption is 600 Tons); 4. Jams and marmalades (500 tons per mo.); 5. Edible Oil (2000 tons per mo. but peanuts from Kenya or India or coconuts or sesame must be imported); 6. Orange concentrates; 7. Chocolates (500 tons per mo); 8. Shoes (150,000 pairs

per mo); 9. Textiles (450 mechanical looms, 600 handlooms, 11,000 spindles - see report on Trade and Industry); 10. Canvas Tents (40,000 sq. yds. per mo. - hospital tents sent to Russia); 11. Bandages. A detailed letter was sent by Dr. Schmarak on this subject in July 1947. Col. J.G. Breckenridge of the Economics Division H Q USA F I M E Cairo recommended this avenue be pursued. Two years ago, he said, the U.S.A. army Cairo might have been interested.

7. Another phase, to which the Planning Committee has paid attention, is that which they denominate as "Compensation or Reformation." Without now going into the whole subject of claims of Jews against Germany for damage to life and property which might be transferred to Palestine, they speak of organizing the claims of those Jews who have disappeared without heirs, and claims of Jewish communities for destruction of community property; and of in some way attaching the property of Germans in Palestine by way of part satisfaction. It seems that in Palestine there are non-axis citizens who had property in Germany to the value of £1,000,000 and in addition axis citizens in Palestine have property valued at £1,000,000.

8. Kaplan says that the problems of transition can be handled without government help by mobilization of private capital together with Agency funds. He says that some 55,000 workers assuming most of the soldiers return to their former work, must be transferred from war work to peace operations, plus immigration; that the problem is complicated (a) by the abnormally high price level in Palestine (the cost of living index is 350 to 400) and the necessity of making costs of (as compared to around 150 for USA) production competitive and (b) by government regulations. But he has outlined some 10 or a dozen new corporations to deal with various phases of industry and housing in which he proposes, as an inducement to private capital, to put Jewish Agency money. Assuming a considerable immigration, he estimates £20,000,000 may be needed for the "transition period" most of which would be private capital.

9. As to the ways in which America can help, the following were suggested:

- (a) keep the Planning Committee regularly advised as to business and economic information bearing on their matters;
- (b) obtain orders from UNPRAH, or the JDC or other public bodies;
- (c) assist in obtaining government permits for importation of raw materials and modern machinery;
- (d) advise and perhaps assist after the war in re barracks, trucks, tractors, machine shops, camps, etc;
- (e) send American specialists who would operate their own or other industries;
- (f) query as to sending American experts to work with the Planning Committee;
- (g) query as to sending American experts to act as liason with M.E.S.C. and other government departments in Cairo;
- (h) query as to similar Planning Committee as subcommittee of Emergency Committee.

Kaplan thinks it not worthwhile, as we would not have sufficient data.

