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Documents relating to the application of Israel to the Export-  
Import Bank for a loan of \$100,000,000, 1948.

# The Jewish Agency for Palestine

January 29, 1948

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 5411

## CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE JEWISH AGENCY FOR PALESTINE (1.) as at September 30, 1947

### ASSETS: (2.)

Cash on Hand and at Banks £P 148,543

Loans and Investments 8,121,418

These are made up of £P 5,660,816 long term loans to agricultural settlers and investments in water installations, etc.; £P 1,777,271 various loans and investments for purposes of urban settlement including housing; and £P 683,331 sites, office buildings, etc.; all after deduction of reserves for doubtful debts and depreciation; secured by mortgages, contracts and other obligations.

Securities 1,914,286

These are shares and debentures of agricultural, water, housing and financing companies associated with the Jewish Agency; valued at cost price.

Inventory and Equipment 641,555

At cost, less depreciation, including £P 556,856 stocks of building materials and agricultural equipment still kept in stores.

Accounts Receivable 690,074

These include various interim accounts of the Palestine Foundation Fund as well as imprest funds and advances on account of future expenditure by the Jewish Agency; after deduction of a reserve of £P 153,062 for doubtful debts.

Long-Term Loans and Investments Granted Out  
of Earmarked Funds

TOTAL ASSETS £P 12,162,993

(1.) Including the Agency's fiscal instrument, the Palestine Foundation Fund.

(2.) Assets are encumbered to the extent of £P 909,587 being the balance of the consolidated loan granted by Lloyds Bank London jointly with the Anglo-Palestine Bank, Tel-Aviv.

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(3.)

LIABILITIES:

Current Accounts with Banks

£P 745,543

This sum is arrived at as follows: The Jewish Agency's debit balances with the Anglo-Palestine Bank Ltd., Jerusalem totalling £P 1,832,506, less the equivalent of £P 1,086,963 paid by the Jewish Agency's office in New York into a special account kept by the Anglo-Palestine Bank at the Manufacturers' Trust Co., N.Y.

Trust and F earmarked Funds, Deposits

55,129

This includes various minor funds for the settlement of Jews in Palestine, administered by the Jewish Agency on behalf of various Jewish institutions abroad as well as smaller deposits by individuals.

Loans

2,731,109

This includes three loans contracted by the Palestine Foundations Fund from Lloyds Bank and Anglo-Palestine Bank, as well as a number of smaller loans for specific purposes contracted by the Jewish Agency from various banks and companies. A scheme of repayments is attached (Annex 1).

Advances

1,217,851

These have been obtained by offices of the P.F.F. abroad, which contracted short-term loans secured by future income from contributions. A scheme of repayments is attached (Annex 2).

Contractors and Purchasing Orders

770,120

These are accounts arising out of contracts with building firms, water companies, agricultural companies, etc., as well as orders chiefly for building materials, piping, irrigation machinery, and agricultural equipment.

Accounts Payable

953,304

These are correct accounts with various purveyors and institutions in respect of goods delivered and services rendered, and also suspense accounts.

TOTAL LIABILITIES £P 6,473,056

(3.) In addition there are contingent liabilities incurred by the Jewish Agency amounting to £P 1,747,394.

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Annex 1

REPAYMENT SCHEME FOR LOANS

<u>Year</u>	<u>Principal</u> <u>£P</u>	<u>Interest</u> <u>£P</u>	<u>Total</u> <u>£P</u>
1947/48	634,420	73,355	707,775
1948/49	597,666	57,579	655,245
1949/50	375,268	44,394	419,662
1950/51	314,968	36,264	351,232
1951/52	238,863	28,239	267,102
1952/53 and after	<u>592,724</u>	<u>48,018</u>	<u>640,742</u>
	2,753,909	287,849	3,041,758
<u>Less: Reserve deposited</u> <u>for loan re-</u> <u>demption</u>	<u>22,800</u>		
 TOTAL	<u>2,731,109</u>	<u>287,849</u>	<u>3,041,758</u>

Annex 2

REPAYMENT SCHEME FOR ADVANCES OF THE PALESTINE FOUNDATION  
FUND

<u>Year</u>	<u>Principal</u> <u>£P</u>	<u>Interest</u> <u>£P</u>	<u>Total</u> <u>£P</u>
1947/48	1,140,351	7,800	1,148,151
1948/49	18,000	2,800	20,800
1949/50	18,000	2,800	20,800
1950/51	1,500	--	1,500
Unspecified	<u>40,000</u>	<u>--</u>	<u>40,000</u>
 TOTAL	<u>1,217,851</u>	<u>13,400</u>	<u>1,231,251</u>

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# The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 5411

## BALANCE SHEET OF THE JEWISH NATIONAL FUND, LTD.

September 30, 1947

(Provisional)

### Assets

Land, buildings and water installations in Palestine (land at cost; buildings depreciated value)	£P18,680,000	Debentures	£P 162,000
Forests and plantations (at cost)	436,000	Sundry creditors and credit balances	845,000
Office, furniture, etc.	---	Loans and bills payable	2,762,000
Securities and invest- ments (at cost)	220,000	Advances and remit- tances from branch committees against future donations or held in suspense	683,000
Discount on and expenses of issue of debentures, less amounts written off	4,000	Advance payment of rent on lands	<u>13,000</u>
Loans granted	1,621,000	Total	3,865,000
Sundry debtors and debit balances	967,000	Donated surplus	<u>18,305,000</u>
Cash and deposits with banks: specific funds	220,000		
Cash and deposits with banks: ordinary funds	<u>22,000</u>		
Total	£P 22,170,000	Total	£P 22,170,000

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## The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 1411

January 22, 1948

Mr. Oliver C. Lockhart  
Economic Adviser for the Far East  
Export-Import Bank  
Room 1005  
734 Fifteenth Street, N.W.  
Washington, D. C.

Dear Mr. Lockhart:

I enclose a statement of Palestine's Balance of Payments for the year 1946. This statement is based on the research of the Government of Palestine as enlarged and carried further by a number of economists associated with the Jewish Agency and the Anglo-Palestine Bank.

I am also in possession of a more summary statement on the Balance of Payments for the year 1947 which will be transmitted to you as soon as some of its figures -- obviously garbled in cable transmission -- have been rectified.

As you will observe the total payments due from Palestine in the year 1946, on current account, exceeded the total payments due to Palestine on current account by some £P 22.5 million. The net excess of goods and services purchased was financed by various special remittances and by imports of capital.

May I, however, at the risk of laboring the obvious, emphasize that the phrase "financed by" is perhaps an insufficiently causal linking of these two aspects of the balance of payments. The net excess of goods and services imported was due to the existence of these special remittance funds and these capital imports. Without the purchasing power created by the remittances and capital imports, no such imports of goods and services could have been financed, and no such imports would therefore have taken place.

I call your attention to the fact also that in the year 1946 Palestine was unable to achieve any substantial net depletion of her external assets. While the foreign holdings of the Palestine Currency Board fell by £P 5,020,000, and Palestine bank holdings of foreign securities fell by £P 1,788,000, at the same time banking balances abroad rose by £P 1,642,000, Government investments and balances abroad rose by £P 2,748,000, Government foreign debt fell by £P 100,000,

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and recorded gold holdings rose by £P 752,000. The net depletion of foreign exchange and gold assets was therefore only about £P 1,566,000.

It would have been much healthier for Palestine's economy if -- after six years of wartime import abstinence -- she had depleted her foreign exchange holdings much more substantially in 1946. It would have been much healthier particularly if Palestine had been able to purchase capital goods, raw materials, and foodstuffs in greater quantity from relatively low-price areas. The competitive position of her industries would have been strengthened and a firm brake applied to inflationary tendencies.

The comparatively low rate of net utilization of foreign assets was bearable in 1946 because of the low rate of immigration. Due to the comparative effectiveness of the restrictive immigration policy, only about 18,000 Jewish immigrants entered Palestine in that year.

Unfortunately there is not yet available such an analysis of national income and investment in Palestine for 1946 as would reveal the full significance of the special remittances and capital imports of that year in the economic achievement of the country. Dr. W. Dusterwald has estimated the net investment of the Jewish sector of the economy in 1946 at £P 25 million to £P 30 million (including inventories). If we make the arbitrary addition of £P 7.5 million for net real investment (including inventories) by the non-Jewish sector of the economy together with Government investment, we come to a total net investment of £P 32.5 million to £P 37.5 million. Subtracting the net capital import of £P 22.5 million, we arrive at a net investment from domestic saving of between £P 10 million and £P 15 million.

On this very rough basis, therefore, it appears that Palestine's net real domestic saving in 1946 was between 8 percent and 12 percent of her National Income of approximately £P 125 million. This rate of saving is no small achievement particularly since we have included in the consumption of Palestine not only the consumption of her settled population but also that of the ~~new~~ immigrants. The new immigrants necessarily consume more than they produce for an initial transitional period and are therefore, as a group, dis-savers rather than savers.

Because of this excess of consumption by new immigrants, Palestine's balance of payments in conjunction with

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her investment account can not show any sizeable net domestic saving in years of really large immigration. A more revealing economic picture would therefore be attained if the estimated excess of consumption (including training and other services) for new immigrants were carried as a separate item in the national accounts. This item would represent a kind of public investment -- though one yielding only intangible assets. Then the real earning, spending and saving pattern of the settled population would emerge clearly -- and would always now show sizeable positive savings,

I have gone into this question somewhat at length because there is so much misconception of the Palestine balance of payments and its significance for the prospects of self-sustaining economic development in the country. It ought to be particularly difficult for Americans to dismiss the Palestine economy lightly, on the basis of a superficial knowledge of its balance of payments, as "a deficit economy". For three centuries -- until World War I -- the United States was, in exactly the same sense, "a deficit economy". Since large-scale immigration into Palestine is necessarily a matter of years and not centuries, the period of major capital import will be correspondingly shorter.

I shall be glad to go into this matter with you as thoroughly as you may require, at your convenience. It is a question to which I have personally given a good deal of attention and to which I attribute great importance.

Yours sincerely,

Oscar Cass  
Economic Adviser to  
The Jewish Agency for Palestine

Enclosure

OG/lsh

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# The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 5411

## PALESTINE BALANCE OF PAYMENTS FOR THE YEAR 1946

### Summary Statement (in thousands of £P)

#### A -- Current Account

<u>Debits</u>		<u>Credits</u>	
<u>Merchandise purchased</u>		<u>Merchandise sold</u>	
Recorded gross imports	70,432	Recorded net exports	24,485
Less crude oil	12,743	Less oil exports	9,788
Plus oil purchased	<u>3,567</u>	Plus re-exports	<u>3,075</u>
<u>Imports, net of special petroleum transactions</u>	61,256	<u>Exports, net of petroleum gross of re-exports</u>	17,772
<u>Services purchased</u>		<u>Services rendered</u>	
Travel	2,700	Travel	1,130
Dividends	260	Dividends and interest (private)	1,200
Government interest paid on 1942 loan	108	Government receipts for services to U.K.	
Insurance	1,000	Government and from grants	1,100
Government current payments	200	British Army pay to Palestinian civilians	4,500
Transit fees, commissions, and royalties	<u>1,000</u>	British Army pay for purchases in Palestine (except oil)	14,661
	5,268	Services to oil companies	2,000
		Interest on government assets abroad	290
		Transit fees	<u>1,400</u>
			26,281
<u>Total Current Account debits</u>	66,524	<u>Total Current Account credits</u>	44,053

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B -- Capital Account

<u>Debits</u>		<u>Credits</u>	
<u>Capital Exports</u>		<u>Capital Imports</u>	
<u>Remittances</u>		<u>Remittances</u>	
Jewish institutions funds for rescue, refugee care, etc.	800	Receipts of Jewish national institutions	8,600
Jewish institutions funds for loan amortization	50	Import of goods not requiring payment (including immigrants' effects and gifts in kind)	800
Gift exports	120	Receipts of foreign diplomatic establishments	500
Emigrant and other private capital transfers	1,100	Receipts of schools and hospitals maintained from abroad	1,500
		Receipts of foreign residents, non-Jewish refugee and residual	4,000
<u>Changes in capital assets</u>		<u>Changes in capital assets</u>	
Increase in bank balances abroad	1,642	Jewish private capital import	6,200
Increase in Government investments abroad and holdings with Jt. Col. Fund	2,748	Investments of foreign concerns	1,375
Amortization of Government loan	100	Decrease in bank holdings of foreign securities	1,788
Gold import (recorded)	752	Decrease in Palestine Currency Board foreign assets	5,020
Total Capital Account debits	7,312	Total Capital Account credits	29,783
C - <u>Reconciliation</u>			
<u>Debits</u>		<u>Credits</u>	
Current Account	66,524	Current Account	44,053
Capital Account	7,312	Capital Account	29,783
Total	73,836	Total	73,836

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## The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 5411

January 23, 1948

Mr. Oliver C. Lockhart  
Economic Adviser for the Far East  
Export-Import Bank  
Room 1005  
734 Fifteenth Street, N.W.  
Washington, D. C.

Dear Mr. Lockhart:

I enclose a very tentative statement of the Palestine Balance of Payments for 1947. Because of its tentative character, I have added some notes indicating the basis of estimate for each item. The statement leans very heavily on the judgment of Dr. Kurt Mendelsohn of the Anglo-Palestine Bank.

The use of the calendar year basis for this statement is somewhat misleading, particularly because of the rapid rehabilitation of the citrus industry in these years. Citrus fruit is shipped primarily in the first quarter of the year. While the import bill for the calendar year is heavily burdened by purchases of packing materials which arrived in the last half of 1947, the export earnings will be realized primarily in the first quarter of 1948. Shifting the twelve months basis from January 1, 1947 through December 31, 1947 to a basis of April 1, 1947 through March 31, 1948 would mean an increase in export proceeds from about £P 19 million to about £P 25 million (always excluding petroleum exports).

As you will note, imports of petroleum are rigorously excluded from the debit side and exports of petroleum from the credit side of the Palestine Balance of Payments. Palestine's foreign exchange holdings are not drawn upon to pay for the imports, and they do not derive anything from the exports. Petroleum operations in Palestine are, in law and in fact, an extra-territorial enterprise. Palestine, in effect, buys her petroleum products from abroad and receives payments from abroad for labor, supplies and services rendered to the Petroleum operations. Under announced current plans of the Iraq Petroleum Co. and the Consolidated Refineries, Haifa will receive by pipeline and will refine some 9,000,000 tons of petroleum products by 1949 or thereabouts (as compared to a current Palestine consumption of just over 500,000 tons for civilian purposes). The exportable part of this production might have a gross value of the order of \$125,000,000 per annum,



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But under current arrangements only the payments for labor and services would be a credit item in Palestine's balance of payments.

In the year 1947 Palestine managed, for the first time since 1939, to make a substantial (net) use of her foreign exchange holdings. It is believed that she was the only country in the sterling area that had to wait until the third year after the end of the war in Europe to be allowed to draw on her sterling assets significantly. According to our tentative balance, these assets were drawn down by some £P 18.5 million in the calendar year (item (12) / (13) / (14), including about £P 2 million used for private gold acquisition), but this depletion would probably be reduced to about £P 12.5 million if we could eliminate the special seasonal factor mentioned above.

On the whole -- and with some conspicuous exceptions --, from the point of view of Palestine, this depletion of sterling balances is to be welcomed. It made possible a large inflow of machinery, equipment, raw materials and durable consumer goods. It placed the country in a stronger position to absorb a large immigration. Due especially to the de facto loosening of restrictions in the latter months of the year, Jewish immigration rose from about 18,000 in 1946 to about 30,000 in 1947. The country was taking some of the steps necessary to make possible a much larger immigration -- though many factors cooperating in the process would have rejected such an objective violently.

For the future, it cannot reasonably be anticipated that the United Kingdom will continue to allow Palestine to draw down her sterling balances so rapidly -- no matter how worthy the purposes on which those balances may be expended. Even in 1947 the result is to be attributed primarily to administrative laxity rather than to design. Nevertheless, it is hoped and planned that arrangements for a more moderate depletion of Palestine's sterling balances may be negotiated and that these arrangements will assure controlled expenditure of existing sterling balances in accordance with the needs of Palestine's economic development.

Yours sincerely,

Oscar Cass  
Economic Adviser to  
The Jewish Agency for Palestine

Enclosures  
OG/lsb

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# The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 3411

## PALESTINE BALANCE OF PAYMENTS FOR THE YEAR 1947 (in millions of £P)

### A -- Current Account

	<u>Debits</u>	<u>Credits</u>
(1) Trade in merchandise (excluding petroleum and re-exports)	70	19
(2) Purchase of petroleum products	4	--
(3) Services to petroleum company and remittances received by foreign residents	--	7.5
(4) Travel (net)	2	--
(5) Dividends, interest, etc. (net)	--	2
(6) Services to British Army	--	14
(7) Insurance and commissions (net)	1	--
(8) Total Current Account	<u>77</u>	<u>42.5</u>

### B -- Capital Account

(9) Non-institutional remittances (net)	--	1.5
(10) Receipts of Jewish National Institutions (net)	--	12.5
(11) Transfers of private capital net	--	5
(12) Changes in bank and other assets abroad	--	15
(13) Change in Palestine Currency Board foreign assets	--	2
(14) Change in Government foreign assets	--	1.5
(15) Miscellaneous (including gold imports)	3	--
(16) Total Capital Account	<u>3</u>	<u>37.5</u>

### C -- Reconciliation

(17) Current Account	77	42.5
(18) Capital Account	<u>3</u>	<u>37.5</u>
(19) Gross Balance	<u>80</u>	<u>80.0</u>

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Notes in Explanation of Palestine Balance of  
Payment, 1947

Line (1): imports

Total imports January - October 1947 as in published statistics (excluding crude petroleum)	£P 65,576,000
<u>Less</u> imports not requiring payments; petroleum companies, diplomatic bodies, etc.	3,906,000
<u>Less</u> re-exports included in general imports	<u>3,650,000</u>
Retained imports for 10 months	57,820,000
Estimated retained imports for final 2 months 1947	<u>12,000,000</u>
Total	69,820,000
Rounded total of estimated retained imports for 1947	70,000,000

Line (1): exports

Total exports January - October 1947 as in published statistics (excluding crude petroleum)	£P 10,218,000
<u>Plus</u> value of citrus shipments November and December	4,500,000
<u>Plus</u> value of other exports November and December	1,500,000
<u>Plus</u> special exports to "Boycott" countries	1,000,000
<u>Plus</u> adjustment for undervaluation of diamond exports	<u>1,800,000</u>
Total	19,018,000
Rounded total of estimated exports for 1947	19,000,000

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Line (2): petroleum purchases

Actual purchase of refined products 1945	BP	2,999,000
Actual purchase of refined products 1946		3,567,000
Estimated purchase of refined products 1947		4,000,000

Line (3): services to petroleum company, etc.

Represents an increase of BP 1 million from 1946 due to enlarged petroleum concession activities.

Line (4): travel (net)

The Government statistician estimated the net expenditure on this account in 1946 at BP 1.5 million. Since then, registered departures increased about 25 percent. The estimated net deficit of BP 2 million for 1947 is a rough figure.

Line (5): dividends, interest, etc. (net)

Follows the Government Statistician's estimate for 1946. The Palestine financial community regarded this figure as somewhat low for 1946, but it may be right for 1947 in view of the sales of sterling securities in the latter part of the year.

Line (6): services to British Army

No official figures available for 1947. Evaluated in terms of decline from 1946, when corresponding figure was BP 19.2 million.

Line (7): insurance and commissions (net)

Have utilized Government Statistician's figure for 1946.

Line (8): Total -- by addition

Line (9): Non-institutional remittances (net)

Followed 1946.

Line (10): Receipts of Jewish National Institutions (net)

According to records of these institutions.

Line (11): transfers of private capital (net)

Based on estimates of banking and financial community. Net resultant of considerable movements in both directions.

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Line (12): changes in bank assets abroad

According to official statistics, the decline in 1947 through October 30, 1947 was £P 11 million. The decline in the last two months is reported, by responsible banking sources, to have been rather more than £P 3 million. An allowance has also been made of £P 1 million for sales of sterling securities held by non-banking sources.

Line (13): changes in Palestine Currency Board foreign assets

Estimated from change in currency in circulation.

Line (14): change in Government foreign assets

The reported decline in the first eight months of the year was only £P 0.7 million (from £P 13.2 million to £P 12.5 million), but surpluses were probably consumed more rapidly in the latter months.

Line (15): miscellaneous, including gold

This item includes payments for films, patents, etc. Unrecorded gold purchases alone are estimated at £P 2 million.

Lines (16), (17), (18) and (19) -- by addition.

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## The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 5411

February 4, 1948

Mr. Oliver C. Lockhart  
Economic Adviser on the Far East  
Room 1005  
Export-Import Bank  
734 15th Street, NW  
Washington 25, D. C.

Dear Mr. Lockhart:

The Jewish Agency has profited from the presence in this country of Mr. S. Hoofien, Chairman of the Board of Directors of the Anglo-Palestine Bank, Ltd. to enlist his authoritative judgment in reply to the inquiry of the Export-Import Bank concerning the ability of the Jewish State to repay the proposed \$75,000,000 loan.

Mr. Hoofien is in many ways uniquely qualified to answer this question. He has played an important part for many years in the economic life of Palestine and has particularly been associated with the growth of the Anglo-Palestine Bank to its pre-eminent position among banking institutions operating in Palestine. He is also Chairman of the Board of Directors of the General Mortgage Bank, Ltd., the most important mortgage institute of Palestine.

Mr. Hoofien has, quite naturally, answered this question with all a banker's caution. He has been concerned to explore the position as it would be on a minimum basis asking always the question, "How would the loan be repaid, not if events turn out as we believe most probably, but in the worst case?"

As a minimum answer, Mr. Hoofien's reply is however completely in accord with the judgment of the Jewish Agency's economic officers, and I transmit it to you with the Agency's full adherence. I would merely call your special attention to the conclusion drawn in point 10 of Mr. Hoofien's memorandum; the Jewish Agency lays great stress on this point.

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I believe that you will find that Mr. Hoofien has given a very carefully-reasoned justification for the Agency's conviction that no serious question can arise of the ability of the Jewish State to repay the proposed loan.

Yours sincerely,

Oscar Gass  
Economic Adviser to the  
Jewish Agency for Palestine

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MEMORANDUM

Ability to Repay the Proposed Loan of \$75,000,000

1. In connection with the Jewish Agency's proposal regarding an immediate loan of \$75,000,000, it has been suggested that a brief statement should be presented setting out how the Agency envisages the Jewish State's ability to provide the necessary funds for the service of such a loan. The following observations will, it is hoped, be found to meet this purpose.
2. It is assumed that an annual amount of approximately \$8,500,000 would be required each year for a period of ten years to cover the interest and amortization of the loan.
3. It will be appreciated that, for many obvious reasons, no useful purpose would be served by an attempt to draw up, in figures pretending to exactitude, an outline of the Jewish State's budget during the forthcoming decade or of the international balance of payments of its economy during these years. It is evident that there would be a most serious objection to any attempt at exactitude; the lender may well feel that a calculation showing in exact figures that there will exist available funds for the service of this loan has only a specious precision, inasmuch as in any case those exact figures would rest on a large number of uncertain assumptions.

What the lender can reasonably expect is that a clear case should be made out that the economy of the State will be such as to enable it to make savings out of the aggregate national income sufficient to deal with all its obligations and that - unless complete international monetary chaos supervenes - the State will be able to meet its international financial obligations by providing the appropriate foreign exchange.

There will, it is believed, be no difficulty in making out such a case.

National Income and Savings Capacity

4. In the year 1946 the Government of Palestine published a survey of the National Income of Palestine in the year 1944, prepared by Mr. P. J. Loftus, the Government Statistician. This survey, in the preparation of which the most accurate data available were used, provides the best

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Ability to Repay - cont'd.

starting point for the calculation now envisaged.

In the survey, the total National Income of Palestine for the year 1944 was calculated to amount to £P 123,000,000. The Government Statistician broke down this aggregate figure as follows:

National Income of the Jewish Population	£P 73,400,000
National Income of the Arab (and other) populations	49,600,000
Total	£P 123,000,000

5. Since 1944 there has been a substantial increase in productivity, particularly in the Jewish community.

(a) The re-opening of the Mediterranean to commercial shipping has permitted the rehabilitation of Palestine's greatest export industry - citrus fruits. Exports of citrus rose from some 2,747,000 cases (including bulk shipments, in case equivalents) in 1944-45 to an anticipated 12,000,000 cases in the season which will end in the next three months. The f.o.b. value of these exports rose from £P 1,952,000 in 1944-45 to approximately £P 15,000,000 in the present season. Palestine's citrus industry is not yet fully re-habilitated from its wartime neglect, yet there has already been a rise of the equivalent of over \$50,000,000 since 1944 in the annual value of the company's citrus exports.

(b) A few real indices, not confused by questions of price changes, may be cited in further confirmation of the expansion since 1944.

Expansion of Electricity and Cement Output  
in Palestine since 1944

	Total electric power output (thousands of kilowatts)	Industrial electric power output (thousands of kilowatts)	Cement production (metric tons)	Indices of preceding columns		
				1	2	3
1944	187,811	58,020	158,579	100	100	100
1946	251,611	76,831	254,780	134	132	161
1947*	303,000	88,000	325,000	161	152	203

\*1947 based on 9 months for power and 10 months for cement.

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Ability to Repay - Cont'd.

(c) Available real indices of Jewish agricultural production confirm the same expansionary trend.

Expansion of Jewish Diversified Farming since 1944

	Milk production (millions of litres)	Egg production (millions of units)	Vegetables and potatoes (thousands of tons)	Deciduous fruit (thousands of tons)	Bananas (thousands of tons)
1944	61.5	73.8	40.5	3.3	3.5
1946	72.4	130.1	68	7.1	4.1

There is every indication that the figures of real agricultural output for 1947 are larger again than those for 1946, very much larger indeed.

6. In spite of these and many other indications of a substantial real increase in productivity since 1944, we shall assume for sake of conservatism that there has been no per capita increase. This assumption provides us with a very real reserve.

(a) The Jewish population of Palestine numbered during 1944, on the average for the year, approximately 550,000. The present Jewish population is to be put at a figure approaching 700,000. At an unchanged rate of per capita national income the present Jewish national income may, therefore, be estimated at  $700/550 \times \text{£P } 73,400,000 = \text{£P } 93,400,000$ .

(b) A round 100,000 out of these 700,000 Jews live in Jerusalem. Let it be assumed that the Jerusalem Jews will not bear any part of the burdens of the Jewish State and let it also be assumed that their per capita national income is equal to the average per capita figure. In both cases the assumption is somewhat exaggerated. The Jerusalem Jews are bound to take a fair part in the economic life of the Jewish State and will invest a good part of their savings in it. And, as they contain little industry, their per capita income is bound to be smaller than the average. Let these factors, however, be disregarded and deduct for the 100,000 Jerusalem Jews one-seventh of the figure of  $\text{£P } 93,400,000$ . We are then left with a figure of  $\text{£P } 80,000,000$  for the present national income of the initial Jewish population of the Jewish State on the basis of the 1944 price level.

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Ability to Reap - Cont'd

(c) The Jewish State territory now contains about 30% of the present Arab population of Palestine. It is not proposed to go into any lengthy calculations regarding the national income of this group. The 1944 figures of the Government Statistician form a firm enough basis for our rough calculation. He put the total national income of the non-Jewish population at £P 49,600,000. We disregard both increase and improvement - though both there have been, and especially for those non-Jews in the coastal industrial and citrus belt which will come within the Jewish State. The national income of the non-Jewish population of the Jewish State may then be estimated at roughly £P 15,000,000 in 1944 prices.

(d) We come then to the following initial annual national income of the Jewish State:

National income of the Jewish population	£P 80,000,000
National income of the non-Jewish population	15,000,000
Total	£P 95,000,000

7. If the Government of Palestine cost-of-living index be accepted as an indication of the price level, and if it is considered that this index rose by about 14 percent from 1944 to the present time, there would be ground for increasing the money value of the national income accordingly. It is, however, proposed to forego a calculation of this kind as, no doubt, an effort in the direction of a moderate deflation will be made. (It is not within the purview of the present note to venture any prophecy on the desirability or success or otherwise of such an effort.)

8. Several further factors making for larger real income are also deliberately disregarded.

(a) There is ample room for a further increase in the per capita productivity of the Jewish economy. To express such potential increase in exact figures is impossible for obvious reasons. But the whole position and all past experience render it reasonable to expect that the increase in productivity will be substantial. Nevertheless it will be disregarded for the purposes of the present statement, but it had to be mentioned so that the ultimate figures may appear in correct perspective.

(b) There is even more room for an increase in the productivity of the non-Jewish sector of the Jewish State. Experience confirms the probability of such improvement. In the

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Ability to Repay - Con't

past 15 years, real output per Arab household employed in diversified farming (all farming apart from citriculture) has risen by 50 percent. Arab industrialization has begun, and Arabs in the Jewish State will be drawn increasingly into industrial pursuits. Yet, for the purpose of this statement, both the increase during the next years in the non-Jewish labor force and in non-Jewish productivity are entirely disregarded.

(c) The entire contribution of the investment of this particular Export-Import Bank loan, by way of increased per capita productivity, will likewise be disregarded.

9. There will, however, be a very substantial increase in the Jewish population and in the resulting total national income, as a result of the large immigration which, after all, is the essential element of the entire problem under consideration. There will surely be no exaggeration in putting the increase in the Jewish population of the Jewish State from immigration and natural increase during the period of the repayment of the loan at 500,000. This figure will be contested as a gross underestimate by almost all those acquainted with the position, the potentialities and the immigration pressure. Nevertheless, for sake of argument, let the figure of 500,000 be assumed for the present, and let it be reduced to 250,000 for the average figure during the lifetime of the loan. There is no reason to put the per capita income of this additional population at any lower figure than the present per capita income as assumed in this statement. The figure of £P 80,000,000 in respect of some 600,000 Jewish inhabitants of the State is, therefore, to be increased by rather over two-fifths and a total figure of £P 113,300,000 is arrived at. Let us call this £P 110,000,000 for further safety.

If we add to this £P 110,000,000 of Jewish income the £P 15,000,000 of income of the non-Jewish population, we reach a total figure of approximately 125,000,000.

10. A figure approximately £P 125,000,000 for the average total National Income of the Jewish State during the lifetime of the loan has now emerged, and this figure contains all the reserves pointed out in the preceding paragraphs. It ought to be stated at this juncture that the cumulative effect of these reserves is believed to be a very big one, so big indeed that the actual facts may well change the present

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Ability to Repay - Con't.

estimate in an upward direction out of all recognition, at the same time that it is virtually impossible that any actual combination of facts could reduce it.

11. With this estimate in hand it is not too difficult to arrive at a rough estimate of the amount which the economy of the Jewish State could, by way of saving, set aside for investment and debt reduction. The Government Statistician estimates Palestine savings during the year 1944 at 18 per cent of the national income. The percentage is an uncommonly high one, and the statistician's observations on it are worth quoting: "Such a high proportion of saving was made possible by the high level of the national income on the one hand and the restricted possibilities of consumption by expenditure both inside and outside the country in the year 1944."

To a considerable extent, the ratio of saving will be a matter of public policy. It is submitted that, taking into account the obvious necessity under which the young Jewish State will be to encourage (if not, in some measure, to enforce) saving, it will be sufficiently conservative for the present purpose to put saving at 10% of the national income.

12. A figure of approximately £P 12,500,000 per annum is thus finally arrived at as the sum available for capital investment and external debt reduction. Convert this figure - not of necessity at the present official rate, but at any rate that may appear reasonable - into dollars, and it will be found that, after having been kept down again and again as set out in the preceding paragraphs, the resulting figure presents a very ample margin as compared with a requirement of say \$8,500,000.

Savings and External Remittance of Debt Service

13. The question may finally be asked whether, whatever surplus over current consumption may be available within the country's economy, the necessary foreign exchange can be procured for the purposes of external debt reduction. Since the answer to such a question will have to cover a period of something like a decade, a period during which the main powers, largely guided and influenced by the United States, will have to bend all their efforts toward bringing the world bank to monetary sanity, it seems obvious that an answer can be given only in fairly general terms. No attempt at drawing up an exact forecast of the Jewish State's annual balances of

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Ability to Repay - Cont'd.

payments during the forthcoming decade can usually be made, nor could such a conjectural calculation reasonably expect to be accepted as providing anything merely because it was abundantly provided with speciously precise detail.

General considerations can however be advanced which are surely adequate for a confident answer to the practical question.

First: the amount of \$8,500,000 per annum is a very modest one. There is surely no exaggerated optimism in expecting any country with adequate savings and an aggregate external trade figure now approaching the equivalent of half a billion dollars to be able to transfer annually some eight or nine million dollars. This modest transfer figure provides a wide margin for difficulties due to monetary obstruction. (Moreover, as will be indicated below, there are special reasons in the relations of the Jewish State with the United States why the dollar exchange problem will present far less difficulty in this case than it would for some other States.)

Second: whatever may have been demonstrated in the present statement about the country's ability to create within its internal economy a surplus available for investment and external debt reduction, there was no intention to make out a case that Palestine will in the near future render (or attempt to render) itself independent of capital import. It is in the very nature of Palestine, as a country of vigorous immigration, that there should continue to be considerable capital import so long as the immigration lasts. The total capital import will certainly be many times as large as the \$75,000,000 loan under direct consideration in this statement. Especially so long as there will be a large capital import, the foreign exchange problem of transferring abroad a moderate sum, of which the local currency counterpart is available from domestic resources, will altogether not present a problem.

14. Transfer of moderate amounts in dollars would also present no special problem for Palestine. In 1946 Jewish capital import into Palestine from the United States was approximately \$35,000,000; in 1947 it was about \$40,000,000. In 1948, due to the foundation of the Jewish State, an entirely unprecedented inflow of funds from the United States is anticipated. Some account of these sources of dollars has

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Ability to Repay - Con't.

already been given by Mr. Eliezer Kaplan, Treasurer of the Jewish Agency, in his memorandum of December 22, 1947 entitled The Financial Requirements of Jewish Resettlement and Economic Development in Palestine. It is consequently unnecessary to enlarge on this matter here. It should be appreciated however that for a long period - so long as there is mass Jewish immigration into Palestine - the flow of capital from the United States to Palestine is very likely to continue and in amounts that are very sizeable indeed when compared to an annual debt service charge of eight or nine million dollars. This consideration alone and apart from all others would suffice to make the foreign exchange transfer problem a quite inconsiderable one.

15. There can therefore be no serious question that the Jewish State will be able to meet an annual debt service charge of some eight or nine million dollars. Much larger amounts will be saved and could be transferred. It may also be said, without vanity, that Jewish Palestine has a voluntarily accepted national discipline which will give this external financial obligation a degree of firmness which can be matched in very few countries today. The Jewish State will have a more effectively organized tax collection system than Palestine has had hitherto. It will have a reasonably efficient foreign exchange control. It will have the assistance of an organized capital market.

It may therefore be concluded that there is every reasonable assurance that the Jewish State would pay the interest and amortization of the proposed \$75,000,000 loan without any great burden on itself and to the satisfaction of the Export-Import Bank.

S. Hoofien, Chairman  
Board of Directors  
Anglo-Palestine Bank, Ltd.

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CABLE ADDRESS  
JEWAGENCY

הסוכנות היהודית לארץ ישראל

# The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 5411

OFFICE OF  
ECONOMIC AFFAIRS

SUBMISSIONS  
to the  
UNITED STATES EXPORT - IMPORT BANK  
IN SUPPORT OF THE  
APPLICATION OF THE JEWISH AGENCY FOR PALESTINE  
for a  
SEVENTY FIVE MILLION DOLLAR LOAN

Oscar Gass, Economic Adviser

February, 1948

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## The Jewish Agency for Palestine

220 Massachusetts Ave., N. W.  
WASHINGTON 5, D. C.  
ADAMS 5411

December 22, 1947

Mr. William McChesney Martin, Chairman  
Export-Import Bank  
Washington, D. C.

Dear Mr. Martin:

I wish to thank you and your colleagues for your courtesy in meeting with me and Mr. Gass last week.

In accordance with your request, we have prepared a concise statement of the basic terms of the immediate credit that we suggest. That statement is contained in the enclosed memorandum entitled Proposed Basic Terms of an Immediate Export-Import Bank Credit.....

I am also taking the liberty of sending you a more general memorandum describing the financial requirements of our Four-Year Plan of Resettlement and Development. As you will see, we have ventured in this memorandum to suggest a rather large, continuing role for the Export-Import Bank in the general problem of resettlement and development in Palestine. It is our hope that this suggestion may win your support and subsequently the support of both the Executive and Legislative branches of the United States Government. We trust that you will agree with us that there is a challenge and an opportunity in Palestine that is worthy of extraordinary measures.

We would greatly appreciate having some indication, however tentative, of your views on these proposals as soon as possible. At the end of the present week, I shall have to go to London for a few days in connection with some urgent financial matters. During my absence, you will, however, be able to get any necessary information from Mr. Gass, who serves as Economic Advisor to the Jewish Agency.

Sincerely yours,

Eli ezer Kaplan, Treasurer  
Jewish Agency for Palestine



# The Jewish Agency for Palestine

230 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 5411

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December 22, 1947

## MEMORANDUM

### The Financial Requirements of Jewish Resettlement and Economic Development in Palestine

#### 1. The Four-Year Plan

The Jewish Agency for Palestine has established the outline of an economic plan designed to meet the large responsibilities for Jewish resettlement and Palestinian development that have been entrusted to the Jewish State by the United Nations. This plan is conceived tentatively in terms of the four years 1948-51.

The primary objective of this plan is to satisfy the most urgent needs for resettling Jews from Europe and, to a lesser extent, from the Arab countries. A second compelling and pressing objective is to develop the country so as to raise the standard of living of the Arab population of the Jewish State gradually to the level of the Jewish population.

It is believed that the most urgent needs for Jewish resettlement may be met by the immigration of approximately 400,000 Jews into Palestine during the next four years. As a result of the accomplishment of this program, it should be possible - so far as Jews are concerned - to close the Displaced Persons Camps and to put further emigration from Europe on a more normal basis.

Of the 400,000 immigrants, it is contemplated that perhaps 40,000 to 45,000 would be children orphaned or separated from their parents. Approximately 140,000 to 150,000 would be adults and family groups from among the Displaced Persons in Germany, Austria, and Italy. Some 15,000 would come from Cyprus. Roughly 200,000 would be persons in extreme need of resettlement from eastern Europe and from the Arab countries.

It is anticipated that there would be no restriction on the entry of Jews into the Jewish State in so far as the

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prospective immigrants are persons of sufficient means to fend for themselves. The general supply of capital to create opportunities for productive employment will, however, necessarily be a limiting factor in the rate of immigration of persons without means. The Jewish Agency does not, of course, set 400,000 immigrants in four years as an unchangeable program. Should adequate capital be available, it might be possible to accomplish the program more rapidly, but - for the present - 400,000 immigrants in four years seems a sufficiently exacting target. On the other hand, given the need to close the Displaced Persons camps and to provide for distress conditions elsewhere, no target substantially smaller than 400,000 could be accepted.

2. The Funds Required

The funds required for the accomplishment of the various aspects of the Four-Year Plan are indicated below, in rounded summary form. These rounded totals are based on a detailed, though tentative, itemization, which is now undergoing systematic revision.

It must be emphasized that the financial requirements dealt with here are solely the requirements for the Jewish State's resettlement and development plan; funds required for other purposes do not come into the plan. First, the ordinary, operating budget of the Jewish State, for the provision of ordinary public services to the settled Palestinian population, is not included; obviously these services will be provided for from ordinary current income. Second, no part of the security expenditure of the Jewish State is included, whether ordinary or extraordinary. Third, the subsidy of up to \$64 million payable in four years by the Jewish State to the Arab State, in accordance with the determination of the United Nations, is also excluded; this subsidy must, it is true, be provided for out of the savings of the Jewish State, but the purposes for which the subsidy funds will be expended obviously fall out of the purview of a Jewish State plan.

With this delimitation, the funds required for the accomplishment of the Four-Year Plan come to a total of approximately \$1-1/4 billion.

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Funds Required for The Accomplishment  
of the Four-Year Plan

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For services to  
immigrants

Transportation to Palestine	\$ 56,000,000
Care of orphaned children	107,500,000
Adult Chronic Welfare cases	24,000,000
Vocational training	20,500,000
Transitional maintenance and welfare services	<u>65,500,000</u>
Sub-total	\$293,500,000

For productive  
investment

Agriculture for immigrants	75,000,000
Irrigation for immigrants	38,000,000
Land for immigrants	100,000,000
Manufactures for immigrants	115,000,000
Housing for immigrants	290,000,000
Other construction for immigrants	160,000,000
All categories of investment for growth of Arab and Jewish popu- lation plus Arab development	<u>120,000,000</u>
Inventory for enlarged population	<u>60,000,000</u>
Sub-total	\$958,000,000

GRAND TOTAL	\$1,251,500,000
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Note: A few explanatory comments are given in the attached  
Technical Notes, Note A.

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### 3. Sources of Funds

The Jewish Agency is undertaking a comprehensive program designed to tap all sources of funds that may be made available for the accomplishment of this program.

In the long run, new savings in Palestine will, of course, be the principal source of development financing. The present (1947) annual national income of the area which will become the territory of the Jewish State may be estimated at roughly \$360 million (£90 million). Given appropriate policies and controls, it is quite possible for the Jewish State to save one-eighth of this income; under war-time conditions, a substantially higher saving ratio was attained. As population expands and development continues, this savings quota will rise - supplying funds for new investment and guaranteeing the repayment of old loans. It is believed that during the next four years - with a labor force increase of approximately fifty percent - it will be feasible to bring about new savings of about \$240 million. In accordance with the determination of the United Nations, up to \$64 million will have to be transferred by the Jewish State to the Arab State, leaving approximately \$175 million of new domestic savings to be devoted to the development program.

Palestine served the British war effort, among other ways, by supplying her capital imports and her new savings to Britain in exchange for balances held in sterling, subject to British trade and exchange controls. The total amount of these balances is very roughly \$500 million, of which roughly three-quarters belongs to residents of the Jewish State territory. It may reasonably be anticipated - though certainty is impossible - that perhaps \$75 million of these balances could be drawn down during the next four years to finance part of the development plan. (The implicit rate of depletion of Palestine's sterling balances would be of the same order of magnitude as the actual rate that has prevailed since the end of the war.)

Campaigns of entirely unprecedented magnitude are being undertaken by world Jewry to contribute money to Palestine for the rehabilitation and resettlement of needy immigrants. In the United States, a campaign has just been launched by the United Jewish Appeal which - should it be fully successful - would ultimately contribute approximately \$145 million to Palestine. (Part of these funds are, however, designated for interim security needs and other purposes lying outside the scope of the Four-Year Plan.) On the basis of these enlarged campaigns, it is hoped that during the next four years world Jewry will contribute approximately \$300 million, as a free gift, towards the accomplishment of the resettlement program and the related economic development.

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A great variety of measures are being undertaken, all over the world, to interest private capital in investment in Palestine. In the years 1919-1939, over eighty percent of the capital imported into Palestine was private and less than twenty percent came by way of contributions. Then, however, private capital came primarily with immigrants who possessed some means. Today, so far as Europe is concerned, there are no such immigrants. Private capital is anticipated primarily by way of branch plants, participation in investment companies, a flow of funds for mortgages in connection with housing, etc. Though any estimate is extremely hazardous, it is believed that it may be possible to tap \$200 million of such investment funds during the next four years.

It is now possible to summarize the funds which are in view for the accomplishment of the Four-Year Plan in relation to the requirements of that plan as indicated above.

Requirements and Resources for the Accomplishment  
of the Four-Year Plan  
(in round figures)

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Requirements:

For <u>services</u> to immigrants	\$300,000,000
For <u>productive</u> investment	950,000,000
Total	<u>\$1,250,000,000</u>

Resources:

From new and old Palestinian <u>savings</u>	\$250,000,000
From <u>contributions</u> of world Jewry	300,000,000
From private foreign <u>investment</u>	<u>200,000,000</u>
Total	<u>\$750,000,000</u>

Funds required from other sources	<u>\$500,000,000</u>
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It is fully appreciated that many uncertainties affect this balance of Requirements and Resources and the resulting indicated deficit of \$500 million. On the Resources side, the present balance perhaps errs in the direction of optimism,

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but it is not a passive optimism; it reflects a determination to take all possible action to realize the stated objectives. On the Requirements side, a minimal approach has been taken. Housing, for instance, is provided on a standard of 2-1/2 persons per living room. Moreover the program provides little or nothing for development needs beyond the next four years. For that reason no mention is made of what has come to be known as the project of a Jordan Valley Authority.

Such a project as the Jordan Valley Authority would call for a capital sum of at least \$300 million, at present prices. It would also involve the cooperation of several States. For the present, more current needs must receive priority. The irrigation activity of the Jewish State will be planned to fit in with a comprehensive dual-purpose irrigation and power development should such a project prove feasible at a later date.

There is a clear deficit of some \$500 million dollars even with respect to these minimal requirements.

#### 4. Participation of the United States

The Jewish Agency turns to the Government of the United States first with this financial problem because of the preeminent position of the United States in the world capital market, because of the leadership in economic reconstruction now being undertaken by the United States through the Marshall Plan, and because of the sympathetic interest taken by both the Executive and Legislative branches of the United States Government in the problem of Palestine. On October 4, 1946, President Truman expressed this interest most pointedly in specific reference to the economic problem of Palestine. The President generously announced: "....should a workable solution for Palestine be devised, I would be willing to recommend to Congress a plan for economic assistance for the development of the country." This policy of economic and financial assistance was most helpfully reaffirmed by the representatives of the United States Government at the recent proceedings of the United Nations.

It is suggested that there is both a reasonable analogy and a cooperative relationship between the Four-Year Plan of Jewish resettlement and the European Recovery Plan initiated by the United States Government. Both are in fact reconstructions of something shattered by war and Nazi aggression, though the Jewish reconstruction is necessarily accompanied with the creation of a new State. Both plans are necessary for the

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"normalization" of the European economy: such normalization is impossible without solving the Displaced Persons problem as well as the problem of those persons who, while not formally "displaced", are living in places where they cannot remain permanently.

Despite this parallelism and cooperative relationship between the European Recovery Plan and the Four-Year Plan for Jewish resettlement and development, the Jewish Agency recognizes that the question of fully parallel action by the United States Government involves a variety of considerations on which the Agency is not competent to pass judgment. It is the Agency's intention merely to call attention to some points of analogy and relationship which are believed to be relevant. It is for the Government of the United States alone to decide whether financial assistance partly by means of a grant, such as is proposed for the European Recovery Plan, is also appropriate in the case of Palestine. The Agency recalls that both in connection with the original proposal of President Truman to move 100,000 immigrants to Palestine and subsequently, during the Morrison-Grady negotiations, the United States Government did offer grants, in services and in money, to facilitate a Palestine settlement.

##### 5. Possible Role of the Export-Import Bank

The Jewish Agency hopes that the United States Government will find it possible to make a major contribution towards the accomplishment of the Jewish State's Four-Year Plan through the use of the channels of the Export-Import Bank. Preliminary explorations with the officers of the Bank indicate that this would require an Executive recommendation and affirmative action by the Congress. While the Bank may be in a position now to lend moderate amounts for medium periods without any special Congressional authorization, its reserve of uncommitted lending power is not adequate for major participation in the Four-Year Plan.

It is suggested that a Congressional authorization for major participation in the development program (including loans for such long-lived assets as irrigation installations) might appropriately confer power to grant loans for a period up to forty years. Loans should be made only for productive, repaying purposes. In view of current supply shortages, the Bank might also be granted discretion with respect to the concentration of all expenditures in the United States.

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The advantages of such a general lending authorization to the Export-Import Bank would be many. The Bank would retain complete discretion to lend only for sound projects. It would be possible to adjust the financing plan to the basic realities of the underlying resettlement and development problems and not to have to work in terms of unconnected year-to-year fragments. The Bank would acquire a relationship of trust, confidence and guidance which would be most healthy in the economic development of the new Jewish State.

#### 6. Role of United Nations Institutions

The Jewish Agency anticipates that ways can be found through the United Nations to make a modest contribution to the most immediate requirements of Jewish resettlement. In this connection, the Agency thinks particularly of the IRO. It seems clear, however, that there can be no major reliance on the financial resources of the United Nations organization, as such, either for grants or for loans. The budgetary position of the United Nations would not permit any grant, and the United Nations has formally divested itself of the power even to make recommendations to the International Bank with respect to loans. It seems, therefore, that public financing of Jewish resettlement and development, while in accord with declared United Nations policy, cannot practicably operate, to any considerable extent, through United Nations mechanisms.

It is clear that the Jewish State will, in due course, have to develop a borrowing program in connection with the International Bank. Such a program will have to be formulated some time after the Jewish State will have acquired the membership in the International Bank which is a prerequisite for any loan application. Perhaps the International Bank might ultimately undertake to finance the Jordan Valley Authority, as an integrated project. At the present, the International Bank is only beginning its operations and has a long waiting list. It seems unlikely, therefore, that in the near future the International Bank will be in a position to make a major contribution to Palestine's financing needs.

#### 7. First Year Requirements

The crucial year in the establishment of the Jewish State seems likely to be the first year, 1948. The atmosphere created during that year will, in very large part, determine

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the success or failure of the enterprise in which the United Nations has set its hand in Palestine. There is at stake too the outcome of a policy for which the Government and people of the United States have shown such sympathy. What is at issue for the Jewish people is too great and transparent to require further emphasis. And it may also well be that the gains from peace and constructive development - or the losses from conflict and economic stagnation - will be fateful for the future of the Arab Middle East.

Because of the crucial significance of this year, it is most important that - despite all obstacles - constructive work should proceed apace. Arrangements to purchase investment goods must be made well ahead, funds must be obligated, contracts signed, and shipping service assured. Otherwise it will be impossible to bring people into Palestine rapidly, to care for them, and to provide them with productive employment.

Every resource of the Jewish community in Palestine and of world Jewry will be called upon to meet the needs of this first year of the establishment of the Jewish State. There is a profound awareness of responsibility and a determination not to be found wanting. Nevertheless the finances available from Jewish sources alone will be insufficient. They will be insufficient particularly because the exceptional generosity of world Jewry will, in part, be offset by the special circumstance that, for an undetermined part of the year 1948, the Jewish Agency will have to shoulder many of the financial responsibilities of a sovereign State without yet having the normal tax and monetary powers of any State. The resulting gap between probable requirements and resources is roughly \$125 million to \$150 million for this crucial first year.

For these reasons, the Jewish Agency has ventured to suggest to the officers of the Export-Import Bank the possibility of moderate financial participation in the first year requirements of the Four-Year Plan in advance of special Congressional authorization. A brief memorandum outlining the possible character of such participation accompanies the present memorandum.

#### 8. Urgency of Action

The Jewish Agency is confident that the Government of the United States is fully aware of the importance of an early resolution of these basic financial questions.

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A constructive beginning with public financing of resettlement and development will permit careful planning. It will also help to create an atmosphere of peace and constructive effort. In such an atmosphere, a substantial flow of private investment funds into Palestine may reasonably be anticipated; thereby, the total inter-governmental financing required in the long run will be held to a minimum.

Eliezer Kaplan, Treasurer  
Jewish Agency for Palestine



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Technical Notes

The present technical notes are intended only to indicate some of the basic assumptions utilized.

Note A - Funds Required (page 3)

The transportation cost estimate is based on IRG shipping experience modified as seemed required.

It is assumed that orphaned children will have to be maintained for an average of only three years.

Transitional maintenance for adults is budgeted for an average of six weeks, but medical care for the first year; initial outfitting is also provided.

The distinction between investment funds required for the 400,000 immigrants and those required for the growth and development of the resident population is, of course, analytical rather than operational. In actuality, there will be no water-tight compartments.

Agriculture is on a basis of present marketing opportunities for irrigated, intensive, diversified farms.

Land is included as a cost because it does not mean a mere shift in the holding of monetary balances. Part of the payments for land will require capital export to the Arab State and neighboring countries; a very large part will result in equivalent real investment by Arabs, particularly in agriculture and housing but also in commerce and industry; only a very small part will mean a mere shift of cash balances from Jews to Arabs in the Jewish State, which should not come into capital requirements.

Housing is on the basis of permanent structures, with 2-1/2 persons per living room plus kitchen and bathroom.

The investment required for the growth of the population through natural increase plus that required for Arab development is covered partly by that specific category and partly by "Land", as indicated above.

All figures are based on current prices in local or world markets depending on where it is anticipated actual purchases will be made.

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Note B - Reconciliation with other figures

The coverage of the Four-Year Plan does not coincide exactly with the scope of Palestine needs as presented recently to the Conference of the United Jewish Appeal and widely summarized in the press. Caution should consequently be exercised in comparing the two sets of figures.



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# The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 5411

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December 22, 1947

## MEMORANDUM

### Proposed Basic Terms of an Immediate Export-Import Bank Credit to the Jewish Agency for Palestine

1. It is extremely urgent that an immediate beginning be made on productive investment in Palestine in connection with the resettlement of immigrants and the related economic development. A very large part of the requisite materials and equipment can be procured only in the United States. The resources available to the Jewish Agency in 1948 will not suffice to meet the irreducible requirements. It is therefore proposed that the Export-Import Bank advance the Jewish Agency a credit for the purchase of equipment, materials and services in the United States.
2. It is suggested that the amount of the credit be \$75 million. The Jewish Agency would propose to obligate these funds during 1948 but suggests that, if supply difficulties necessitate, some part of the funds might be obligated in 1949. All purchasing would take place through normal trade channels.
3. The Jewish Agency submits that, having regard to the nature of the underlying program and the character of the things to be purchased, an appropriate period for this credit would be approximately ten years. It is understood that the credit would be subject to continuous amortization during that period. Should the suggested period of the credit present difficulties to the Export-Import Bank, the Jewish Agency would be prepared to consider a somewhat shorter period, which would still be of great assistance, though a shorter period might involve some change in the composition of the program.
4. No special request is made with respect to the rate of interest. It is presumed that this credit would bear an interest rate comparable to the rates on other credits of equal maturity that have been granted by the Bank in recent years.
5. The obligor, in the first instance, would be the Jewish Agency for Palestine. The Agency is recognized by the Palestine

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Mandate, by the United Nations, and by the Government of the United States as the body duly authorized to represent the Jewish interest in the development of Palestine.

It is proposed that, as soon as a Provisional Government, and then a permanent Government of the Jewish State is established, the obligation to the Export-Import Bank will be taken over by the new State. In accordance with the determination of the United Nations, the latest possible date for the establishment of the new permanent Government would be October 1, 1948.

6. The following page contains a summary statement of the classes of commodities and services which it is proposed to purchase with this credit. This statement is rather an indication of the character of the program than an exact summing up of the value of the things to be procured.

7. The Jewish Agency would like to emphasize again the great importance of an early decision in principle to grant this credit. Assurance of immediate adequate financing is of vital significance for the success of the present Palestine policy, in the formulation of which the Government of the United States has played so constructive a role. It would be most helpful if arrangements for the procurement and shipping of the commodities included in this program could be initiated in the next weeks.

8. The economic officers of the Jewish Agency are prepared to furnish the Export-Import Bank with any further information on this matter that may be required.

Eliezer Kaplan, Treasurer  
Jewish Agency for Palestine

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Goods and Services to be Purchased  
under the Proposed Credit

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1. Agricultural tools, machinery and equipment	\$13 million
2. Dairy cattle	2 million
3. Industrial machinery and equipment (including power equipment)	10 million
4. Construction equipment	2 million
5. Plumbing and other building installations	3 million
6. Trucks and busses	3 million
7. Iron and steel	
Pipe	\$7.5 million
Bars, Rods and angles	5.0 million
Other	<u>2.5 million</u>
	15 million
8. Non-ferrous metals and products	2 million
9. Timber	4 million
10. Chemicals and miscellaneous raw materials	4 million
11. Engineering, consulting and purchasing services	2 million
12. Shipping services	\$12 million to 15 million
	<hr/>
TOTAL	\$72 million to 75 million

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## The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 5411

January 12, 1948

Mr. Oliver Lockhart  
Economic Adviser for the Far East  
Export-Import Bank  
Room 1005  
734 Fifteenth Street, N.W.  
Washington, D. C.

Dear Mr. Lockhart:

I enclose a brief memorandum in partial fulfillment of one of the several promises of additional information I made in our informal discussion last Wednesday.

The present memorandum gives more concrete specifications, revised during recent weeks, of our requirements of agricultural equipment and dairy cattle, previously outlined in our memorandum of December 22, 1947. Comparable concrete specifications of other classes of requirements -- particularly for industrial machinery, construction equipment, steel, and timber -- are now being revised in Palestine and will be transmitted shortly.

I also have very much in mind your request for a memorandum specifying the exact status of the Jewish Agency as a borrower. Such a memorandum will be completed and transmitted to you as soon as a few outstanding pieces of information arrive from Jerusalem.

I have ventured to enclose, for your information, in connection with these specific agricultural requirements, two brief papers which throw some light on the development of Jewish and Arab agriculture. I have not, however, sent you the two most basic studies of agricultural economics and agricultural development possibilities in Palestine. These are both unpublished studies prepared in connection with the Jewish Agency's planning work. The basic general treatment of agricultural economics is Jewish Colonization in Palestine prepared by L. Loewe and L. Samuel in 1945. The basic agricultural development plan is Development Project For Irrigated Farming In Palestine, prepared by the Rehovot



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Agricultural Research Institute in 1947. These are each documents of some 200 pages. They could be made available for your examination should you wish to study them.

Yours sincerely,

Oscar Gass  
Economic Adviser to the  
Jewish Agency for Palestine



## The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 5411

January 12, 1948

### MEMORANDUM

Further Specification of the Goods and Services  
to be Purchased under the Proposed Credit of  
\$75,000,000 to the Jewish Agency from the Export-  
Import Bank: First Installment

1. The present memorandum is submitted in an effort to specify further some of the types of products (and the end-uses of those products) which were outlined first in the application of December 22, 1947 submitted to the Export-Import Bank by the Jewish Agency for Palestine. This memorandum deals specifically with items 1. and 2. of that outline (page 3 of the application of December 22nd). These two items cover requirements of agricultural equipment and livestock with a total value of approximately \$15 million.
2. In general it may be said that this agricultural equipment and livestock are all required in partial fulfillment of the next stage in a program of agricultural expansion and intensification that reaches far beyond 1948. The stages of trial and error that resulted in finding the present pattern of this fully intensive, irrigated agriculture are outlined briefly in the paper on The Jewish Agricultural History of Palestine by S. Zemach. The present stage in the adoption of this type of agriculture by Arabs is outlined by Dr. Ludwig Samuel in his paper on the Progress of Arab Agriculture.
3. The underlying basic agricultural plan, in accordance with which these investment requirements for purchase in the United States have been established, was formulated by the Jewish Agency's Agricultural Research Station. It is entitled Development Project For Irrigated Farming In Palestine and can be made available, in summary form, in English, with some 70 basic tables, if desired. This Project indicates, village by village, the appropriate pattern of land use after intensification and during three stages of intensification; it establishes the water requirements for irrigation of each crop; it outlines ten basic farm types; it also stipulates the investment required, the resulting output, and the necessary market demand for success at each stage. The total accomplishment of this

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plan is, however, a matter of at least ten years and probably longer. The plan is in process of continuous modification. Only the most immediately necessary steps in the accomplishment of this Project are scheduled for 1948 and 1949. Moreover only those items which, in all reasonable probability, can not be purchased elsewhere than in the United States, have been designated for United States procurement.

4. It must be emphasized that the agricultural Development Project outlined by the Jewish Agency is not a plan for Jewish farming alone. It is a plan for joint Arab-Jewish development in the area of the Jewish State. Within the prescribed development area (defined as the area where irrigation water is available without long-distance conveyance), Arab family farms will increase from some 31,000 at present to over 40,000 at the completion of the development process. At the same time, net income per Arab farm family will rise by at least 50 percent. It must be underlined, however, that the development plan cannot be realized either for Jews or Arabs without (a) the growth of the local market through immigration and (b) the increase in productivity through the carrying-out of the investment needed for intensification.

5. The requirements of general agricultural equipment to be purchased from the United States are indicated, by general categories, in the appended table. No such listing would be meaningful in the case of dairy cattle. For the present, it is not contemplated that any substantial numbers of livestock, apart from dairy cattle, will be purchased in the United States during the next year. Of dairy cattle, the type which is most readily adaptable to Palestine conditions is Brown-Swiss. There may also be some purchase of Holstein-Frisian breed. Purchases would be limited to heifers bred to freshen after delivery, with an appropriate complement of bulls. Current price data indicate that the cost per head for Brown-Swiss (including an appropriate complement of registered bulls) would be approximately \$275 per head f.a.s. port. This price would mean that something over 7000 head could be purchased for the \$2 million indicated in item 2 of the December 22, 1947 application. Such a number would make a major contribution to Palestine requirements.

6. It is emphasized that the requirements indicated in the appended table are subject to modifications in detail. These requirements represent the reduction of a more comprehensive program in an effort to include only those items which can be most advantageously purchased from the United States. Under circumstances of fluctuating prices and supply conditions, it may be desirable to make some modifications in

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the particular items to be purchased in the United States when the actual time for placing purchase orders comes. However, these changes in the particular orders would make no change in the general end use for which the products would be required.

7. The Jewish Agency is prepared to furnish in writing any further information on the economics of Palestine agriculture, on the specific agricultural equipment required for the present investment program, or on any related question on which information may be required. Moreover, experts in Palestinian agricultural conditions will come to the United States in connection with purchasing this equipment, and if required these experts could come over earlier in connection with detailed exposition of the nature of the present program.

Oscar Gass  
Economic Adviser to the  
Jewish Agency for Palestine

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General Agricultural Equipment Requirements Included  
in the Proposed \$75,000,000 Credit from the Export-  
Import Bank

<u>Type of Equipment</u>	<u>Approximate Total Cost 1/ f.a.s. N.Y. 1000 dollars</u>
1. Tractors, including caterpillar type and wheel	2,100
2. Bulldozer attachments	225
3. Combines, including drawn, self-propelled and foreign type	2,750
4. Balers, automatic	665
5. Corn picking, planting and shredding equipment	320
6. Plows, including wing, disc, rollover, furrow, etc.	315
7. Harrow, including disc, peg tooth, etc.	110
8. Cultivators	130
9. Drills and planters	170
10. Fertilizing equipment, including spreaders (chemical and manure) and loaders	250
11. Mowing machines	110
12. Rakes and swath turners	125
13. Land leveling machines	575
14. Potato planters, diggers, graders	500
15. Sprayers, dusters; motor driven	450
16. Milking machines	300
17. Incubators	400

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General Agricultural Equipment Requirements (continued)

18. Grinding (hammer) mills	50
19. Grain cleaning and disinfectant machines	50
20. Grain elevators and loaders	80
21. Tool bars and accessories	75
22. Miscellaneous: including Spare parts, accessories and attachments for above itemized equipment. Also in- cludes other pieces of equipment such as rubber wheeled hand carts, angle dozers, rooters, dairy equipment, etc., not other- wise specified	3,250
Total	13,000

1/ Includes freight from manufacturing plants to New York.

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## The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 5411

January 30, 1948

Mr. Oliver Lockhart  
Economic Adviser on the Far East  
Room 1005  
Export-Import Bank  
734 15th Street, NW  
Washington 25, D. C.

Dear Mr. Lockhart:

I am enclosing a memorandum in continuation of the job of more detailed specification of products and end uses begun in our memorandum of January 12, 1948. I have also received from Palestine further specifications on the character of the requirements included in our loan application for steel and timber, and I expect to be in a position to transmit these to you tomorrow. With the completion of the third installment of this further specification, the Agency will have submitted fairly detailed indications of the character of its proposed purchases covering some \$48,250,000 of commodities out of a total of \$58,000,000 worth of commodities (excluding services) comprehended in the Agency's loan application.

Yours sincerely,

Oscar Gass  
Economic Adviser to the  
Jewish Agency for Palestine

Encl.

CG/rg



## The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 5411

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January 30, 1948

### Memorandum

Further Specification of the Goods and Services to  
be purchased under the Proposed Credit of \$75,000,000  
to the Jewish Agency from the Export-Import Bank:  
Second Installment

1. The present memorandum is submitted in an effort to specify further some of the types of products (and the end-uses of these products) which were outlined first in the application of December 22, 1947 submitted to the Export-Import Bank by the Jewish Agency for Palestine. This memorandum deals specifically with requirements of industrial equipment and construction equipment. The nature of the equipment required and the purposes for which it will be used are detailed in the appended Table 1 (industrial equipment) and Table 2 (construction equipment). The total value of the requirements covered in these two tables is approximately \$14,250,000, f.a.s. New York.
2. The requirements of industrial equipment included in this program are based on a review of investment and import needs just concluded in Palestine. This review has profited from the experience of the Jewish Agency as an exchange control authority and from considerations of the views of the Palestine Manufacturers Association. However it has been the planning officers of the Jewish Agency who have been responsible for the selection and emphasis involved in this program. It will be impossible for the Jewish State to meet all claims for foreign exchange. It is therefore necessary to conserve foreign exchange for expenditure only in connection with those investments which seem most likely to be successful in Palestine and which are of greatest significance for the further economic development in the country. Moreover, since it is clear that the Jewish State's dollar resources will not permit complete exercise of importers' preference for expenditure in areas requiring payment in dollars, it has been necessary to schedule for purchase in the United States only that industrial equipment in which United States products have the greatest comparative advantage.

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3. The situation with respect to construction equipment is somewhat different. In this field, the advantages of United States products are overwhelming. Moreover, it is of the greatest importance that Palestine's productive efficiency in construction work should improve so that the enormous construction job of the next years can be accomplished at a reasonable cost. Even after the most careful selection, during the Agency's recently completed review, requirements of construction equipment for delivery from the United States during 1948 and 1949 could not be reduced below approximately \$4,250,000. (This is a substantially larger figure than was included in the outline of December 22, 1947.) In the last resort, dollars will have to be diverted from other essential purposes to meet this need.

4. It is emphasized, as previously in our submission on agricultural equipment, that the requirements indicated in the appended tables are subject to modifications in detail. They do not have the precision of a compilation of purchasing orders -- though in some cases they are derived from actual purchasing plans. It is believed however that these tables will serve to indicate, with considerable precision, the character of the investment program for which the present Export-Import Bank credit is requested.

Oscar Gass  
Economic Adviser to the  
Jewish Agency for Palestine

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Table 1

Requirements of Industrial Equipment Included in the  
proposed \$75,000,000 Credit from the Export-Import Bank

<u>Type of equipment</u>	<u>Approximate total cost f.a.s. New York</u>
1. <u>Machine tools</u> (including motors)	
Lathes (115 units)	
Shapers (60 units)	
Millers (40 units)	
Drill presses (100 units)	
Hack-saws (100 units)	
Grinders (40 units)	
Planers (40 units)	
Thread cutters (40 units)	
Sub-total	\$500,000
2. <u>Sheet-metal Machinery</u> (including motors)	
Bending presses (35 units)	
Folding presses (30 units)	
Punching presses (30 units)	
Straightening rolls (20 units)	
Shears (80 units)	
Sub-total	\$125,000
3. <u>Electric motors</u>	
Motors 5 - 10 H.P. (300 units)	
Motors 12.5 - 17.5 H.P. (210 units)	
Motors 20-60 H.P. (75 units)	
Sub-total	\$100,000
4. <u>Semi-basic metals</u>	
Mild steel rolling plant, annual capacity 45,000 tons of bars, rods and structural shapes	\$800,000
Copper and brass rolling plant, 7,500 tons annual capacity of semi-manufactures	\$250,000
Zinc sheets rolling mill, 3,000 tons annual capacity	\$250,000
Electrodes and welding rods, 200 tons annual capacity	\$125,000
Lead-covered cables plant, 250 tons annual capacity	\$ 40,000
Pipe fabrication plant, 30,000 tons annual capacity	\$800,000
Sub-total	\$2,265,000

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5. <u>Foundries and forges</u>	
Foundry metal processing	\$250,000
Forging, stamping, die-casting	<u>\$300,000</u>
Sub-total	\$550,000
6. <u>Woodworking</u>	
Saws, planes, profile cutters, lathes, etc.	Sub-total
	\$250,000
7. <u>Chemicals and pharmaceuticals</u>	
Retorts, stills, centrifuges, dryers, etc.	Sub-total
	\$400,000
8. <u>Building materials manufacture</u>	
Presses, mixers, mills, kilns, etc.	Sub-total
	\$500,000
9. <u>Textiles</u>	
Mechanical revolving looms (600 units)	\$500,000
Automatic looms (250 units)	\$750,000
Weaving auxiliary equipment	\$100,000
Worsted spinning plant, 5000 ring spindles with complete carding, combing, drawing, spinning and twisting section	\$600,000
Double cylinder knitting machines for stockings (100 units)	\$ 75,000
Interlock circular tricot machines (50 units)	\$350,000
Cotton machines for stockings (12 units)	\$750,000
Complete cotton yarn spinning set 10,000 spindles for counts -42	<u>\$775,000</u>
Sub-total	\$3,800,000
10. <u>Miscellaneous</u>	
Electric small tools (600 units)	\$ 30,000
Galvanizing plant (4 units)	\$ 30,000
Garage equipment	\$250,000
Bicycle manufacturing plant (35,000 bicycles per annum)	\$150,000
Printing machinery & newspaper plant	\$225,000
Paper manufacturing plant (8,000 tons annual capacity)	\$250,000
Glass-making plant	\$275,000
Other equipment not specifically itemized	<u>\$300,000</u>
Sub-total	\$1,510,000
TOTAL	\$10,000,000

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Table 2

Requirements of Construction Equipment Included in the  
proposed \$75,000,000 Credit from the Export-Import Bank

<u>Types of equipment</u>	<u>Approximate total cost f.a.s. New York</u>
1. <u>Earthmoving and excavation</u> Tractors with angledozers (D6-D8 Caterpillars or similar (25 units) "Letourneau" scrapers Ecy-14cy (10 units) Dumpers with diesel engine, all sizes (10 units) Sheep footrollers, "Huckey" trendhers or similar, and Motorgraders Spare parts and accessories 10%	
Sub-total	\$650,000
2. <u>Quarrying</u> Drills and blasting equipment Cranes (5 units) Stone crushing machines, mobile and stationary Screen elevators and compressors Spare parts and accessories 10%	
Sub-total	\$600,000
3. <u>Asphalt road-laying</u> Tarboilers, various sizes (10 units) Tarboilers, with sprayers (15 units) Asphalt mixers, various sizes (20 units) Asphalt maintenance plant (3 units) Diesel-engine rollers, 6 - 10 tons each (30 units) Pneumatic rollers (10 units) Dryers and finishers Spare parts and accessories 10%	
Sub-total	\$600,000
4. <u>Concrete road laying</u> Concrete plant, with concrete mixers, elevators, finishers, vibrators, etc.	
Sub-total	\$200,000

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5. Compressors

Compressors, 120 - 360 (30 units)  
Pneumatic drillers and pave-breakers  
(150 units)  
Rubber hoses, "Timken" heads, pipes,  
etc.  
Spare parts and accessories 10%

Sub-total

\$325,000

6. Building Construction

Concrete mixers, 180 - 250 litres,  
with elevators (70 units)  
Concrete batching plants for ready-  
mixed concrete (2 units)  
Motor vehicles for the transport of  
prepared concrete and special  
equipment (20 units)  
Spare parts and accessories 10%

Sub-total

\$600,000

7. Workshops

Construction workshop equipment,  
including mobile repair shops

Sub-total

\$400,000

8. Water supply and irrigation

Cranes for pipe-laying  
Welding apparatus  
Spare parts and accessories 10%

Sub-total

\$100,000

9. Harbor and hydraulic equipment

Dredges  
Piling machinery  
Cranes  
Portable coffer-dams  
Drydock equipment or floating drydock

Sub-total

\$450,000

10. Miscellaneous

Ancillary prime movers  
Electrical auxiliaries  
Other, not specified

Sub-total

\$325,000

TOTAL

\$4,250,000

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## The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 1411

February 2, 1948

Mr. Oliver C. Lockhart  
Economic Adviser on the Far East  
Room 1005  
Export-Import Bank  
734 15th Street, NW  
Washington, 25, D. C.

Dear Mr. Lockhart:

With the enclosed third installment of further specification of products and end-uses comprehended in the Jewish Agency's loan application, we are completing our reply to your inquiry on this point. The three memoranda submitted to you - covering agricultural equipment, dairy cattle, industrial equipment, construction equipment, steel and timber - together total some \$48,250,000 out of the \$58,000,000 of commodities (excluding services) included in the Agency's loan application. The remaining categories include primarily such items as trucks and busses (\$3 million) and plumbing and other building installations (\$3 million) whose end-use is transparent or various shipping and other services required in a manner and to a degree directly derivative from the basic commodity purchase program, the essential features of which, we trust, have been made adequately clear.

Yours sincerely,

Oscar Gass  
Economic Adviser to the  
Jewish Agency for Palestine

Enc.  
OG:rg

## The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 1411

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February 2, 1948

### Memorandum

Further Specification of the Goods and Services to  
be Purchased under the Proposed Credit of \$75,000,000  
to the Jewish Agency from the Export-Import Bank:  
Third Installment

1. The present memorandum continues the further specification of the types of products to be purchased under the proposed Export-Import Bank credit and indicates further end uses of those products. This memorandum deals specifically with steel (for which requirements totalling approximately \$15,000,000 are specified) and timber (with requirements totalling approximately \$4,000,000). As in the previous submissions, all values are expressed f.a.s. New York.

### Steel

2. Perhaps the most important single type of steel which the Jewish State will have to buy in the United States is pipe. It would be desirable to place orders in the United States immediately for approximately \$7,500,000 worth of pipe, to be delivered during 1948 and 1949. These requirements will be reduced only in one eventuality - an eventuality which is, however, under active consideration: that is the establishment of a pipe-fabricating facility in Palestine. In that case, the requirements of pipe would be very substantially reduced, but there would emerge a requirement for corresponding tonnage of steel plate.

Pipe is needed in Palestine first of all for irrigation. Without irrigation pipe, Palestine will not be able to feed or to employ its immigrants in a manner that takes rational advantage of her soil and climate. Palestine needs pipe also for housing and other construction.

In 1946 and 1947 approximately 40,000 tons of pipe were imported and put in place in Palestine. Of this total, only about one-fifth came from the United States. In spite of the very limited immigration of these years, the country suffered severely and continuously from shortage of pipe. On the assumption of large-scale immigration, detailed plans of pipe

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requirements have been formulated, region by region. A maximum effort is under way to schedule pipe purchases in the United Kingdom, Czechoslovakia and elsewhere. The residual requirements for 1948 and 1949, over reasonable expectations of delivery from outside the United States, are as follows:

Pipe Requirements of the Jewish State  
for order in the United States during 1948  
(Gross tons)

<u>Kind and size of pipe</u>	<u>For irrigation</u>	<u>For housing</u>	<u>Total</u>
Galvanized $\frac{1}{2}$ " to 2"	9,200	10,200	19,400
Black 2" to 6"	15,000	6,000	21,000
Black 8" to 18"	17,300	2,300	19,600
Total	41,500	18,500	60,000

The fulfillment of these pipe requirements may reasonably be expected to have significant value beyond the economic field in solidifying peace and internal political stability in the Jewish State. A large fraction of the Arab population of the Jewish State is engaged in agriculture that requires only water for most profitable intensification. Irrigation will be pursued for the benefit of Arab and Jew alike. The contribution that economic development can make to peace lies along the lines of mutually beneficial activities of this kind.

3. The second largest category of iron and steel products to be purchased under the proposed loan consists of steel for structural purposes - rods, bars and structural shapes. It is desired to order some \$5,000,000 of such steel immediately under this credit. This is a smaller value of structural steel than was actually imported into Palestine during each of the years 1946 and 1947. The construction required in connection with larger immigration will call for much larger steel imports in 1948 and 1949. Only this very modest amount could, however, be contained within the limits of the proposed credit.

4. The remaining class of miscellaneous iron and steel products (budgeted for \$2,500,000) is also conceived in a manner directed towards investment needs. For instance, no steel financed by this loan would be used to purchase tin-plate for cans or steel strip for razor blades. Examples of uses that would be included cover the whole range of materials for construction installations and household equipment: for instance, rods for drawing into wire, tubing for conducting the wire, plate for boilers, wire for nails, sheets for stamping window

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casements, iron for casting the base of enameled sanitary ware, etc. In addition, purchase of some high-grade steel would be essential for the continued development of Palestine's embryo tool and machine-building industry.

Timber

5. The timber included in this program is solely that required for housing and other construction. Wood for boxes, crates, etc. is excluded from purchase with the proceeds of the proposed loan. Actual imports of timber into Palestine totalled over \$6,500,000 in 1946 and over \$9,000,000 in 1947; at the same time, imports of more or less fabricated wood totalled approximately \$6,500,000 and \$10,000,000. As compared to these magnitudes, the timber purchases included in the proposed credit total only \$4,000,000. Obviously this \$4,000,000 of construction timber cannot meet more than a fraction of the total requirements of timber for construction in a year of large immigration and development. It is accordingly contemplated that large additional amounts of construction timber will be purchased with other funds, wherever prices and delivery terms are most reasonable - particularly in Canada and northern Europe.

6. Prior to World War II, Palestine's timber requirements were met primarily by imports from the Balkan countries. In the post-war years this area has become a restricted source of supply for a minor fraction of Palestine's timber requirements and, consequently, Palestine has come to rely more largely upon the timber resources of the Americas. While it is appreciated that lumber has been in short supply in the United States, we are also aware that in recent months lumber supplies have become more ample to the point of causing some lowering of lumber prices. The relatively negligible purchases which are proposed should therefore cause no undue strain on United States lumber supplies.

7. The housing plans of the Jewish Agency are necessarily based on the provision of a most modest standard of accommodation. It is proposed that the housing of children, youths and single adults will be based, for the present, on a room density of 3 persons per living room (plus an appropriate complement of kitchen and bathroom facilities) while for family group there will be a living room density of 2.5 persons per room. Because of the necessity of speedy construction, greater use than in ordinary circumstances must be made of wooden structures. Investigations have also been made of fabricated structures from the United States for assembly in Palestine, but hitherto no prefabricated house has been found justifying investment on the

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basis of price and quality. Should an appropriate pre-fabricated house be found, serious consideration would be given to purchasing at least some hundreds of units to meet immediate needs. However for the present exclusive reliance is placed on more conventional construction.

8. The following is a summary indication of the major types of lumber desired.

1. Roofing  
Cedar shingles
2. Wall materials  
Cypress siding  
White pine  
Cedar shingles  
Redwood shingles
3. Structural members or frames  
Douglas fir  
Long, leaf yellow pine
4. Flooring  
Yellow and white pine
5. Interior walls  
Wall board  
Gypsum board  
Plywood
6. Millwork  
Douglas fir  
White pine  
Cypress  
Yellow pine

Precise quantities of each specification designated for purchase under the proposed credit cannot meaningfully be given at the present time since these types of lumber are interchangeable with supplies that will have to be purchased in other countries. Decisions with respect to exact quantities and types will have to be made on the basis of price and delivery conditions at the time of actual purchase.

Oscar Nass  
Economic Adviser to the  
Jewish Agency for Palestine

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## The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 4, D. C.  
ADAMS 5411

January 20, 1948

Mr. Oliver Lockhart  
Economic Adviser for the Far East  
Export-Import Bank  
Room 1005  
734 Fifteenth Street, N.W.  
Washington, D. C.

Dear Mr. Lockhart:

I enclose a memorandum in reply to one of the groups of questions raised by your working group at our last discussion. This memorandum is designed to establish the following three points:

- (1) That the Jewish Agency for Palestine is a public body of a quasi governmental character recognized by international law.
- (2) That the Jewish Agency has extensive and varied experience in development work, and
- (3) That there is such a substantial continuity between the Jewish Agency and the Government of the Jewish State that the latter will unquestionably regard itself as responsible for any obligation assumed by the former.

I enclose also, for your information, three documents which may be of use to you in filling in the background of the present memorandum. The first of these documents, entitled Book of Documents Submitted to the General Assembly of the United Nations contains some basic papers which may not be readily available to you bearing on the status of the Jewish Agency. The second document, entitled Constitution of the Jewish Agency for Palestine may also be of value to you though it must be read in full appreciation of the qualifications contained in point 8 of the present memorandum. The third document, entitled Reports of the Executives Submitted to the Twenty-Second Zionist Congress may also provide helpful information with respect to various financial and economic matters.

I shall be glad to furnish you with any further clarification on these questions that you may require.

Yours sincerely,

Oscar Gass  
Economic Adviser to the  
Jewish Agency for Palestine

Enclosures



## The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 5411

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January 19, 1948

### Memorandum

#### The Jewish Agency for Palestine and its Relation to the Government of the Jewish State

1. An initial explanation must be made of the use of the clumsy and perhaps somewhat misleading term "the Jewish State." The State which it is the primary concern of the Jewish Agency to see established in Palestine will bear a name with appropriate geographical or historical signification. Its Jewish citizens will have no rights that are not shared equally by its non-Jewish citizens. The State will be "Jewish" only in the sense that it will have been created by the United Nations --and by the effort of the Jewish people--particularly for the purpose of providing a home for those Jewish people who are homeless elsewhere. Until a definite name shall have been chosen, however, no other name than "the Jewish State" exists, and this name will accordingly be used below.

#### The Jewish Agency as a Public Body

2. The world Zionist Organization, which is in fact the parent body of the Jewish Agency for Palestine, was founded in 1897 at the First Zionist Congress, which met at Basle, Switzerland. The purpose of the Zionist Organization was then fixed as the creation for the Jewish people of a home in Palestine secured by public law. The Zionist Organization was then and remains now from the point of view of Switzerland--where most Zionist Congresses have been held--a voluntary association of a non-profit character established for the accomplishment of certain "national" purposes.

3. As a sequel to the First Zionist Congress, Jewish groups in all countries formed societies which accepted the program of the world Zionist Organization and acknowledged its discipline. These societies were of two kinds. In the first instance, there were "Territorial Organizations" (such as the Zionist Federation of Great Britain, of France, etc.). Secondly, there developed "party" groups which--while all sharing the common Zionist objective and a common participation in the world Zionist Organization--had each its own emphasis on the admixture

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of conservative, liberal, labor, and orthodox religious principles that ought to be determinative in the character of the Jewish community to be created in Palestine.

4. All members of the world Zionist Organization pay a small enrollment fee, and membership is symbolized by a receipt called a "shekal", which entitles the holder to participate in elections to the Zionist Congress. For the elections to the Congress which met at Basle in December 1946, some 2,000,000 Jews paid the enrollment fee. (The significance of this number can perhaps be best evaluated when it is compared with the total known Jewish population of some 9,000,000 now resident outside the Soviet Union--and when it is further appreciated that only adults may enroll.) There were 956,000 enrollees in the United States alone. Preliminary indications are that enrollment to qualify as a voter for delegates to the 1948 Congress will be substantially larger in every country than it was in 1946.

5. The Zionist Congress, which is the supreme body of the world Zionist Organization, now meets normally every two years. The Congress elects a General Council ("Actions Committee") of seventy members which may meet occasionally between Congresses in order to determine major lines of policy. The Congress also elects an Executive, which acts as a Cabinet between meetings of the Congress.

6. The world Zionist Organization took its first steps in practical development work pursuant to determinations of the Fifth Zionist Congress in 1901. At that time, the Organization established the Jewish Colonial Trust (under British law), which, in turn, set up subsidiaries in the fields of banking and land acquisition. Later, in 1908, the world Zionist Organization set up a Palestine Office in Jaffa to deal with the practical work of immigration and development. It is from this Palestine Office that the present Jewish Agency has in fact grown.

7. It was due to this background of settlement and development work that the Balfour Declaration could address itself meaningfully to the subject of "Jewish Zionist aspirations". The Mandate for Palestine went further: it accorded the Zionist Organization and its Palestine Office a status in international law as the Jewish Agency for Palestine. Article 4 of the Mandate provided for the recognition of a Jewish Agency

" . . . . as a public body for the purpose of advising and cooperating with the Administration of Palestine in such economic, social and other

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matters as may affect the establishment of the Jewish National Home and the interests of the Jewish population in Palestine, and, subject always to the control of the Administration, to assist and take part in the development of the country."

Article 4 also recognized the Zionist organization as the "Jewish agency" the creation of which it enacted. Article 6 stipulated that the Administration of Palestine shall "in cooperation with the Jewish agency" encourage close settlement by Jews on the land, including State lands and waste lands not required for public purposes. Article 11 provides that the Administration may arrange with the Jewish agency

" . . . . to construct or operate, upon fair and equitable terms, any public works, services and utilities, and to develop any of the natural resources of the country, insofar as these matters are not directly undertaken by the Administration."

8. In 1929 the Jewish Agency was enlarged by the inclusion of non-Zionist representatives. A formal constitution was drawn up according equal representation to Zionists and non-Zionists. It was, however, stipulated in the terms of the Agreement establishing the enlarged Jewish Agency (Article 15) that the Mandatory Power should be requested to give an assurance that, in the event of the dissolution of the enlarged Agency, the Zionist Organization should be restored to the status it had held formerly under the Mandate. The Mandatory Power, through its Colonial Secretary, accepted this stipulation.

In legal form, the stipulation mentioned above has never been exercised, and the constitution of the Jewish Agency remains formally as it was approved by the British Government in 1929 and accepted then by the Permanent Mandates Commission of the League of Nations. In actual fact, however, the Jewish Agency has reverted to the status of a body designated by the Zionist Organization. During the war years particularly, equal representation of non-Zionists in Jerusalem proved impracticable. Moreover, no Zionist Congress could be held during the war years. In practice, therefore, all authority came increasingly to be concentrated in the hands of the Zionist members of the Jewish Agency Executive. With the end of the war, the regular functioning of the Zionist Organization has been restored, but the systematic participation of non-Zionists in the Jewish Agency has lapsed.



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Jewish Agency

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9. The Jewish Agency has at all times been recognized by the Mandatory Power as a public authority having an altogether special status in Palestine. The Royal Commission of 1936-37 described the Agency as follows (Cmd. 5479, page 174): "This powerful and efficient organization amounts, in fact, to a Government existing side by side with the Mandatory Government." The Government of Palestine in its basic political submission to the United Nations Special Committee On Palestine (Memorandum on the Administration of Palestine under the Mandate, page 6) quotes, with full agreement, the Royal Commission's statement of ten years earlier and enlarges on the many aspects of the Jewish Agency's authority. In the United Nations special session on Palestine, Sir Alexander Cadogan said, on behalf of his Government: "As the representative of the Mandatory, I can say that, if we were to hear the Jewish Agency, we should then have a fair picture of what the Jews of Palestine hold and want." (Provisional Minutes, folder 55, page 66).

10. The United Nations has accorded full recognition to the authority of the Jewish Agency to speak on behalf of the Jewish interest in Palestine, pending the establishment of the Government of the Jewish State. First, the Jewish Agency was recognized to be the only authoritative spokesman for the Jewish case at the Special Session on Palestine. Subsequently, at the hearings of the Special Committee on Palestine in Jerusalem, every representative body in Palestine gave public recognition to the right of the Jewish Agency to speak authoritatively for the Palestine Jewish community. Thereafter, a similar unique position was accorded the Jewish Agency in the recent regular session of the United Nations, both in the Ad Hoc Committee On Palestine and in the Partition Sub-Committee. Most recently, since the acceptance of the basic partition policy by the United Nations General Assembly on November 29, the Jewish Agency has continued to be recognized by all the organs of the United Nations (Trusteeship Council, United Nations Commission, etc.) as the authoritative representative of the interests of the Jewish State pending the establishment of a democratically elected Government in accordance with the procedure designated by the U.N. General Assembly.

The Jewish Agency as a Financial and  
Developmental Authority

11. As indicated (in point 6) above, one of the earliest steps of the Zionist Organization in practical development work was the foundation of a bank (1902). This bank, now known as the Anglo-Palestine Bank Ltd., has grown steadily until now

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it occupies the preeminent position among all banking institutions operating in Palestine. Though Palestine is served by such distinguished foreign banks as Barclay's and the Ottoman, as well as by about twenty domestic banks, the Anglo-Palestine alone has, in recent years, held half of all the bank deposits of the country. Moreover the Anglo-Palestine has several strong subsidiaries, most prominently The General Mortgage Bank Ltd., (the most important mortgage institution of Palestine) and the A. P. B. Investment Company Ltd.

It must, however, be emphasized that the Anglo-Palestine does not operate under the supervision of the Jewish Agency. Though the bank was created for Zionist purposes, and accordingly is in daily cooperation with the Jewish Agency on an endless variety of matters, it is conducted as a fully independent business institution. Ultimate control over the bank rests with the Zionist Organization through the Jewish Colonial Trust, but that ultimate control does not involve any operating control over the bank's day-to-day business.

12. A rather different situation prevails with respect to the other activity initiated originally through the Jewish Colonial Trust, namely land acquisition for Jewish settlement in Palestine. For this purpose, the Jewish Colonial Trust founded the Jewish National Fund Ltd. (Hebrew name Keren Kayemet) Its sole function is the acquisition and improvement of land to be held as a perpetual trust of the Jewish people. The directors of the Jewish National fund are designated by the General Council ("Actions Committee") of the Zionist Organization. There is, therefore, the closest cooperation between the Jewish Agency and the Jewish National Fund. The National Fund has now spent some £P 20 million for land purchase and improvement. Due to the rise in land prices during these years, the land held by the National Fund now has a market value far higher than its cost. The National Fund is however not interested in profits and does not sell its land.

13. The very close relations between the Jewish Agency and the Jewish National Fund have led to joint fund-raising in several countries. In the United States this joint fund-raising is organized by the United Palestine Appeal. The receipts of the United Palestine Appeal were \$32,495,105 in 1946 and \$43,419,639 in 1947; these totals exclude receipts from borrowing. Due to the exceptional responsibilities of the present year, the United Palestine Appeal is now participating in a campaign which, if fully successful, should yield cash receipts of some \$100,000,000 in 1948.

14. Before turning to the Jewish Agency's own Treasury, it may be well to clarify the Agency's relations also with a

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number of other Zionist institutions operating in Palestine but receiving their incomes largely from abroad. Most important of these, from a financial point of view, is the Hadassah (Women's Zionist Organization of America). Others include Wizo (corresponding to Hadassah outside the U.S.), the National Committee for Labor Palestine, Inc., the Haifa Technicon, and others. The Hadassah, for example, is concerned primarily with (a) the care, education and vocational training of immigrant orphaned children and (b) the provision of medical services. For these and related purposes, the Hadassah has a budget of \$7,500,000 for 1948. Several of its activities, particularly those for immigrant orphaned children, are in fact part of a larger program of the same work fixed by the Jewish Agency. Yet, it must be emphasized, that the funds accruing to the Hadassah do not, in any sense, belong to the Jewish Agency and cannot be disbursed subject to its discretion. The position of the funds of the other international Zionist agencies is similar.

On the other hand, from the point of view of foreign exchange resources, the position is quite different. These cooperating Zionist institutions do not expend their funds primarily -- or even to any considerable degree -- for imports into Palestine. They purchase local goods and services in Palestine. Therefore their foreign exchange will be available for acquisition by the foreign exchange control authorities of the Jewish State against reimbursement in local currency.

15. In 1917 the Zionist Organization established an independent fiscal instrument for its settlement and development work in Palestine. This instrument was the Palestine Restoration Fund. In 1921, with the recognition in international law of the public status of the Jewish Agency, this fiscal instrument was reorganized as the Palestine Foundation Fund Ltd. (Hebrew name Keren Rayesod Ltd.) It was deemed improper that contributions from outside Palestine should be made directly to a political institution, the Jewish Agency. The Palestine Foundation Fund is however merely the fiscal department of the Jewish Agency. All the funds of the Foundation Fund are disbursed at the discretion of the Jewish Agency Executive. Direct responsibility for all expenditure is vested in the Treasurer of the Jewish Agency.

16. The range of expenditure of the Jewish Agency coincides roughly with that of a development-minded Government.

The Agency has been particularly responsible for immigration and the absorption of immigrants into the Palestine

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economy. Over the past thirty years, about twenty percent of the Agency's total expenditure has been devoted to this purpose.

The Agency has also taken a special interest in agricultural settlement. While the Jewish National Fund has been responsible for the purchase of land, the Agency has loaned the settlers money for their initial equipment in farming. The Agency has also financed an Agricultural Research Institute, undertaken exploration for water, participated in the financing of water companies, etc. About 230 agricultural settlements have been founded with Agency Financing (apart from other settlements which have derived their capital from other sources). About thirty percent of the total resources of the Agency have been utilized for agricultural settlement work.

The Jewish Agency has also assumed other large responsibilities, as a development authority, for the provision of housing for industrial credits, for the expansion of maritime industries, for participation in new and venturesome but economically strategic industrial enterprises, etc. For the most part, this Agency participation does not amount to primary or exclusive responsibility for economic development; it amounts to the provision of financing for ventures of key importance which might be impossible without Agency assistance. Such participation may take the form of loans, purchase of debentures, or any other form most suitable in the individual case. Rather less than twenty-five percent of the Agency's total resources have been used for this non-agricultural development work in the past thirty years, but the percentage is rising steadily.

In total volume, the funds expended by the Jewish Agency in recent years have risen to half the level of the expenditures of the Government of Palestine. In its fiscal year ending September 30, 1947 the Jewish Agency expended some £P 10,494,000; the Government of Palestine spent some £P 21,915,000 in its fiscal year ending March 31, 1947.

Some further details of Agency receipts and expenditures are given in the table on page 8. This table also serves to underline the enormous rise in the volume of Agency activity in recent years, as opportunities for resettlement of Jews from Europe have emerged. As the table shows, expenditure in the single fiscal year 1946-47 was as large as in the two previous fiscal years 1944-1946.

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RECEIPTS AND EXPENDITURES OF THE JEWISH AGENCY FOR  
PALESTINE 1917-44, TWO FISCAL YEARS 1944-46 AND  
FISCAL YEAR 1946-47  
(Thousands of LP)

<u>Receipts:</u>	<u>1917-44</u>	<u>1944-46</u>	<u>1946-47</u>
(1) From contributions	13,031	6,012	
(2) From services, collection of debts, grants, etc.	<u>3,750</u>	<u>1,847</u>	<u>          </u>
(3) TOTAL	16,781	7,859	8,459
<u>Expenditures:</u>			
A. <u>Social services</u>			
(4) Immigration and training	2,785	2,530	2,169
(5) Education and culture	2,260	401	324
(6) Health and social work	184	27	19
(7) National organization, security and emergency	2,482	2,125	1,149
(8) General administration	<u>943</u>	<u>225</u>	<u>968</u>
(9) Total Social services	8,654	5,317	4,629
B. <u>Economic development</u>			
(10) Agricultural settlement	4,511	2,765	2,714
(11) Public works, labor and housing	1,646	1,466	2,610
(12) Urban settlement, trade and industry	<u>1,343</u>	<u>593</u>	<u>539</u>
(13) Total economic development	7,505	4,824	5,863
(14) TOTAL	16,159	10,141	10,494

Figures for fiscal year 1946-47 are provisional.

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17. Three especially significant groups of development expenditures may be singled out from the record of the fiscal year ending September 30, 1947 as illustrations of the manner in which the Agency conducts its development work.

The first group is the foundation of new agricultural settlements and the extension of old ones; the Agency invested about 22 percent of its 1946-47 budget in these activities. Some 30 new agricultural settlements were founded with long-term loans from the Agency; 111 older settlements received medium or long-term credits. Of the 30 new settlements, 14 were in the Negeb (Beersheba) district, where water-supply is an acute problem. The Agency accordingly financed a comprehensive water project for this area. Eight wells were bored. Three 6 inch pipelines were laid, with a total length of 224 kilometers. Central pumping stations, regional pumping stations, and reservoirs were established.

The second group of development expenditures relates to housing; investment in this field absorbed about 12 percent of the Agency's budget in 1946-47. The Agency constructed four immigrant hostels and transit camps, with a total capacity of 2900 persons. It purchased over \$2 million of building materials and equipment from U.S. Army camps. The Agency participated in housing projects through eight housing companies. It provided funds to expand the capital of a second-mortgage company. It made loans for private housing. At the same time, some 1620 housing units were constructed for the account of the Agency, and 1420 more were under construction at the end of the fiscal year.

The third illustrative group includes loans to private individuals and investments in various private enterprises; these activities accounted for about 11 percent of the 1946-47 budget. Some £P 27,000 was loaned, through a special small-loan company, to establish immigrant craftsmen. Some £P 140,519 was loaned to citrus growers and other individual farmers. About £P 103,000 was invested in several water companies. Capital of £P 515,508 was provided, through purchase of securities, to extend the operations of four leading credit institutions. Approximately £P 203,050 was made available for industrial credits. A total of £P 189,608 was invested in six companies for marine activities, minerals, and town development.

18. Since March 1945, the Jewish Agency has enjoyed a measure of autonomy as a foreign exchange control authority. In that month an agreement was reached between the Palestine Government and the Jewish Agency whereby gift dollars from the United States were to be made available for purchase of

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"essential" supplies from the United States. An extension of this agreement to cover the use of United States and Canadian gift dollars in other "hard-currency" countries was negotiated in October 1945.

In December 1947 the Palestine Administration informed the Jewish Agency, in writing, that the Administration would no longer supply any dollars to the Jewish community; these dollar needs would henceforth become the sole responsibility of the Jewish Agency. The Jewish Agency protested against this declaration because the Palestine Administration continues to take for itself (and for the United Kingdom) all the dollars derived from Palestine's exports. The Palestine Government was therefore claiming the authority and privilege of a Government without the corresponding responsibility. It was also discriminating grossly against its Jewish citizens, who account for by far the greater part of its foreign exchange receipts. The de facto situation however is that the Jewish Agency is already charged with a substantial part of the foreign exchange responsibilities that will be assumed by the Jewish State after the termination of the Mandate.

As of November 30, 1947 the Jewish Agency's outstanding commitments to importers to supply dollars against Palestine pounds totalled \$14,250,944.

19. While the above analysis has proceeded solely on the basis of the resources now available to the Jewish Agency, it must not be presumed that the resources of the Jewish State for resettlement and development will be similarly limited. Some account of the steps now being undertaken to enlarge the inflow of funds from abroad has been given in the memorandum of December 22, 1947 entitled The Financial Requirements of Jewish Resettlement and Economic Development in Palestine (pages 4 - 5). Here it need only be added that the Jewish State will also have the tax resources of its own economy. In the fiscal year 1946-47 the domestic income of the Palestine Government totalled BP 25.4 million. It would be extremely conservative to estimate the corresponding income of the Jewish State, in the first year of its existence, at BP 15 million. In four years (even without higher tax rates or a more effective collection system), given immigration and development, this yield could rise by about 50 percent. On the other hand, it must equally be emphasized (as on pages 1-3 of the memorandum of December 22) that the responsibilities of the Jewish State for resettlement and development, in the first four years of its existence, will be very greatly larger than any carried hitherto by the Jewish Agency.

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Jewish Agency

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Continuity between the Jewish Agency  
and the Government of the Jewish State

20. It is suggested that the continuity between the Jewish Agency and the Government of the Jewish State is a real, political continuity rather than merely a formal, legal one. It is a continuity of purposes, of underlying institutions, and of responsible personalities. It is the kind of continuity which creates real obligations and a binding sense of obligation because those who come later know themselves to be carrying on in the same enterprise as those who have been active earlier.

It is further suggested, that it is this sense of community of purpose with earlier Governments of one's own country which, in any case, causes later Governments to honor obligations incurred by earlier Governments. Between sovereign States, there can be no other real assurance that financial -- or other -- obligations will continue to be honored. Where this sense of community of purpose is lost -- as by revolution or other drastic change in the character of a Government -- old obligations are, in fact, not honored but are either formally repudiated or evaded in one way or another.

The Jewish State will not repudiate or evade any financial obligation assumed by the Jewish Agency. It will regard such an obligation as a debt of honor -- and all the more to be honored because extended at a time when the needs of the Jewish State were greatest.

21. Should the Export-Import Bank nevertheless require some further formal indication that the Jewish State will regard itself as fully bound to meet any obligation assumed to the Bank by the Jewish Agency, such further indication can be secured. Under the laws of Palestine, there exists today a Jewish National Council (Hebrew name Va'ad Leumi) with an elected Assembly designated by the universal suffrage of Palestine Jews alone. This body is responsible for the education and social services of the Jewish community of Palestine and reflects -- as only a democratic body elected by proportional representation can -- every shade of opinion in the Jewish Community of Palestine. It is possible now to give responsible assurance that, should the Bank desire, this body would -- with practical, if not complete, unanimity -- be prepared to adopt a resolution affirming the binding character of this financial obligation with respect to the Jewish State. Without pressing any invidious comparison, it may reasonably be doubted whether any European parliament could

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Jewish State

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today give a similar demonstration of unanimity in the acceptance of a financial obligation of this kind.

Beyond such tokens, however, the real position of the Jewish State is perhaps the best guarantee of its faithful compliance with this obligation. The Jewish State will need capital from all the world for many years to come; it will therefore necessarily take every step requisite for establishing its credit. It will not begin its independent financial existence with a record of default. Above all it will not think of defaulting upon credits granted by those who have the vision and the good-will to assist in the vital first steps required for the establishment and consolidation of the Jewish State.

Oscar Gass  
Economic Adviser to the  
Jewish Agency for Palestine



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Jewish Agency

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Annex

EXECUTIVE OF THE JEWISH AGENCY FOR PALESTINE

JERUSALEM

Mr. David Ben-Gurion	Chairman, World Executive
Rabbi J. L. Fishman	Vice-Chairman
Mr. Isaac Gruenbaum	Vice-Chairman
Mr. Eliezer Kaplan	Treasurer
Mrs. Golda Meyerson	Head of Political Department, Jerusalem
Dr. Moshe Sach	Member of Executive
Mr. Elishu Dobkin	Member of Executive in charge of the Organization Department
Mr. Moshe Shapiro	Member of Executive in charge of the Immigration Department
Mr. Fritz Bernstein	Member of the Executive in charge of the Department of Industry and Trade

LONDON

Professor Selig Brodetsky	Member of Executive
Dr. Nahum Goldmann	Member of Executive
Mr. Berl Locker	Member of Executive
Mr. S. E. Shregai	Member of Executive

UNITED STATES

Dr. Abba Hillel Silver	Chairman, American Section
Mr. Moshe Shertok	Head of the Political Department
Rabbi Wolf Gold	Member of Executive
Dr. Hayim Greenberg	Member of Executive
Mrs. Rose Halprin	Member of Executive
Dr. Emanuel Neumann	Member of Executive

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CABLE ADDRESS  
JEWAGENCY

הסוכנות היהודית לארץ ישראל

## The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 1411

January 21, 1948

Mr. Oliver C. Lockhart  
Economic Adviser for the Far East  
Export-Import Bank, Room 1005  
734 Fifteenth Street, N.W.  
Washington, D. C.

Dear Mr. Lockhart:

I have just today received a cable containing a summary of the audited statement of the consolidated income and expenditure of the Jewish Agency and the Jewish National Fund for their fiscal year ending September 30, 1947. I enclose two copies of this summary.

Full details of this final audited statement have been airmailed and will be transmitted to you as soon as they arrive.

I would draw your attention to the fact that this statement does not include the expenditures of the Jewish Agency as an exchange control authority. Such foreign exchange expenditures are handled through a special dollar account at the Manufacturers' Trust Company in New York. The total amount expended by this account during 1947 is \$16,335,154.

In a more personal level I must apologize for the misstatement of your Christian name in my previous letters. I asked one of our secretaries to check the matter with your office, and it appears that she got it wrong.

Yours sincerely,

Oscar Gass  
Economic Adviser to  
The Jewish Agency for Palestine

Enclosure

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Jewish Agency

Consolidated Statement of the Income and Expenditure  
of the Jewish Agency and the Jewish National Fund  
for their fiscal year ending September 30, 1947

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Income

Contributions	LP	9,347,858
Services, collection of debts, grants, etc.		1,070,555
Loans		3,001,846
Advances and short-term indebtedness		<u>2,220,248</u>
Total Income		15,640,507

Expenditure

Immigration and training		2,152,836
Purchase of land		3,405,481
Agricultural settlement		2,634,258
Housing		1,838,945
Trade and Industry		604,029
Labor		325,701
Resettlement of ex-soldiers		793,186
National Organization		1,148,598
Education and Culture		221,643
Religious Affairs		53,948
Grants to Institutions		103,774
Administration and Propaganda		494,254
Interest on loans and advances		211,135
Repayment principal of loans and advances		<u>1,652,789</u>
Total Expenditure	LP	15,640,507

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# The Jewish Agency for Palestine

2210 Massachusetts Ave., N. W.  
WASHINGTON 8, D. C.  
ADAMS 5411

January 30, 1948

Mr. Oliver C. Lockhart  
Economic Adviser on the Far East  
Room 1005  
Export-Import Bank  
734 15th Street, NW  
Washington 25, D. C.

Dear Mr. Lockhart:

I enclose copies of three financial documents requested by you which have now arrived from Palestine. The figures in these documents are complete though they may be subject to some very minor adjustments after final auditing. The three documents are:

1. Consolidated Account of Income and Expenditure of the Jewish Agency for Palestine for the fiscal year ending September 30, 1947.
2. Consolidated Statement of Assets and Liabilities of the Jewish Agency for Palestine as at September 30, 1947.
3. Balance Sheet of the Jewish National Fund, Ltd. as at September 30, 1947.

I believe that you will find the information in these documents (particularly in the statement of Income and Expenditure) very complete and detailed.

Yours sincerely,

Oscar Gass  
Economic Adviser to the  
Jewish Agency for Palestine

Enclosures

OG:rg