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PALESTINE
PARTITION COMMISSION

REPORT

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Presented by the Secretary of State for the Colonies
to Parliament by Command of His Maiesty
October, 1938

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To the Right Honourable Malcolm MacDonald, M.P.,
His Majesty's Principal Secretary of State for the Colonies.

PREFACE

1. We were appointed by your predecessor, the Right Honourable W. G. A. Ormsby Gore, M.P. (now Lord Harlech), in March last. Our terms of reference, which had been published in a White Paper (Cmd. 5634) * on the 4th January, were as follows—

Taking into account the plan of partition outlined in Part III of the Report of the Royal Commission, but with full liberty to suggest modifications of that plan, including variation of the areas recommended for retention under British Mandate,

And taking into account any representations of the communities in Palestine and Trans-Jordan—

(i) to recommend boundaries for the proposed Arab and Jewish areas and the enclaves to be retained permanently or temporarily under British Mandate which will—

(*a*) afford a reasonable prospect of the eventual establishment, with adequate security, of self-supporting Arab and Jewish States ;

(*b*) necessitate the inclusion of the fewest possible Arabs and Arab enterprises in the Jewish area and vice versa ; and

(*c*) enable His Majesty's Government to carry out the Mandatory responsibilities the assumption of which is recommended in the Report of the Royal Commission, including the obligations imposed by Article 28 of the Mandate as regards the Holy Places ;

(ii) to examine and report on the economic and financial questions involved in partition upon which decisions will require to be taken, including—

(*a*) the allocation so far as may be necessary between the various areas of the public assets and public debt of Palestine and other 'financial obligations legitimately incurred by the Administration of Palestine during the period of the Mandate' referred to in Article 28 thereof ;

(*b*) means to ensure that the financial obligations referred to above will be fully honoured in accordance with Article 28 of the Mandate ;

(*c*) the administration of the railways, ports, postal, telegraph and telephone services ;

(*d*) currency arrangements ;

(*e*) customs administration and tariffs ;

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* Published in full as Appendix 1.

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(*f*) the budgetary prospects of the various Administrations to be established ;

(*g*) the preservation of the rights of civil servants in accordance with the provisions of Article 28 of the Mandate ;

(*h*) the treatment of industrial and other concessions ;

(*i*) the possibility of voluntary exchanges of land and population, and the prospects of providing by works of land development room for further settlement to meet the needs of persons desiring to move from one area to another ;

(*j*) the provision of effective safeguards for the rights of religious or racial minorities in the areas to be allocated to Arabs and Jews respectively, including the protection of religious rights and properties.

2. Prior to our departure from London on the 21st April we held no meetings for the purpose of hearing witnesses, as we were anxious to defer the taking of evidence until we had had an opportunity of obtaining some personal knowledge of Palestine. For the same reason, it was not until some weeks after our arrival in Jerusalem on the 27th April that we held our first formal session. In the meantime we had been able to visit different parts of the country and to gain a general impression of its character which was of great value to us in our subsequent work. Indeed, we considered that the nature of our enquiry made it incumbent on us to obtain as thorough a first-hand knowledge of the country as time would permit, and during May and the first part of June we covered about 5,000 kilometres (3,000 miles) in Palestine and Trans-Jordan. Our tours are shown on map 2.

3. We spent nine days in Trans-Jordan during which we were able to obtain a general impression of the greater part of the cultivated zone. We welcome this opportunity of expressing our warm appreciation of the hospitality accorded to us by His Highness the Amir Abdullah and by the Trans-Jordan Government. We are also greatly indebted to the British Resident, Lieutenant-Colonel Sir Henry Cox, for the excellent arrangements made for our tour, which enabled us to see so much of the country in the short time at our disposal.

4. On our arrival in Jerusalem, we arranged for the issue of a communiqué announcing that persons who wished to appear before us would be free to choose whether they would be heard in public or in private, or partly in public and partly in private. We received, in fact, only two requests from witnesses who wished to be heard in public. Of the fifty-five sessions which we held in Jerusalem for the purpose of receiving evidence, two were held in public and the remainder in private. On our return to London, we held nine further private sessions. No Arab witnesses came forward to submit evidence to us.

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5. We left Palestine on the 3rd August, travelling via Haifa and Trieste, and resumed our sessions in London on the 15th August. Since our departure from Palestine violence has continued and intensified, and we have been keenly aware of the fact that we should be greatly to blame if any delay on our part were to prolong needlessly the present period of uncertainty. You, yourself, had also informed us that His Majesty's Government were most anxious to receive our report at the earliest possible moment. In these circumstances, we considered that delay would be avoided if we postponed for a later stage the examination of certain questions arising in connection with our enquiry. There are a number of matters which we have felt that we could not usefully discuss at this stage, either because to do so would involve needless delay without affecting the main conclusions of our report, or because a detailed examination could not be entered upon until the main lines of a partition scheme had been settled. The matters which we have left for consideration at a later stage include the following questions to which specific reference is made in the second part of our terms of reference—

(*a*) the allocation of public assets ;

(*b*) currency arrangements ;

(*c*) the preservation of the rights of civil servants.

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CHAPTER I

INTRODUCTORY

1. In this introductory chapter we give a synopsis, by reference to the succeeding chapters, of our report.

2. After a chapter (chapter II) recording the chief events in, and in connection with, Palestine since the publication of the Royal Commission's Report and a chapter (chapter III) dealing with certain general matters, we begin our enquiry, as our terms of reference direct, by taking into account the plan of partition outlined in Part III of the Report of the Royal Commission ; and for convenience we reproduce (as map 3) the map which the Royal Commission attached to their Report in illustration of that plan. But neither the map nor the brief description of the boundaries of the proposed areas given in chapter XXII, paragraph 20, of the Report, purports to do more than give a rough outline of the plan : in order to examine the Royal Commission's scheme demographically, that is, with reference to statistics of population and land, it is necessary to draw the proposed boundaries exactly, taking the Royal Commission's proposals as a guide. We cannot imagine, however, that the Royal Commission, if they had set themselves to the task of drawing precise frontiers for their proposed areas, would have ignored the important problem of defence ; yet when we ourselves examined the boundaries with this in mind we found it necessary to make considerable modifications in the outline of the Royal Commission's scheme, especially in the boundary of the Jerusalem Enclave and Corridor (which hereafter we refer to as the Jerusalem Enclave), and in the boundaries on the eastern edge of the Maritime Plain and the southern edge of the Plain of Jezreel. These modifications were all made after consultation and in agreement with the military authorities, and we have no reason to suppose that the Royal Commission, if they had given a detailed description of their plan, would have chosen different boundaries. The resulting plan is shown in map 8. With a few exceptions, which are explained in chapters IV, V and VI, it merely reproduces the Royal Commission's plan as interpreted in the light of the advice which we have received from the military authorities from the standpoint of defence. We call this plan A.

3. Chapters IV, V, VI and VII describe plan A in detail.

In chapter IV we describe the modifications necessitated in the boundary of the Jerusalem Enclave, and the boundary we propose for the Enclave at Nazareth.

Chapter V deals with the boundary of Jaffa, which the Royal Commission proposed should be included in the Arab State, including the boundary between the towns of Jaffa and Tel Aviv.

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4. In chapter VI we describe the boundaries between the proposed Jewish and Arab States along the Maritime Plain, across the Carmel Ridge and the Plain of Esdraelon, along the southern edge of the Plain of Jezreel, across the Beisan Plain, and northwards along the Jordan Valley.

In chapter VII we give the figures of population and land for the Arab and Jewish States and the Enclaves under plan A.

5. In chapter VIII we consider the possibility under plan A of voluntary exchanges of land and population and the prospects of providing, by means of land development, room for further settlement to meet the needs of persons desiring to move from one area to another. The conclusion we come to is that the possibilities under these heads are small.

6. In chapter IX we examine the Jewish claim that at least a portion of the city of Jerusalem should be included in the Jewish State, and give our reasons for rejecting that claim.

7. In chapter X, plan A is subjected to a detailed examination, and we proceed to explain the reasons which have led us to reach the unanimous conclusion that we cannot recommend the adoption of this plan. During the course of this examination a variant of plan A is considered, which we call plan B. The majority of the Commission are of opinion that plan B is also unacceptable ; one of the members, however, considers, for reasons explained in his note of reservations, that plan B is preferable to the plan put forward by the majority in chapter XI, which we call plan C.

8. Chapter XI explains in detail plan C, which the majority of us put forward as the best scheme of partition which we have been able to devise.

9. In chapter XII we consider proposals put forward on behalf of the Jews for the inclusion in the Jewish State of certain areas, apart from Jerusalem, for the extension of the Jerusalem Enclave so as to include the town of Hebron and the western shores of the Dead Sea, and explain the grounds on which we consider them unacceptable.

10. In chapter XIII we consider under what conditions Jews should be allowed to acquire land in the areas which under plan C are retained under Mandate, and make recommendations for the development of those areas for the joint benefit of both Arabs and Jews.

11. In chapter XIV we consider under what conditions immigration should be permitted into the areas which under plan C are retained under Mandate.

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12. In chapter XV we deal with certain matters of administration relating to the Nazareth Enclave, and put forward proposals for safeguarding the sanctity of the waters and shores of the Sea of Galilee (Lake Tiberias).

13. Chapter XVI deals with the provision of effective safeguards for the rights of religious and racial minorities in the areas to be allocated to Arabs and Jews respectively, including the protection of religious rights and properties.

14. Chapter XVII deals with internal communications (railways, ports, and posts and telegraphs), and with industrial concessions.

15. Chapter XVIII deals with finance, and, after examining the budgetary prospects of the several areas under plan C, so far as it is possible to forecast them at present, concludes that it is not possible to recommend boundaries which will give a reasonable prospect of the eventual establishment of a self-supporting Arab State.

16. Chapter XIX deals with customs policy and administration, and concludes that some form of customs union between the Arab and Jewish States and Mandated Territories is necessary to provide for the economic welfare of those states.

17. Chapter XX is concerned with the public debt and other financial obligations of the Palestine Government, and the means of ensuring that these shall continue to be duly honoured.

18. Chapter XXI examines a suggestion that advantage should be taken of the proposed customs union to redistribute the net surplus customs revenue, after meeting certain common charges, between the three areas in such a way as to improve the position of the Arab State, without subjecting it to the necessity of external financial control. The conclusion is reached that, notwithstanding the advantages which an arrangement of this kind seemed to offer, including some reduction in the charges which partition must in any event impose on the British Exchequer, there are constitutional reasons which render it impossible to contemplate a customs union between the Mandated Territories and the Arab and Jewish States except under conditions which would be inconsistent with the grant of fiscal independence to those states.

19. In chapter XXII we summarize the main points which we think that His Majesty's Government will find it necessary to consider before deciding whether they can regard any plan of partition which we put forward as equitable and practicable. We conclude that, apart from the question whether plan C, which is the best plan that the majority of us have been able to devise, will be accepted by those concerned, the financial and economic objections to that plan,

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without a customs union between the three areas, are so serious that we could not recommend it. If, therefore, we were to confine ourselves strictly to our terms of reference, we should have no choice but to report that we have been unable to recommend boundaries which will afford a reasonable prospect of the eventual establishment of self-supporting Arab and Jewish States. Rather than end our report with this merely negative conclusion, however, we have ventured to go further and put forward a suggestion for a modified form of partition, which we call economic federalism, which, while it withholds fiscal autonomy from the Arab and Jewish States, seems to us, subject to certain reservations, to form a satisfactory basis of settlement, if His Majesty's Government are prepared to accept the very considerable financial liability involved.

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CHAPTER II

THE POLITICAL BACKGROUND

20. Before we proceed to consider in detail the schemes of partition to which reference has been made, we feel that it is desirable to refer briefly to the development of events since the publication of the Report of the Royal Commission in July, 1937. We do not feel called upon to furnish in this report anything in the nature of an historical introduction. The historical aspect of the present problem in Palestine has already been described in the first part of the Royal Commission's Report, and we shall therefore content ourselves with a short description of the immediate political background against which our enquiry has been carried out.

21. The Royal Commission were appointed in August, 1936, as a result of the disturbances which had broken out in Palestine earlier in the year. They were required by their terms of reference to ascertain the underlying causes of the disturbances, to enquire into the manner in which the Mandate was being implemented, and whether the Arabs or the Jews had any legitimate grievances in this respect ; and if any such grievances were thought to be well-founded, to make recommendations for their removal and for the prevention of their recurrence. In their Report the Royal Commission reached the conclusion that the deadlock in Palestine was complete and that no measures which could be carried out within the framework of the Mandate would be effective in securing a permanent settlement. "A continuance," they wrote, " or rather an aggravation—for that is what continuance will be—of the present situation cannot be contemplated without the gravest misgivings. It will mean constant unrest and disturbance in peace and potential danger in the event of war. It will mean a steady decline in our prestige. It will mean the gradual alienation of two peoples who are traditionally our friends."

22. In the light of these considerations, the Royal Commission concluded that a way out from the deadlock must be sought outside the existing Mandate : the gravity of the disease required a drastic remedy. On page 375 they wrote—

> Manifestly the problem cannot be solved by giving either the Arabs or the Jews all they want. The answer to the question " Which of them in the end will govern Palestine ? " must surely be " Neither." We do not think that any fair-minded statesman would suppose, now that the hope of harmony between the races has proved untenable, that Britain ought either to hand over to Arab rule 400,000 Jews, whose entry into Palestine has been for the most part facilitated by the British Government and approved by the League of Nations ; or that, if the Jews should become a majority, a million or so of Arabs should be handed over to their rule. But, while neither race can justly rule all Palestine, we see no reason why, if it were practicable, each race should not rule part of it.

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The Commission, while expressing the view that they would not be expected to embark on the further protracted enquiry which would be needed for working out a scheme of partition in full detail, felt that it would be idle for them to put forward the principle of partition and not to give it any concrete shape. In chapter XXII of their Report, therefore, they outlined a plan which conformed, in their view, to the principles which they had stated to be essential to any plan. "It must be practicable. It must conform to our obligations. It must do justice to the Arabs and the Jews."

23. The Royal Commission's Report was published on the 7th July, 1937. On the same day a Statement of Policy (Cmd. 5513) was issued by His Majesty's Government. This Statement contained the following announcement—

> In the light of experience and of the arguments adduced by the Commission, they [His Majesty's Government] are driven to the conclusion that there is an irreconcilable conflict between the aspirations of Arabs and Jews in Palestine, that these aspirations cannot be satisfied under the terms of the present Mandate, and that a scheme of partition on the general lines recommended by the Commission represents the best and most hopeful solution of the deadlock.

The Report and the Statement of Policy were debated in the House of Lords on the 20th and 21st July, and in the House of Commons on the 21st July when the Secretary of State for the Colonies moved the following motion—

> That this House approves the policy of His Majesty's Government relating to Palestine as set out in Command Paper No. 5513.

An amendment proposed by Mr. Winston Churchill was accepted by the Government, and the following motion was agreed to without a division—

> That the proposals contained in Command Paper No. 5513 relating to Palestine should be brought before the League of Nations with a view to enabling His Majesty's Government, after adequate enquiry, to present to Parliament a definite scheme taking into full account all the recommendations of the Command Paper.

24. No time was lost in bringing these proposals before the League of Nations, and on the 30th July the Thirty-second (Extraordinary) Session of the Permanent Mandates Commission opened in Geneva for the purpose of hearing the representatives of the Mandatory Power. After a prolonged examination of the Accredited Representatives, the Commission, in a Preliminary Opinion submitted to the Council of the League, expressed the view that "the present Mandate became almost unworkable once it was publicly declared to be so by a British Royal Commission speaking with the twofold authority conferred on it by its impartiality and its unanimity, and by the Government of the Mandatory Power itself. . . . The Commission therefore considers that it is worth continuing the examination of the advantages and drawbacks of a new territorial solution." The Commission's Preliminary Opinion was presented

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to the Council of the League on the 14th September, 1937, when the British representative sought the general authority of the Council for the procedure proposed by His Majesty's Government for the working out of a detailed scheme of partition.

25. Such were the preliminary steps taken by His Majesty's Government to give effect to the policy set out in the Statement of Policy mentioned in paragraph 23. We must now describe the reactions of Arab and Jewish opinion to the Royal Commission's plan of partition. The Arab reaction was immediate and uncompromising. Arabs of all parties and shades of political opinion were unanimous in condemning the plan as inequitable and wholly unacceptable. In a published memorandum addressed to the Permanent Mandates Commission, the Arab Higher Committee, after examining the Royal Commission's scheme of partition in detail, expressed their unanimous rejection of the proposal, and announced that the only solution which they could regard as acceptable " must be based on the following principles—

(*a*) the recognition of the right of the Arabs to complete independence in their own land ;

(*b*) the cessation of the experiment of the Jewish National Home ;

(*c*) the cessation of the British Mandate and its replacement by a treaty similar to treaties existing between Britain and Iraq, Britain and Egypt, and between France and Syria, creating in Palestine a sovereign State ;

(*d*) the immediate cessation of all Jewish immigration and of land sales to Jews pending the negotiation and conclusion of the treaty."

More than a year has now elapsed since the Royal Commission's Report was published, but the Arabs remain inflexibly hostile to partition. During our stay in Palestine, no Arab came forward to submit evidence or to co-operate in any way with us : the boycott was complete.

26. The outburst of uncompromising disapproval which was the immediate result on the Arab side of the announcement of policy made by His Majesty's Government on the publication of the Royal Commission's Report was followed by an intensification of the Arab lawlessness which had continued sporadically since the end of the Arab general strike in the previous autumn. During the last days of July, and throughout August and September, a widespread campaign of murder and intimidation cost many Jews and Arabs their lives. The culmination of this campaign was reached on the 26th September, when Mr. L. Y. Andrews, the Acting District Commissioner, Galilee District, and his police escort were shot dead by unknown assassins in Nazareth. The

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Palestine Government took immediate steps to deal with the situation. On the 1st October the Arab Higher Committee and all National Committees in Palestine were declared to be unlawful associations, and on the same day three members of the Committee and its Secretary were arrested and deported to the Seychelles. Shortly afterwards Haj Amin Eff. Al Husseini, the President of the Committee, who had been deprived on 1st October of his office of President of the Supreme Moslem Council and of membership of the General Waqf Committee, fled from Palestine to the Lebanon. On the 10th November, the Palestine Government announced that, in view of the continuation of the organized murder campaign in the country, it had been decided, in the interests of public security, to establish military courts by Defence Regulations under the Palestine (Defence) Order in Council, 1937. These courts came into being on the 18th November. In spite of these measures no improvement had taken place in the security position by the end of the year.

27. The Royal Commission's proposals were received by the Jews with mixed feelings, and it soon became apparent that deep cleavages of opinion existed among the various Jewish parties, both in Palestine and elsewhere, as to the acceptability of partition in any form. The whole question was debated at length at the Twentieth Zionist Congress which was held at Zurich in August, 1937, and the resolution ultimately adopted by the Congress represented a compromise between the supporters and opponents of partition. The following is the text of this resolution—

1. The Twentieth Zionist Congress solemnly reaffirms the historic connection of the Jewish people with Palestine and its inalienable right to its homeland.

2. The Congress takes note of the findings of the Palestine Royal Commission with regard to the following fundamental matters: first, that the primary purpose of the Mandate, as expressed in its preamble and in its articles, is to promote the establishment of the Jewish National Home; secondly, that the field in which the Jewish National Home was to be established was understood, at the time of the Balfour Declaration, to be the whole of historic Palestine, including Trans-Jordan; thirdly, that inherent in the Balfour Declaration was the possibility of the evolution of Palestine into a Jewish State; fourthly, that Jewish settlement in Palestine has conferred substantial benefits on the Arab population and has been to the economic advantage of the Arabs as a whole.

3. The Congress rejects the assertion of the Palestine Royal Commission that the Mandate has proved unworkable, and demands its fulfilment. The Congress directs the Executive to resist any infringement of the rights of the Jewish people internationally guaranteed by the Balfour Declaration and the Mandate.

The Congress rejects the conclusion of the Royal Commission that the national aspirations of the Jewish people and of the Arabs of Palestine are irreconcilable. The main obstacle to co-operation and mutual understanding between the two peoples has been the general uncertainty which, as stated in the Report of the Royal Commission, has prevailed in regard to the ultimate intentions of the Mandatory Government, and

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the vacillating attitude of the Palestine Administration; these have engendered a lack of confidence in the determination and the ability of the Government to implement the Mandate. The Congress reaffirms on this occasion the declarations of previous Congresses expressing the readiness of the Jewish people to reach a peaceful settlement with the Arabs of Palestine, based on the free development of both peoples and the mutual recognition of their respective rights.

4. The Congress condemns the "palliative proposals" put forward by the Royal Commission as a policy for implementing the Mandate, such as curtailment of immigration, fixing of a political high-level in substitution for the principle of economic absorptive capacity, closing of certain parts of the country to Jewish settlement, limitations on the acquisition of land, etc. Those proposals are a travesty of the Mandate and a violation of international pledges, and would prove destructive of the future of the National Home.

5. The Congress enters its strongest protest against the decision of His Majesty's Government to fix a political maximum for Jewish immigration of all categories for the next eight months, thus sweeping away the principle of economic absorptive capacity, in violation of Jewish rights and of the undertakings repeatedly given in this regard by His Majesty's Government and confirmed by the League of Nations.

6. The Congress declares that the scheme of partition put forward by the Royal Commission is unacceptable.

7. The Congress empowers the Executive to enter into negotiations with a view to ascertaining the precise terms of His Majesty's Government for the proposed establishment of a Jewish State.

8. In such negotiations the Executive shall not commit either itself or the Zionist Organisation, but in the event of the emergence of a definite scheme for the establishment of a Jewish State, such scheme shall be brought before a newly elected Congress for decision.

28. The League Council were informed in September, 1937, that the intention of His Majesty's Government was to appoint a further special body to visit Palestine and to submit proposals for a detailed scheme of partition. The terms of reference of the new Commission were announced on the 4th January, 1938; they were then published in a White Paper (Cmd. 5634), the full text of which is reproduced in Appendix 1.

29. The new year saw no improvement in the state of public security in Palestine. Almost every day brought its record of murder, intimidation, and sabotage. In spite of several successful operations conducted in March against armed Arab bands, the situation continued to deteriorate, and on our arrival in Palestine on the 27th April, we found the atmosphere charged with intense hatred and bitterness. Against this dark background of racial hostility, violence and widespread disorder we conducted our enquiry. During the three months of our stay in the country, nothing occurred to relieve this tragic picture, and, indeed, when we left at the beginning of August, the tension between the Arab and Jewish communities was probably greater than it had ever been, as the result

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of two terrible bomb explosions which had occurred in the Arab fruit market at Haifa during July. The following are figures of those who were killed or wounded as the result of acts of violence during the first seven months of the year; these figures do not include the casualties suffered by armed Arab bands in encounters with military and police forces—

	Killed.	*Wounded.*
British—		
Police	4	10
Military	9	38
Civilians	1	1
Arab—		
Police	23	33
Civilians	190	338
Jewish—		
Police	21	33
Civilians	68	275
Total	316	728

30. We feel that we may appropriately close this chapter with a tribute to the members of the administration, the judiciary, and the police for their forbearance in the face of provocation, and their courage and devotion to duty in the midst of ceaseless anxiety, and to the members of the British military forces who are discharging their duty with traditional coolness and restraint.

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CHAPTER III

GENERAL MATTERS

31. In this chapter we consider certain general matters with which it is convenient to deal at an early stage of our report.

1. Boundaries

32. Owing to the need of secrecy, it has not been possible to trace the boundaries of plans B or C on the ground, and accordingly we have not been able to include in our report a continuous written description of them in detail, except in regard to the boundary of Jaffa. The boundaries which we recommend have been shown on maps deposited with His Majesty's Government. These include an original copy signed by our Chairman and one certified copy.

33. For the information of the public there are shown in Appendices 2, 3 and 4 lists of the village sites (that is, the sites on which the principal buildings of the village stand) in the vicinity of the boundaries showing in which state those village sites lie. As a rule the boundary follows village boundaries, but in some places, owing to reasons of defence or otherwise, it does not do so.

34. If a scheme of partition is decided upon, the actual boundaries will have to be demarcated on the ground by a Boundary Commission. We think that this Commission should consist of two British officers, with a reference, in case of a difference of opinion arising, to a third British officer. In delimiting the boundary the Boundary Commission should adhere closely to the maps; but they should be at liberty to make such small changes in the boundary as the economic or industrial or other requirements of the local inhabitants or the requirements of defence or the nature of the ground may, in their opinion, require.

35. As a rule it is desirable that administrative boundaries, and still more inter-state boundaries, should not cut across the lands of a village. But, in drawing the boundary between the Arab and Jewish States, it may happen that defence requirements make it necessary to include part of the land of an Arab village within the Jewish State. We asked Government officers what view the villagers would be likely to take in such a case, and found them all agreed that the villagers would prefer that the boundary line should run through the lands of the village rather than that the whole of the village lands should be included in the Jewish State. We were told that the Arab villager would much prefer to retain a footing in the Arab State,

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notwithstanding the risk of inconvenience which the severance of the village lands might cause him, and that, if the residential site of a village were included in the Jewish State, the villagers might even wish to transfer their houses to the part of the lands of the village in the Arab State. In drawing the boundary between the Arab and Jewish States we have therefore followed the defensive line in cases where it cuts through the lands of a village, and have not extended the boundary so as to include the whole of the village lands in the Jewish State. As regards villages on the boundary between the Arab State and an area to be retained under Mandate, the opinion of those we consulted was not unanimous, but the majority took the view that the villagers would prefer that the whole of the lands of the villages should be included within the Mandated area. In such cases, accordingly, we have followed the boundary of the village lands unless to do so involved the inclusion of a considerable population or area of land within the Mandated area.

2. Defence

36. Defence is an important factor in drawing the boundaries of a state, and it is one which we have borne in mind throughout our enquiry. In this matter the military authorities have been our advisers. We put the various plans before them and asked them, without accepting any responsibility for the plans themselves, to advise us on purely military grounds what were the most suitable boundaries for each from the point of view of defence. On this basis, they have given us advice which we have accepted in every case. In advising us on the suitability of a boundary from the point of view of defence, the military authorities have taken into account the following general considerations. Palestine is a small country about the size of Wales or Belgium. It is impossible to divide a country of its size and configuration into areas the frontiers of which, having regard to the conditions of modern warfare, will have any real military significance. No strategic line, judged by those conditions, exists west of the River Jordan. In these circumstances, the guiding principle which the military authorities have followed is whether a proposed boundary is tactically suitable for defence against a force armed with rifles and machine guns.

3. Population

37. The growth of population in Palestine since the War is the result of a combination of circumstances unique in modern history—an unusually high (though not unprecedented) rate of immigration, comparable with the mass immigration movements into Australia and New Zealand in the latter half of the nineteenth century, and an abnormally high (and possibly unprecedented) rate of natural increase in the existing indigenous population.

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38. There are no vital statistics for Palestine under Turkish rule, but "there is no evidence that the population increased or diminished during the last two centuries."* If the numbers fluctuated, the fluctuations cancelled out. Since the War, the population has doubled, from about 700,000 in 1919 to an estimated total of just over 1,400,000 in the middle of 1938. Of this increase, migration accounts for about 300,000, and natural increase for the remainder; and of this natural increase, that of the Arab† population has been about 355,000, that is, from about 635,000‡ in 1919 to about 990,000‡ in 1938, an increase of nearly 56 per cent. The following table gives the official figures of the changes between the census of 1922 and mid-1937, with estimates for 1919 and mid-1938.§

Year	All Religions	Moslems	Jews	Christians	Others
1919	700,000	568,000	58,000	74,000	
1922	752,048	589,177	83,790	71,464	7,617
1937	1,383,320	875,947	386,084‖	109,769	11,520
1938	1,415,700	989,500¶	401,600	—	24,600ø
1922–37					
Total Increase of population ..	631,272	286,770	302,294	38,305	3,903
Increase by migration	281,339	25,168	245,433	10,414	324
Natural Increase ..	349,933	261,602	56,861	27,891	3,579

It may be noted that the Arab population is predominantly rural, nearly 70 per cent. living in rural areas; whereas the Jewish population is predominantly urban, 70 per cent. living in the four large towns of Jerusalem, Tel Aviv, Haifa and Jaffa, and 35 per cent. in the all-Jewish town of Tel Aviv alone.

39. It is worth while to study the vital statistics for some explanation of this astonishing change in the Arab population since the war, which it is very unlikely that the authors of the Balfour Declaration or of the Mandate foresaw. The following tables, taken from

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* A. M. Carr-Saunders, "World Population," for 1936, p. 310.

† The word "Arab" in this section is used in its strict sense, and not a equivalent to "non-Jew."

‡ After allowing for some 35,000 Arab immigrants.

§ The figures for 1922 and 1937 are from the Report by His Majesty's Government on Palestine and Trans-Jordan, 1937, p. 221, which adds: "The precision of these figures is not great." The 1938 figure is an unofficial estimate made for us by the Palestine Government: the 1919 figure is that used by Professor Carr-Saunders ("World Population," p. 307).

‖ This differs from the figure of 392,000 given in chapter VII, which makes some allowance for illicit immigrants. The estimate prepared by the Jewish Agency gives 416,000; the difference is probably due to the inclusion of a higher figure for illicit immigrants.

¶ Including Christian Arabs.

ø Including non-Arab Christians.

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the Government's Annual Report on Palestine and Trans-Jordan for 1937 (Colonial No. 146), page 223, give the figures of birth-rate, death-rate, infant mortality and natural increase for all Palestine, excluding the nomadic population, since the census of 1922* :—

ANNUAL RATE OF BIRTHS AND DEATHS PER THOUSAND OF SETTLED POPULATION BY COMMUNITIES, 1922–37

Year.	Birth-rate.		
	Moslems.	Jews.	Christians.
1922–25 average	50·09	34·81	36·37
1926–30 ,, ...	53·45	34·29	38·55
1931–35 ,, ...	50·24	30·33	35·84
1934	46·56	30·21	33·55
1935	52·54	30·80	35·61
1936	53·14	29·74	36·34
1937	49·74	26·67	33·55
Average 1922–37†	51·15	32·21	36·47
	Death-rate.		
1922–25 average	26·83	13·62	16·13
1926–30 ,, ...	28·31	11·66	17·91
1931–35 ,, ...	25·34	9·32	15·04
1934	26·68	9·53	16·25
1935	23·46	8·58	13·99
1936	19·97	8·82	12·63
1937	24·82	7·78	13·91
Average 1922–37†	26·14	10·78	15·89

INFANT MORTALITY : DEATHS OF INFANTS UNDER ONE YEAR OF AGE PER THOUSAND LIVE BIRTHS, 1922–37

Year.	Moslems.	Jews.	Christians.
1922–25 average	190·39	122·90	144·35
1926–30 ,, ...	193·46	95·83	158·56
1931–35 ,, ...	166·41	77·99	136·28
1934	175·15	78·13	152·39
1935	148·10	64·15	125·81
1936	136·15	68·70	113·72
1937	179·33	57·20	127·34

* Vital occurrences in Palestine are at present classified by religion only.

† Not given in the Annual Report.

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ANNUAL RATE OF NATURAL INCREASE PER THOUSAND OF SETTLED POPULATION BY COMMUNITIES, 1922–37

Year.	Moslems.	Jews.	Christians.
1922–25 average	23·26	21·19	20·24
1926–30 ,, ...	25·14	22·63	20·64
1931–35 ,, ...	24·90	21·01	20·80
1934	19·88	20·68	17·30
1935	29·08	22·22	21·62
1936	33·17	20·92	23·71
1937	24·92	18·89	19·64
Average 1922–37*	25·01	21·43	20·58

* Not given in the Annual Report.

40. The comparative figures of natural increase for certain other countries may be noted :—

Non-European Countries

	Birth-rate.			Death-rate.			Natural increase.
	Low-est	High-est	Average.	Low-est	High-est	Average.	Average.
Egypt* (1920–33)	41·8	45·7	43·7	24·9	28·8	26·5	17·2
Ceylon (1920–29)†	36·5	41·5	39·2	21·75	31·5	26·8	12·4
Formosa (1920-31)†	38·75	45·25	42·1	19	32	22·23	19·1
Japan (1920–33)†	31·75	35·25	33·66	17·75	23	20·3	13·36
India (1920–30)†	32	37	34·4	24	31	26·7	7·7

* "The Population Problem in Egypt." Wendell Cleland, 1936.

† Calculated approximately from graphs in "World Population." Carr-Saunders, 1936, pp. 281, 262, 271.

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*Overseas Countries with Population of European Origin**

	1921–5	1926-30	1931.	1932.	1933.	1934.	1935.	1936.
U.S.A.—								
Birth-rate ..	22·6	19·7	18·0	17·4	16·4	—	—	—
Death-rate ..	11·9	11·8	11·1	10·9	10·7	—	—	—
Natural Increase.	10·7	7·9	6·9	6·5	5·7	6·1	6·0	—
Canada—								
Birth-rate ..	27·1	24·1	23·2	22·5	20·9	20·4	—	—
Death-rate ..	11·1	11·2	10·1	9·9	9·6	9·4	—	—
Natural Increase.	16·0	12·9	13·1	12·6	11·3	11·0	11·0	10·6
Australia—								
Birth-rate ..	23·9	21·0	18·2	16·9	16·8	16·4	—	—
Death-rate ..	9·5	9·3	8·7	8·6	8·9	9·3	—	—
Natural Increase.	14·4	11·7	9·5	8·3	7·9	7·1	7·0	7·7
New Zealand—								
Birth-rate ..	22·2	19·7	18·4	17·1	16·6	16·5	—	—
Death-rate ..	8·6	8·6	8·3	8·0	8·0	8·5	—	—
Natural Increase.	13·6	11·1	10·1	9·1	8·6	8·0	8·0	7·9
South Africa— (European population).								
Birth-rate ..	27·1	26·1	25·4	24·2	23·6	23·5	—	—
Death-rate ..	9·7	9·7	9·4	10·0	9·4	9·7	—	—
Natural Increase.	17·4	16·4	16·0	14·2	14·2	13·8	13·7	14·8
Argentine—								
Birth-rate ..	32·8	30·4	28·7	28·1	26·0	25·3	—	—
Death-rate ..	14·6	13·5	12·5	12·0	11·7	11·7	—	—
Natural Increase.	18·2	16·9	16·2	16·1	14·3	13·6	12·6	—

41. Any conclusions based upon the vital statistics of relatively backward countries must be made with caution. But from these figures certain striking facts emerge.

(i) *The Moslem Population*

(*a*) The birth-rate is a long way higher than that of any other country given in the tables, and is probably among the highest in the world.

* "World Population," p. 177.

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(*b*) Unless the set-back in 1937 should prove to be significant of a change (which does not seem likely since it applies to the other religious groups also), there is no indication of any downward tendency during the period: the rate is fairly stable at a point just above 50.

(*c*) The death-rate, though high, is not actually higher than that of Egypt and of other Asiatic countries on somewhat the same economic level.

(*d*) Again apart from 1937, which shows an abrupt upward turn, there has been in the last ten years a gradual downward trend in the death-rate, and most notably in the rate of infant mortality.

(*e*) As the result of the abnormally high birth-rate and the relatively low death-rate, the natural increase of the Arab population is abnormally high.

42. Here, no doubt, lies the explanation, both of the change since the War from a stationary to a growing population, and of the abnormal rapidity of that growth. In part the change may be ascribed to the cessation, under British Mandatory rule, of the annual conscription of young men for military service in distant parts of the Turkish Empire—a service from which it is said that few ever returned. But the effect of a system of this kind upon vital statistics is apt, Professor Carr-Saunders thinks, to be over-estimated. Its abolition may have been followed by some rise, but not a large rise, in the birth-rate.

43. It would seem that the growth of population must be due mainly to a lower death-rate, brought about, not so much by a change in personal habits (although in this region also the effect of education and advice by Government medical officers and clinics is beginning to be seen), as by general administrative measures, such as anti-malarial control, under an efficient and enlightened government. But whether these explanations fully cover the ground it is impossible to say without knowledge of the facts under the Ottoman regime. We thus have the Arab population reflecting simultaneously two widely different tendencies—a birth-rate characteristic of a peasant community in which the unrestricted family is normal, and a death-rate which could only be brought about under an enlightened modern administration, with both the will and the necessary funds at its disposal to enable it to serve a population unable to help itself. It is indeed an ironic commentary on the working of the Mandate, and perhaps on the science of government, that this result, which so far from encouraging has almost certainly hindered close settlement by Jews on the land, could scarcely have been brought about except through the appropriation of tax-revenue contributed by the Jews.

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44. How far the Arabs themselves have benefited, as a community, from these vital conditions, is perhaps open to question. That the Arabs' standard of living is higher than before the War is, we think, certain, if the average condition of the whole community is considered (though it does not follow that a particular group, such as the Bedouin, have gained). That there is as yet no pressure on the means of subsistence is also, we think, proved by the steadily declining death-rate—unless the sharp upward turn in 1937 proves to be significant.* "If a population, which did not control births, had increased to the point where there was only just enough food to keep the members alive, it would show high birth- and death-rates running parallel. For, even if death from disease was controlled, deaths would take place from lack of food."† On the other hand, it seems certain that the amount of land now under cultivation, by present methods and on present standards, is insufficient to support the same percentage of the total Arab population to-day as in 1922. This would in any case seem probable from the facts that since 1919 (*a*) the total Arab population, of which the census of 1931 showed over 60 per cent. to be directly engaged in agriculture, has increased by about 360,000 persons, and (*b*) the amount of land available for Arab cultivation has been diminished by the purchase of about three-quarters of a million dunums by the Jews, on the greater part of which Arabs are not employed. But the argument cannot be proved in this way without taking into account the amount of additional land, previously classed as uncultivable, which has been brought under cultivation since 1919, about which no precise information is available. Proof, however, appears to be forthcoming from the Report on the Census of Palestine for 1931, paragraph 259, which states that "it is thus clear that nearly a quarter of the agriculturists would be unable to maintain their present standard of life if they were unable to find a secondary means of subsistence." It is only reasonable to suppose that, as the non-Jewish population has increased since 1931 by nearly 150,000, the proportion of agriculturists in this condition is now considerably larger.

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* Horowitz (Economic Survey of Palestine, Tel Aviv, 1938, page 34), ascribes this very marked increase in the death-rate in 1937 (experienced, in a greater or less degree, by Moslems, Christians, and the smaller religious groups, but not by the Jews) to the depression, which in that year "began to be severely felt." No explanation is given in the official report on Palestine for the year: there was a certain increase in the number of deaths from epidemic disease, but not enough to account for the percentage increases. On the other hand, 1937 was a prosperous year for agriculture, and in so far as the Arab population is directly dependent on the produce of its own lands for subsistence, this might be expected to prevent any marked rise in the death-rate. But the rise in 1937 is noticeable chiefly in relation to 1936, when the rate was exceptionally low, for reasons which we do not know and which may have been only ephemeral. The 1937 figure is not so far above that for 1935 as to justify us in drawing any positive conclusions from it.

† Carr-Saunders, op. cit. p. 272.

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45. As a rough check on this deduction, we have attempted to calculate the amount of land in Arab ownership, classed as cultivable, which is available on average per head of the existing Arab population who are actually engaged in and directly dependent upon pasture and agriculture. In the absence of an up-to-date census, the number of such persons can only be calculated indirectly. We have used two methods: first, to take the 1931 census figures, calculate the percentage of the Arab population belonging to the desired category in that year, and apply the same percentage to the estimated Arab population to-day; secondly, to take the total rural population, as shown by the village statistics, according to the latest known date (1936), and deduct one-fifth as representing persons not directly dependent upon agriculture. The number of persons in the desired category is then divided into the total amount of Arab cultivable land. The first method gives an average of 10·5 dunums per head, or (allowing 4·75 persons per family) 49·87 dunums per family; the second, 12·2 dunums per head, or 57·95 dunums per family.* These figures of 50 and 58 dunums may be compared with those in the table used by the Director of Agriculture which is quoted in chapter VIII, paragraph 143, of our report. According to that table, the average "lot viable" for citrus and banana plantations is 10 dunums; the average for fruit plantations 113 dunums; the average for taxable crop land, 140 dunums; and the average for untaxable crop land, 400 dunums. Of the total Arab cultivable land about 2·4 per cent. consists of citrus and banana plantations; about one-sixth of other plantations, about two-thirds of taxable crop land, and rather less than one-sixth of untaxable crop land. A sample holding, weighted in the same proportions as the categories into which the aggregate Arab land is actually divided, would work out at about 111 dunums. Making every allowance for the roughness of our method of calculation, it is apparent that the average holding of 50 or 58 dunums at which we have arrived is far below what the Director of Agriculture would regard as a reasonable "lot viable" for a parcel of land so divided between the several categories.

46. If this argument is sound, then, subject to two qualifications, to be mentioned below, three conclusions follow. (i) First, that if the sources of present supplementary employment are cut off, even partially, the consequences for the Arabs affected will be serious. (ii) Secondly, that if the Arab rural population continues to increase at its present rate, the demand for such supplementary employment, and even the pressure to leave the land and seek for whole-time

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* The higher figure reached by the second method is probably due to the fraction of one-fifth deducted for persons not directly dependent upon agriculture being too high. No calculation of the true proportion is available for the Arab rural population: 20 per cent. is based upon Jewish economy (cf. the figures given in chapter XIII), and is probably inappropriate to Arab conditions.

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employment in the towns, will be intensified—quite apart from any further acquisition of land by the Jews. (iii) And thirdly, that since such employment can only be provided by capital, and, with few exceptions, capital is only likely to be invested in Palestine by Jews, the future for the Arab population is already menacing—unless Jewish immigration and Jewish imports of capital are allowed to continue.

47. The two qualifications mentioned above are these. First, that there is no doubt that Palestine could support a larger agricultural population if better methods of cultivation were adopted, if the area under irrigation could be extended, and if markets for the increased produce could be found. But for these changes capital is needed, and this the Arab lacks. And in any case the changes involved can only take place slowly; and meanwhile the population will be increasing—if no change takes place, the Arab population alone will have increased by 250,000 in ten years' time. The second qualification relates to the size of the family. Professor Carr-Saunders, speaking of the same problem in India, says: "Family limitation is the only way of escape." ("World Population," page 277.) And again, of another group of Asiatic countries he says, in words which may prove to be painfully applicable to Palestine: "It is an open question whether an increase will cease on account of a rising death-rate or on account of a falling birth-rate. This means that a very serious threat hangs over these countries, since a rising death-rate would imply not only much suffering but also the possibility of social retrogression."

48. It may be argued that the proper conclusion to be drawn from these figures is that there is no room for any further Jewish immigration into Palestine at all: the whole country, not only the land but the openings for urban employment, must all be reserved to satisfy the needs of the growing Arab population. We are aware that the Shaw Commission, reporting in 1930, recommended, and indeed thought it most important, that "the Government of Palestine, in deciding the rate at which newcomers are to be admitted to agriculture, should have regard to the certain natural increase of the present population" (Cmd. 5530, page 123). But whatever may have been the position then, we believe that to act in such a way to-day, even as regards agricultural settlement, and *a fortiori* as regards immigration in general, would be an unpractical and indeed a short-sighted policy. So far as settlement on the land is concerned, we are convinced that the only practical rule is to have regard solely to the population existing at any given date. The Arabs would be no better off with a larger population than to-day on the same amount of land, unless they learn to cultivate their land more intensively and unless in addition they can find supplementary employment in the towns. And neither of these two things can be brought about without the assistance of Jewish taxable capacity and Jewish capital. The alternative possibility of assistance by the United Kingdom Government may, we feel sure, be ruled out, for we cannot imagine

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that, if Jewish immigration were to be completely closed down in Palestine, His Majesty's Government would be willing to provide funds from the British taxpayer's pocket for the sake of enabling a larger Arab population to support itself in Palestine.

So far as concerns non-agricultural settlement, it would seem that economic conditions in Palestine are by now so closely bound up with Jewish immigration, both actual and prospective, that the Arabs in Palestine would be faced with the prospect of greater economic hardship if Jewish immigration should be completely closed down, than they would be even if it should be allowed to continue.

(ii) *The Jewish Population*

49. It is not necessary for our purpose to comment at any length on the Jewish figures, but the following points may be noted.

(*a*) It is probably not generally realized that in the **15** years between the **1922** census and **1937** the increase of Jewish population by migration was less than the natural increase of the Moslem population, and that the total increase of the Jewish population is still less than the total increase of Arab (including Christian Arab) population.

(*b*) The natural increase of the Jewish population in Palestine is, for a people who practise family restriction, abnormally high ; it is also believed to be higher than that of Jewish communities in other countries. This is no doubt in part accounted for by the peculiar age composition of the Jewish population. Young adults, including women of child-bearing age, form an unusually high proportion of the Jewish community in Palestine : according to the Statistical Year-book of the League of Nations, the percentage of the population in the age-group **15–45** is **56·7**, as compared with **47** for the United Kingdom, **46** for Canada, and similar figures for other established countries. Moreover, both this high proportion of persons in that age-group, in which the risk of dying is lowest, and the relative scarcity of infants and old people, which is typical of recent immigrant-communities, tend to keep the death-rate low.

(iii) *Trans-Jordan*

50. Unfortunately no figures of population or of vital statistics are available for Trans-Jordan. We do not know what the pre-war population of the area was, nor do we know with any precision what the population is to-day. It is usually estimated at about **325,000**, and it is generally thought that there has been a gradual increase to that figure since the war. If that impression is correct, it would conform with what we should expect to find, *prima facie*, on the analogy of the Moslem figures in Palestine, that is to say, a high birth-rate, more or less stable, and a death-rate somewhat higher than in

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Palestine (since the medical and administrative services in Trans-Jordan, though efficient as far as they go, are certainly not so comprehensive as in Palestine), but still such as to leave a certain margin of natural increase. But how large that margin is, and what exactly the figures of birth- and death-rate are, it is impossible to say.

4. Population and Land Statistics

51. At the time of the Royal Commission's enquiry no detailed statistics of either population or land were available. Since that date figures have been compiled, village by village, for the whole of Palestine except the Beersheba sub-district, and it is these figures which we have used in our report. The methods by which these figures have been compiled are explained in Appendix **5**. We should emphasize that the figures for land and population which are given in the report are not strictly accurate, though sufficiently exact for our purpose. The figures for the Arab population relate to the middle of the year 1937 and those for the Jewish population to September, 1936; the difference in the dates is due to a difference in the method of compilation. The figures relating to the land and the ownership thereof show the position as it was on the 1st April, 1935, with the exception of land planted with citrus; the figures for the latter are based on an *ad hoc* survey carried out in the autumn of 1937. Excluding the Beersheba sub-district, the area of land transferred by Arabs to Jews between the 1st April, 1935, and the 31st May, 1938, is, according to the Land Registries, 84,477 dunums. The village statistics give the total area of land in Jewish ownership in April, 1935, as 1,238,896 dunums. The area of land owned by the Jews at the end of May, 1938, was, therefore, about 7 per cent. more than it was in April, 1935. The later figures could not be used because it was not possible to distribute the area purchased since April, 1935, among the different classes of cultivable land.

52. Figures of population and land are not available for the Beersheba sub-district in the same way as they are for the rest of Palestine. Beersheba is an extensive area inhabited, except for the town of Beersheba, by nomadic and semi-nomadic Bedouin. The figures for the nomadic population in the Census of 1931 were admittedly only approximate, as it was not possible to apply to them the procedure adopted in the case of the settled population, and it is, therefore, impossible to place full reliance on any figure which may be assumed for the population at the present day. For our purposes we have taken a figure of 60,000 as the population of the Beersheba sub-district. This population is entirely Arab. The area of the sub-district is estimated to be about 12,577,000 dunums (or nearly half the whole of Palestine). As the urban area alone has been surveyed, it is possible to estimate only very roughly the area of cultivated land: the estimates vary between 1½ and 2 million dunums.

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53. For the purpose of our report, except where it is expressly otherwise stated, we have treated the population as falling into two categories, Arabs and Jews. The Arab section includes persons who are not Arabs, but as nearly 98 per cent. of the non-Jewish population are Arabs, the use of the term Arab, which we prefer to that of non-Jew, generally causes no distortion of the picture.

54. The unit of area in Palestine is a dunum. We have used this term in dealing with land areas. The unit adopted in all the figures given in the report is the metric dunum and not the smaller Turkish dunum. A metric dunum is approximately equal to one quarter of an acre.

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CHAPTER IV

THE BOUNDARIES OF THE ENCLAVE FOR THE HOLY PLACES AT JERUSALEM AND BETHLEHEM, AND OF THE ENCLAVE AT NAZARETH

55. We are now in a position to proceed with our examination of the boundaries which would have to be adopted to give effect to the plan of partition put forward by the Royal Commission in chapter XXII of their Report. In this chapter we consider the boundaries of the Jerusalem and Nazareth Enclaves, which the Royal Commission recommended for retention under Mandatory administration.

1. The Boundary of the Jerusalem Enclave

56. Under Article 13 of the Mandate all responsibility in connection with the Holy Places and religious buildings or sites in Palestine, including that of preserving existing rights and of securing free access to the Holy Places, religious buildings, and sites, and the free exercise of worship, was assumed by the Mandatory Power ; and under Article 28, in the event of the termination of the existing Mandate, the Council of the League of Nations is required to make arrangements for safeguarding in perpetuity the rights secured in Article 13.

57. The Royal Commission's proposals in regard to the Holy Places are to be found in paragraphs 10 and 11 of chapter XXII of their Report—

> 10. The partition of Palestine is subject to the overriding necessity of keeping the sanctity of Jerusalem and Bethlehem inviolate and of ensuring free and safe access to them for all the world. That, in the fullest sense of the mandatory phrase, is " a sacred trust of civilization "— a trust on behalf not merely of the peoples of Palestine but of multitudes in other lands to whom those places, one or both, are Holy Places.
>
> 11. A new Mandate, therefore, should be framed with the execution of this trust as its primary purpose. An enclave should be demarcated extending from a point north of Jerusalem to a point south of Bethlehem, and access to the sea should be provided by a corridor extending to the north of the main road and to the south of the railway, including the towns of Lydda and Ramle, and terminating at the sea.

58. The boundary which we propose for the Jerusalem Enclave (including the Corridor) is shown on map No. 10.

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59. It will be noticed that the northern boundary under our proposals falls north of Ramallah, and not between Ramallah and Jerusalem as proposed by the Royal Commission. The reasons for this modification are two—

(*a*) defence ;

(*b*) the existence of the Palestine Broadcasting Station about one mile north of Ramallah town.

60. It is clearly necessary that the boundary should be as satisfactory as possible from the point of view of defence, and we have been advised that a line between Ramallah and Jerusalem does not comply with this essential condition, for the following reasons. First, it is essential that there should be a landing-ground for aircraft in the vicinity of Jerusalem, and that the distance between the landing-ground and the frontier should be such as will enable the former to be assured of reasonable protection from interference from the neighbouring State. The landing-ground at Qalandiya—the only possible site for a landing-ground in the neighbourhood of Jerusalem—lies a short distance south of Ramallah, and a line south of Ramallah would not leave sufficient space between the landing-ground and the frontier. Secondly, the road from Ramallah to Latrun is considered an essential military line of communication for the defence of the Enclave. If the line were drawn south of Ramallah, this road would not be included within the Enclave. Thirdly, the high point of Beitunya occupies a dominating position and should be included within the Mandated area. The line north of Ramallah which we have adopted is one which the military authorities consider a suitable defensive boundary.

61. As has been indicated, the broadcasting station is situated a short distance north of Ramallah. This site was selected a few years ago after a very careful examination of other possible sites in the neighbourhood of Jerusalem. At our request, the possibility of finding an alternative site nearer to Jerusalem was again explored, but with no success. The alternative sites all possess serious disadvantages as compared with Ramallah. It is obviously right that the Enclave should possess a suitable broadcasting station and that this station should be capable of being defended in an emergency. For this reason also we think it essential that the boundary should run north of Ramallah.

62. The five Arab villages of Shuqba, Qibya, Budrus, Ni'lin and Deir Qaddis in the Ramle Sub-District obtain their water supply under a co-operative arrangement by pumping from a well situated in the village of Shabtin. Although defence requirements only necessitate the inclusion of the villages of Qibya and Budrus within the Enclave, we think it undesirable that these two villages should be separated from their water supply by an international boundary, and we consider that the proper course is to include within the Enclave all the six villages concerned.

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63. That portion of the northern boundary of the Enclave which lies west of the railway from Lydda to Haifa has been placed about one kilometre north of the road which runs from the civil airport (north of Lydda) to Jaffa and Tel Aviv. The object of this is to include in the Enclave and to exclude from the Jewish State the Arab villages of Salama, Al Kheiriya, Saqiya, Kafr Ana, and Al Yahudiya. The German colony at Wilhelma represented to us that they desired to be excluded from the Jewish State; it has not been possible to accede to this request entirely, but the boundary proposed places the residential area of the colony within the Enclave. The civil airport, which is situated in the village of Al Yahudiya, falls within the Enclave.

64. The southern boundary of the Enclave in the hills has been placed as near the railway as defensive requirements would permit. In the plains it has been drawn so as to include within the Enclave the military cantonments at Sarafand and the projected Royal Air Force base at Aqir. The Royal Air Force base is at present situated at Ramle. The landing-ground at Ramle is too small and in other ways unsuitable for use by modern aircraft. It is essential that the Mandatory Power should have a first-class air base if it is properly to fulfil the responsibility for the defence of the Enclave and the responsibilities which it is likely to assume by treaty for the defence of the states after partition. The Royal Air Force authorities have investigated very carefully the question of an alternative site to the existing one at Ramle, and the conclusion they have reached is that the Aqir site is the nearest site to Ramle which will meet present-day requirements. The Enclave boundary has therefore been drawn so as to include the projected air base at Aqir.

65. The Royal Commission proposed that a narrow belt of land should be acquired and cleared on the north side of the town of Jaffa, and that this belt should form part of the Jaffa–Jerusalem corridor. We shall deal with this question of the boundary between the towns of Jaffa and Tel Aviv in chapter V, and it will suffice to say here that we do not favour the proposal that these two towns should be separated by a strip of mandated territory.

66. The Royal Commission also proposed that a similar belt should be acquired and cleared on the south side of the town of Jaffa. In their view this belt would serve a double purpose. It would separate the town of Jaffa—which they proposed should form part of the Arab State—from the nascent Jewish town of Bat Yam (Bayit Vegan) and at the same time afford the Enclave access to the sea. As we shall explain in chapter V in considering the boundary between the towns of Jaffa and Tel Aviv, we do not regard the interposition of a narrow strip of mandated territory between an Arab town in the Arab State and a Jewish town in the Jewish State as a satisfactory method of preventing clashes between Arabs and Jews. We agree that the Enclave should have its own access

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to the sea, but access by means of such a narrow strip would serve no useful purpose. We are of opinion that a wider strip of mandated territory should be interposed between Jaffa and the Jewish State. In our view the southern boundary of this strip of mandated territory should be the northern boundary of the village of Rishon le Ziyon, and this is the boundary which, subject to the two following provisions, we propose should be adopted.

67. (i) The first of these provisions relates to the utilization of an area in the Jewish State south of the Enclave for the purpose of providing modern ranges for the military forces of the Mandatory Power. The range at present available within the Enclave at Jaffa is unsuited to modern requirements, and we have been advised that a project is under preparation for the construction of up-to-date ranges on the sand dune area on the coast south of the Enclave and north of the Wadi Rubin. It is clearly essential that the military forces of the Mandatory Power should have modern ranges available for their use. We suggest that, instead of the area required for these ranges being included in the Enclave, the Treaty between the Mandatory Power and the Jewish State should make suitable provision for the land required for these ranges being placed at the disposal of the Mandatory Power. (ii) The second provision relates to the need for the Mandatory Power to have the right to enter upon and use the area along the shores of the Jewish State as far south as the Wadi Rubin for military purposes in the case of an emergency. If the southern boundary of the Enclave is the northern boundary of the village of Rishon le Ziyon as we have suggested, the width of the bridge head position will be inadequate in case of an emergency. Here again, instead of extending the boundary of the Enclave further to the south, we propose that the treaty should contain a provision giving the Mandatory Power the right to enter and use the area in question for military purposes in case of an emergency.

68. From the Jewish side it has been contended that the Enclave between Ramle and the sea is unduly wide and that in this area the Enclave should be limited to a narrow strip just wide enough to carry the railway and a road. The arguments urged in support of this proposal are that a wider Enclave will render communication between the northern and southern portions of the Jewish State unnecessarily difficult and will seriously interfere with Jewish urban development in the area south of Jaffa. We cannot agree with this contention. As the Royal Commission pointed out, the partition of Palestine is subject to the overriding necessity of keeping Jerusalem and Bethlehem inviolate and of ensuring free and safe access to them for all the world. It is our considered view that, if the Mandatory is to be entrusted with this paramount obligation, the restriction of the Enclave between Ramle and the sea to a narrow strip only a few yards wide would seriously jeopardize the execution of that trust. In this matter, the necessity of protecting the Holy Places must override the needs of the Jewish State.

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69. It may be urged that the Enclave (including the corridor) covers an unnecessarily large area. To that we would reply that the boundaries of the Enclave, with the exception of a part of the northern frontier—*see* paragraphs 62 and 63—have been determined solely with reference to the question of defence, and that if the Mandatory is to be entrusted with the protection of the Holy Places it is essential that the Enclave should have boundaries which are capable of being defended.

2. The Population and Area of the Jerusalem Enclave

70. The figures are as follows—

POPULATION

	Arabs	*Jews*	*Total*
Urban	90,800*	76,000*	166,800*
Rural	120,600	4,100	124,700
Total	211,400	80,100	291,500

LAND (in dunums)

	Arabs	*Jews*
Citrus Land	37,900	8,900
Banana Plantations	100	—
Other Plantations	184,500	5,200
Taxable Cereal Land ..	502,300	36,500
Untaxable Cereal Land ..	102,300	1,100
Total Cultivable Land ..	827,100	51,700
Built-on Areas	29,700	7,800
Uncultivable Land	628,400	19,200
Total Land†	1,485,200	78,700

3. The Boundary of the Nazareth Enclave

71. After discussing the Mandatory administration which they had proposed for the Holy Places at Jerusalem and Bethlehem, the Royal Commission went on to say (chapter XXII, paragraph 14)—

> We think it would accord with Christian sentiment in the world at large if Nazareth and the Sea of Galilee were also covered by this Mandate. We recommend that the Mandatory should be entrusted with the administration of Nazareth and with full powers to safeguard the sanctity of the waters and shores of Lake Tiberias.

We consider elsewhere (chapter XV) the question of safeguarding the sanctity of the waters and shores of the Sea of Galilee (Lake Tiberias) : here we are concerned only with the boundary to

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* *Note.*—The urban population consists of the population of the municipalities of Jerusalem, Ramallah, Bethlehem, Beit Jala, Beit Sahur, Ramle, and Lydda.

† Excluding roads, railways, rivers and lakes.

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be adopted for the Nazareth Enclave. It has been suggested to us that the Enclave should include not only Nazareth itself but should be extended so as to include—

(*a*) Kafr Kanna, the traditional site of the miracle in Cana of Galilee ;

(*b*) Mount Tabor, the traditional site of the Transfiguration ;

(*c*) the village of Yafa to the west of Nazareth, the population of which consists to the extent of almost one-half of Christians.

The inclusion of these places would mean a considerable increase in the size of the Enclave, and we do not feel that we can support the proposal. We recommend that the Enclave should be limited to the area falling within the boundaries of the village lands of Nazareth. The population and area of the Enclave as thus defined are as follows—

	Arabs	*Jews*
Population	10,000	100
Land (in dunums) :—		
Total cultivable land	6,700	100
Total uncultivable land, including built-on areas.	12,700	—
Total land*	19,400	100

* Excluding roads, railways, rivers and lakes.

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CHAPTER V

THE BOUNDARY OF JAFFA, INCLUDING THE BOUNDARY BETWEEN THE TOWNS OF JAFFA AND TEL AVIV

72. The Royal Commission recommended that the town of Jaffa should be part of the Arab State. We endorse that recommendation, though Jaffa, being situated in the Jerusalem Enclave, will thereby be separated from the rest of the territory of the Arab State.

1. The Boundary between the Towns of Jaffa and Tel Aviv

73. There are about 55,000 Arab residents in Jaffa and about 16,000 Jews ; but the town is essentially Arab. Tel Aviv, which adjoins Jaffa on the north, has a population of about 140,000 and is entirely Jewish. The two form geographically a single town. The majority of the Jewish residents of Jaffa live near the boundary between the two towns. This boundary is a zigzag line running for the greater part through narrow streets. There has been for many years discord between the two towns and serious disturbances have taken place on the boundary. At present, the relations between the two communities are particularly strained. In the past, endeavours have been made to secure a better boundary between the two municipalities, but it has not been possible to reach agreement. The problem has now become the wider one of devising a suitable boundary, not only between the two municipalities, but also between the proposed Jewish State in which Tel Aviv will be situated and the Arab State of which Jaffa will be a part.

74. The Royal Commission suggested that the boundary between the two towns should consist of a narrow belt of mandated territory, and that for this purpose a strip of land along the boundary should be acquired and cleared. We have examined the problem presented by this boundary most carefully in consultation with officers of the Palestine Administration, and the conclusion we have reached is that a boundary such as that proposed by the Royal Commission would not be a suitable one. It would place the Mandatory Administration and its officials in a most difficult and embarrassing position should disturbances break out between the subjects of the two states. Indeed, in that event the position of the Mandatory police stationed in a narrow belt of territory between hostile parties intent on attacking each other might prove to be untenable. Again, such a boundary would render customs administration very difficult, indeed almost impossible, should the Jewish State and the Mandated area have different customs tariffs or other

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divergent import and export systems.* In our opinion, the better course would be to have a road as the boundary between the two towns. For the purpose of maintaining law and order, and for general administrative convenience, this road must be as straight as possible. Down the middle of it a high iron railing must be constructed which would form the actual boundary and would be the joint property of the two states. At intervals where the boundary would cross important roads there would be gates to allow of the passage of traffic between the two towns. Such an arrangement would enable the police of each state to patrol the boundary and would provide a reasonably effective barrier between two potentially hostile communities. It would also enable traffic crossing the boundary to be controlled and would greatly facilitate customs administration.

75. This arrangement may seem artificial, but it appears to us to offer the best solution of the problem—a problem which has sometimes been described as insoluble—of drawing a boundary between Tel Aviv and Jaffa. We recognize that it is not perfect. In the event of disturbances no barrier could prevent shots from being fired from buildings on each side of the boundary road. The substitution of a wall for a railing would, it is true, prevent shots from being fired from street level, but would not prevent the throwing of bombs. Indeed, it would make the position worse, for bombs could be thrown over the wall by persons hidden from the view of those on the other side. It would doubtless also be possible for small articles to be smuggled through the railing, but again the provision of a wall instead of a railing would not wholly prevent the smuggling of such articles. Having regard to all the circumstances, and after taking expert advice, we consider that a railing would be decidedly preferable to a wall. It is also true that persons intent on causing disturbances could evade any barrier by going round the end of it, and that smugglers could evade it by transporting goods by boat or round the end of the railing, but these possibilities of evasion do not diminish the necessity of special measures in the congested urban area.

76. As regards the line which should be adopted as the boundary between the two municipalities, it has been suggested, on the part of the Jews, that the existing boundary, throughout its whole length, should be moved a considerable distance to the south. According to this plan the boundary would start on the seashore at a point north-west of the railway station (near the end of Az Zubeir Street) and would then take a south-easterly course via the Jaffa railway station and the German colony to a point on the eastern boundary of the Jaffa municipality, about one kilometre south of the road leading to the village of Salama and the civil airport

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* This argument will lose its force if the proposals in our final chapter (XXII) are adopted.

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(hereafter called the airport road). The effect of adopting this boundary would be to transfer from Jaffa to Tel Aviv not only practically all the Jewish property in Jaffa, but in addition the following Arab areas—

(i) Almost the whole of the Al Manshiya section of the town. This section is densely populated and is almost entirely owned and inhabited by Arabs. The important Hassan Bey Mosque is situated in this area.

(ii) A large area of Arab land in the Saknat Abu Kabir Quarter.

In terms of population it would mean transferring to Tel Aviv not only the Jewish population of Jaffa but also a large Arab population.

77. A scheme has also been put forward on the part of the Arabs, the effect of which would be—

(*a*) To transfer to Tel Aviv the northern portion of the Karton area, which is predominantly Jewish.

(*b*) To retain in Jaffa the other Jewish areas of that town.

(*c*) To transfer from Tel Aviv the following entirely Jewish areas—

(i) an area along the sea shore north of the present boundary ;

(ii) the Neve Shalom area west of Pinnes Street ;

(iii) an area north of the airport road.

In terms of population, it would mean that the Jewish population of Jaffa would be considerably increased.

78. Both these schemes are clearly open to strong objection. The Jewish scheme involves the transfer of important Arab areas to Tel Aviv, while the Arab scheme involves a considerable increase in the Jewish population and property in Jaffa.

79. The boundary which we recommend is shown on map 12. The width of the boundary road would be 20 metres, except for the portion between the seashore and Hacarmel Street, where it would be 30 to 40 metres wide.

80. Starting from the seashore, the boundary road runs eastwards for some distance along the present common municipal boundary and then, still proceeding eastwards, it cuts through the northern portion of the Al Manshiya section of the Jaffa municipality. The effect of this is to transfer the Karton Quarter of Jaffa to Tel Aviv. It is estimated that, while the greater part of the property in the area transferred is owned by Arabs, the Jewish population exceeds the Arab population by three to two, the approximate figures being 3,200 Jews to 2,000 Arabs. At present the Karton

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Quarter forms a salient of the Jaffa municipal area, projecting into the Tel Aviv municipal area. We consider that it is essential to remove this salient in order to obtain a suitable boundary.

81. On reaching Hacarmel Street, the boundary road turns southwards to Pinnes Street and then along that street to the railway line. The effect of this is to transfer the Neve Shalom area of Tel Aviv to Jaffa. The Neve Shalom area forms a salient projecting into Jaffa, and although the population (about 5,400) and property affected are entirely Jewish, we consider that in order to obtain a suitable boundary it is necessary to remove this salient.

82. After crossing the railway—a bridge will be needed at this point—the boundary runs southwards as far as the airport road and then turns eastwards along that road to the eastern boundary of the Jaffa Enclave. The effect of this is to transfer from Jaffa to Tel Aviv—

(*a*) The area known as the Florentine Quarter. This quarter is almost entirely Jewish, both as regards population and the ownership of the land. The population is estimated at about 12,500 Jews.

(*b*) The part of the Shapiro Quarter (Block 7060) which lies north of the airport road. This area carries a small population, partly Arabs and partly Jews, the ownership of the land being almost equally divided between Arabs and Jews.

83. We consider that the railing need not, at first, be continued beyond the junction of the airport road and the eastern boundary of the Jaffa Enclave, though experience may prove that some extension is necessary. The cost of the road and fence is estimated at about £115,000. A detailed estimate has not been prepared and the figure given is therefore only approximate. The question how the money is to be provided for this and other necessary expenses incidental to partition will be considered in the chapter on Finance (chapter XVIII).

84. The effect of our proposals would be the transfer of about 15,700 Jews and about 2,000 Arabs from Jaffa to Tel Aviv, and of about 5,400 Jews from Tel Aviv to Jaffa. The population figures are, however, only approximate, precise figures not being available. We do not expect that the transfer of the areas we have recommended will give rise to any serious administrative difficulties.

85. The line we have recommended will no doubt be criticized by both the Arabs and the Jews. On behalf of the Arabs it may be urged that the inclusion of the Florentine and part of the Shapiro Quarters in Tel Aviv will deprive the Jaffa municipality of an important area. Our answer would be that we consider it essential that, as far as other considerations permit, the boundary should be drawn so as to effect as large a reduction as possible in the Jewish population of Jaffa.

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86. On behalf of the Jews it may be urged that the Jewish area of Neve Shalom should not be transferred to Jaffa. As we have said, we consider it essential that the boundary between Jaffa and Tel Aviv should be as straight as possible. If this essential condition is to be observed, it follows that the salient made by the Neve Shalom area must be removed. Again, in the rectification of the present unsatisfactory boundary, we consider it proper that the sacrifices involved should be shared as far as possible between the two municipalities. It may also be urged that our plan retains in Jaffa the Jewish population and property south of the airport road. This is so. But we take the view that the existence of this Jewish population and property would not justify the substitution of a different boundary for the airport road. In the first place, the cost of constructing the boundary road—already considerable—would be largely increased, for it would be necessary to construct an entirely new road south of the Jewish property. In the second place, it would be impossible to provide a straight boundary without transferring further Arab land to Tel Aviv.

87. We feel the less hesitation in recommending in this area boundaries which necessitate the inclusion of a considerable number of Jews in the Arab State and of Arabs in the Jewish State, because it is obvious that the transfer of an urban population from one part of a continuous built-over area to another is a very different matter from the transfer of an agricultural population to a completely different district. Given goodwill on both sides, the transfers could be arranged, if the inhabitants in question wish it, without much difficulty, and, we should hope, without hardship to the individuals concerned.

2. The Remaining Portion of the Boundary of Jaffa

88. The remainder of the boundary proposed for Jaffa is shown on map 4. From the airport road the eastern boundary follows the "Urban and Village" boundary, and on the south the town-planning boundary has been adopted. The proposed boundary includes a considerable area outside the present municipal limits of Jaffa town and therefore provides room for expansion.

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CHAPTER VI

THE BOUNDARY BETWEEN THE PROPOSED ARAB AND JEWISH STATES UNDER PLAN A

89. In chapter IV we described the boundary for the Jerusalem Enclave and the Enclave at Nazareth, and in chapter V we dealt with the boundary of Jaffa, including the boundary between Jaffa and Tel Aviv. As has been explained in chapter I, the Royal Commission gave only a sketch map and a brief description of their proposed plan. But neither the map nor the description purports to do more than give a rough outline of the boundaries, and in order to examine the Royal Commission's scheme demographically, that is, with reference to statistics of population and land, it is necessary in the first place to draw their proposed boundaries more exactly, taking their outline as a guide. We shall then have plan A. In this chapter we deal with the remaining sections of the boundary between the Arab and Jewish States as outlined in the Royal Commission's scheme. The boundaries in these sections were made after consultation and in agreement with the military authorities, and we have no reason to suppose that the Royal Commission, if they had given a detailed description of their plan, would have chosen different boundaries.

1. The Boundary along the Eastern Edge of the Maritime Plain between the Town of Tulkarm and the Jerusalem Enclave

90. The boundary in this section, according to the Royal Commission's outline, runs along the eastern edge of the Maritime Plain, that is along the base of the hills of Samaria. It also lies just east of the main railway line from Lydda to Haifa, which in this section runs close to the foot of the hills. The Jewish population and land are situated in the plain, while the population and land in the hills are entirely Arab. We have been advised that a boundary along the foot of the hills would not be a suitable defensive boundary for the Jewish State and that any defensive boundary in this area must be drawn some distance within the foothills. The boundary adopted has been drawn as short a distance within the foothills as military requirements would permit. This means the inclusion in the Jewish State of a number of Arab villages situated in the foothills, but we are satisfied that this is unavoidable if the Jewish State is to be provided with a suitable defensive boundary.

91. The boundary outlined by the Royal Commission places the town of Tulkarm in the Arab State. Tulkarm, which is an entirely Arab town with nearly 6,000 inhabitants and a centre of Arab nationalism, is situated just on the edge of the plain. We agree that

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this town should not be included in the Jewish State. The main railway line (standard gauge) from Lydda to Haifa runs through Tulkarm, which is a junction for the narrow-gauge line to Nablus. It is clearly undesirable that a small section of the main line should pass through the Arab State at this point. It will therefore be necessary to divert the main line for a distance of about 10 kilometres, provision being made for maintaining the connection with the narrow-gauge railway. We have been advised that the cost of the diversion is estimated at about £10,000 a kilometre ; the total cost will be about £100,000. The question how this expenditure should be met will be considered in chapter XVIII (Finance).

2. The Boundary along the Maritime Plain north of the Town of Tulkarm, across the Carmel Ridge and along the Plain of Esdraelon

92. The boundary adopted in this section follows closely the boundary outlined by the Royal Commission. The boundary in the Maritime Plain north of the town of Tulkarm has not, like the boundary south of that town, been drawn inside the foothills for the following reasons—

(*a*) the railway line is at a reasonably safe distance from the eastern edge of the plain ;

(*b*) a boundary through the foothills would be more difficult to defend than that adopted, because of the broken nature of the ground and the presence of very dense olive groves ;

(*c*) in order to obtain a suitable boundary inside the foothills it would be necessary to include in the Jewish State an Arab area almost as deep as the Jewish area to be protected.

3. The Boundary along the Plain of Jezreel

93. The boundary in the Plain of Jezreel as proposed by the Royal Commission runs along the southern edge of the plain at the base of a range of hills, the Mountains of Gilboa, which rise steeply to a height of 300 to 500 metres (about 900 to 1,500 feet). Jewish settlements lie at the foot of the hills, while the hills themselves are in Arab occupation. Here also we have been advised that a line at the foot of the hills would not be a suitable defensive boundary for the Jewish State. The line adopted on the advice of the military authorities runs along the crest of these hills. Here again the inclusion of a certain number of Arab villages in the Jewish State has been found to be unavoidable.

4. The Boundary in the Plain of Beisan

94. The boundary adopted in the Plain of Beisan follows closely the boundary outlined by the Royal Commission.

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5. The Boundary in the Jordan Valley

95. In paragraph 20 of chapter XXII of their Report the Royal Commission described the boundary of the Jewish State as crossing Lake Tiberias to the point where the River Jordan flows out of the lake, and then continuing down the river to a point a little north of Beisan. The boundary of Palestine in this area, however, runs, not across, but on the eastern side of the lake and then down the River Yarmuk to the point where that river joins the River Jordan at Jisr al Majami. The small triangle of territory which is thus excluded from the Jewish State by the Royal Commission's boundary contains a number of Jewish settlements, including the old-established colonies of Dagania A, Dagania B, Kfar Gun, Afiqim, and Dalhamiya, and over 50 per cent of the land is in Jewish hands. It would seem desirable to include this triangle in the Jewish State, in accordance with the principle on which the Royal Commission proceeded, of drawing the boundary between the Jewish and Arab States so as to include within the Jewish State the existing areas of Jewish land and settlement.

96. The power-house and certain other works of the Palestine Electric Corporation on the River Jordan at Jisr al Majami are situated on the eastern side of the river and are therefore in Trans-Jordan territory. Only a small part of the electric energy produced by the Palestine Electric Corporation is sold to consumers in the Arab State outlined in plan A, by far the greater part being supplied to the consumers in the Jewish State. It has been suggested to us that in these circumstances the boundary should be modified so as to include the power-station within the Jewish State. We agree, and have modified the boundary so as to include within the Jewish State the land which the Corporation now hold on the Trans-Jordan side of the river. This matter is dealt with in detail in Appendix 6.

The railway, which runs from Samakh at the southern end of Lake Tiberias south along the Jordan Valley to Beisan, and then west to Haifa, is situated entirely in the Jewish State, with the exception of a short length north of Jisr al Majami, where it passes through the land held by the Palestine Electric Corporation on the Trans-Jordan side of the River Jordan. It is clearly undesirable that this small section of the railway line should fall outside the Jewish State. This affords a further reason for the modification of the boundary dealt with in the preceding paragraph.

6. The Boundary south of the Jerusalem Enclave

97. In this section the boundary lies wholly in the Maritime Plain. The boundary adopted interprets as closely as possible the boundary outlined by the Royal Commission.

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CHAPTER VII

THE FIGURES FOR THE POPULATION AND LAND OF THE ARAB AND JEWISH STATES AND THE ENCLAVES UNDER PLAN A

98. The Royal Commission were of opinion (page 385 of their Report) that it would greatly promote the successful operation of partition in its early stages, and in particular help to ensure the execution of the treaty guarantees for the protection of minorities, if the towns of Haifa, Tiberias, Safad, and Acre, situated within the boundaries of the Jewish State, were kept for a period under Mandatory administration. Although the period of this temporary Mandate was not specified, it was clearly the intention that these towns should ultimately pass under Jewish administration, and we have therefore, for the purpose of plan A, treated them as forming part of the Jewish State.

99. The Royal Commission's plan also provided (page 381) for the union of Trans-Jordan and the Arab area in Palestine. For the purposes of considering the various plans of partition we have not, except where otherwise stated, included statistics relating to Trans-Jordan.

1. Population

100. The populations of the two states and the enclaves (Jerusalem and Nazareth) are as follows :—

THE ARAB STATE
(including the Beersheba sub-district)

	Arabs	*Jews*	*Total*
Urban	136,500	5,600	142,100
Rural	348,700	1,600	350,300
Total	485,200	7,200	492,400

THE JEWISH STATE

	Arabs	*Jews*	*Total*
Urban	77,500	243,600	321,100
Rural	217,200	61,300	278,500
Total	294,700	304,900	599,600

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THE JERUSALEM AND NAZARETH ENCLAVES

	Arabs	*Jews*	*Total*
Urban	91,000	76,000	167,000
Rural	130,400	4,200	134,600
Total	221,400	80,200	301,600

ALL PALESTINE

	Arabs	*Jews*	*Total*
Arab State (including the Beersheba Sub-District)	485,200	7,200	492,400
Jewish State	294,700	304,900	599,600
Enclaves	221,400	80,200	301,600
Total	1,001,300	392,300	1,393,600

Note.—The urban population is the population living within the municipal areas.

101. The main facts which emerge from these figures are—

(*a*) In the Arab State the number of Jews is only about 7,000, or about 1 per cent. of the total population of the State.

(*b*) In the Arab State nearly three-fourths of the total population live in rural areas.

(*c*) In the Jewish State the Arabs are almost equal in numbers to the Jews and constitute 49 per cent. of the total population of the State.

(*d*) In the Jewish State four-fifths of the Jewish population but only one-quarter of the Arab population live in urban (municipal) areas. The two towns of Tel Aviv (140,000) and Haifa (49,000) alone account for three-fifths of the Jewish population in the State.

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2. Land

102. The distribution of the various classes of land in the two States and the Enclaves between Arabs and Jews is given in the following tables—

THE ARAB STATE
(excluding the Beersheba District)

	Arabs (Dunums)	*Jews* (Dunums)	*Total* (Dunums)
Citrus land	26,600	1,300	27,900
Banana plantations	3,200	200	3,400
Other plantations	624,300	2,800	627,100
Taxable cereal land	1,785,600	24,200	1,809,800
Untaxable cereal land ..	604,900	1,100	606,000
Total cultivable land ..	3,044,600	29,600	3,074,200
Built-on area	37,100	4,400	41,500
Uncultivable land	3,926,200	3,000	3,929,200
Total land*	7,007,900	37,000	7,044,900

As was explained in paragraph 52 of chapter III, only the urban area (the town of Beersheba) in Beersheba sub-district has been surveyed and hence figures corresponding to those given for the rest of Palestine are not available. The total area of Beersheba sub-district is 12,577,000 dunums; the estimates of the cultivated area vary between $1\frac{1}{2}$ million to 2 million dunums. According to the Land Registration records the area of land purchased by the Jews is 50,385 dunums. In addition 5,160 dunums were purchased before the War. The total area of land held by the Jews in the sub-district is therefore 55,545 dunums. There are no Jews settled on this land.

THE JEWISH STATE

	Arabs (Dunums)	*Jews* (Dunums)	*Total* (Dunums)
Citrus land	78,600	135,900	214,500
Banana plantations	600	800	1,400
Other plantations	266,900	61,900	328,800
Taxable cereal land	1,700,200	608,900	2,309,100
Untaxable cereal land ..	185,300	59,100	244,400
Total cultivable land ..	2,231,600	866,600	3,098,200
Built-on area	31,700	31,400	63,100
Uncultivable land	1,591,400	242,200	1,833,600
Total land*	3,854,700	1,140,200	4,994,900

* Excluding roads, railways, rivers and lakes.

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The Jerusalem and Nazareth Enclave

	Arabs (Dunums)	*Jews* (Dunums)	*Total* (Dunums)
Citrus land	37,900	8,900	46,800
Banana plantations	100	—	100
Other plantations	185,100	5,300	190,400
Taxable cereal land	508,400	36,500	544,900
Untaxable cereal land ..	102,300	1,100	103,400
Total cultivable land ..	833,800	51,800	885,600
Built-on area	34,500	7,800	42,300
Uncultivable land	636,300	19,200	655,500
Total land*	1,504,600	78,800	1,583,400

103. The main points brought out by these figures are—

(*a*) The amount of Jewish land in the Arab State is very small, being about 92,000 dunums, including the Jewish land in Beersheba sub-district.

(*b*) The amount of Arab land in the Jewish State is very large, being about 3,854,000 dunums as compared with about 1,140,000 dunums of Jewish land.

(*c*) Land planted with citrus pays the highest rate of Rural Property Tax levied on any class of agricultural land, except banana plantations. The total area of such land held by the Jews outside the Enclaves is about 137,200 dunums and of this area 135,900 dunums are included in the Jewish State as compared with only 1,300 dunums in the Arab State. The total area of such land held by the Arabs outside the Enclaves is 105,200 but of this area only 26,600 dunums are included in the Arab State as against 78,600 in the Jewish State.

*** Excluding roads, railways, rivers and lakes.**

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CHAPTER VIII

THE POSSIBILITY OF EXCHANGES AND TRANSFER OF POPULATION

104. In this chapter we examine, with reference to plan A, the possibility of voluntary* exchanges of land and population and the prospects of making provision, by works of land development, for a larger population than exists to-day and thereby facilitating the transfer of persons who desire to move from one area to another.

105. The number of Jews and the amount of Jewish Land in the Arab State under plan A are—

Jews—		
Urban	5,600	7,200
Rural	1,600	
Jewish land—		
Citrus land	1,300	dunums
Other cultivable land	28,300	,,
Uncultivable land	7,400	,,
	37,000	,,

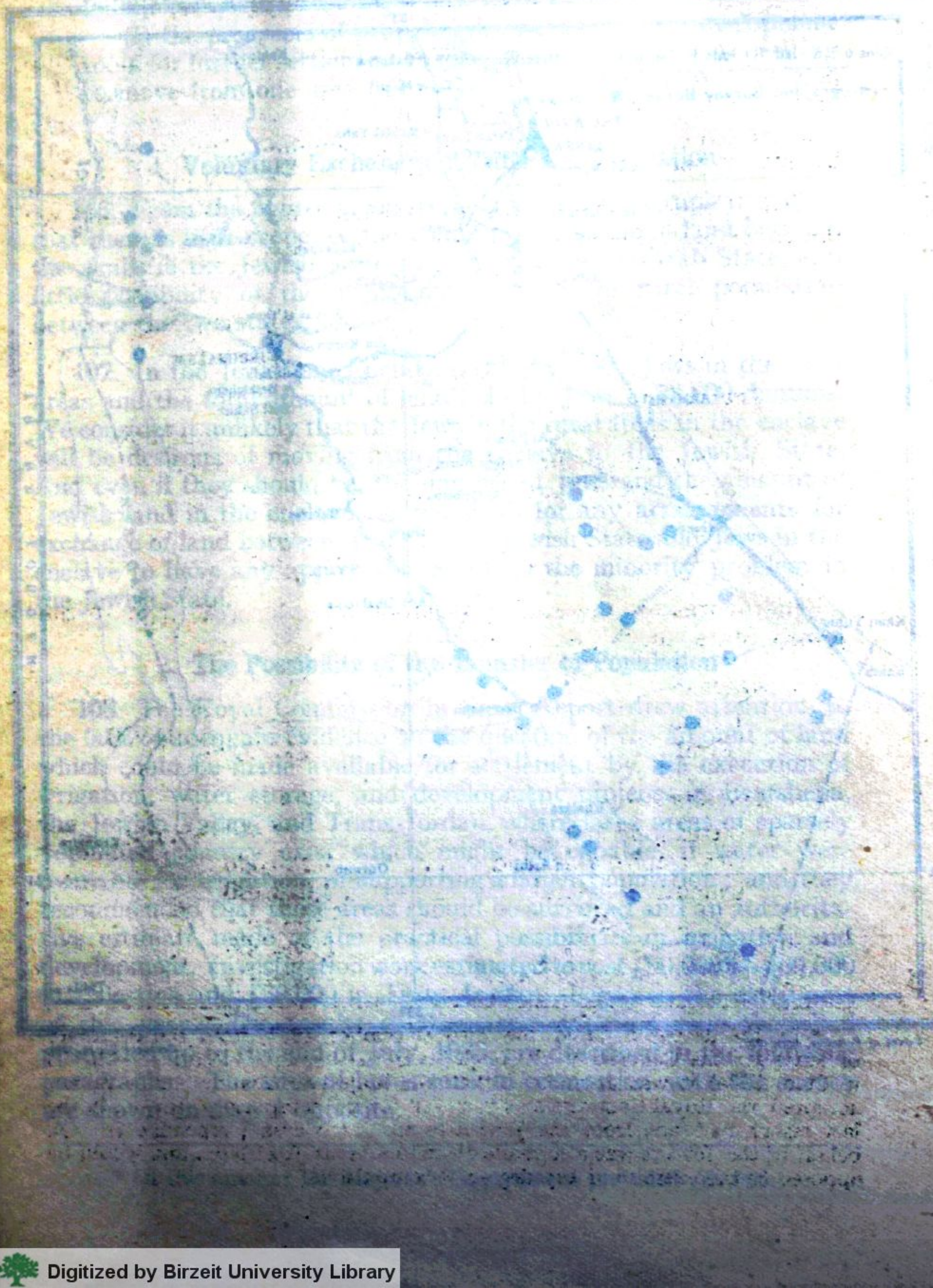
The figures for the Arab population and the Arab land in the Jewish State under plan A are—

Arabs—		
Urban	77,500	294,700
Rural	217,200	
Arab land—		
Citrus land	78,600	dunums
Other cultivable land	2,153,000	,,
Uncultivable land	1,623,100	,,
	3,854,700	,,

* In the despatch dated the 23rd December, 1937, from the Secretary of State for the Colonies to the High Commissioner for Palestine (published in Cmd. 5634) it was announced that His Majesty's Government have not accepted the Royal Commission's proposal for the compulsory transfer in the last resort of Arabs from the Jewish to the Arab area (Appendix 1). On behalf of the Jews it was also made clear to us that Jewish opinion would be opposed to the exercise of any degree of compulsion.

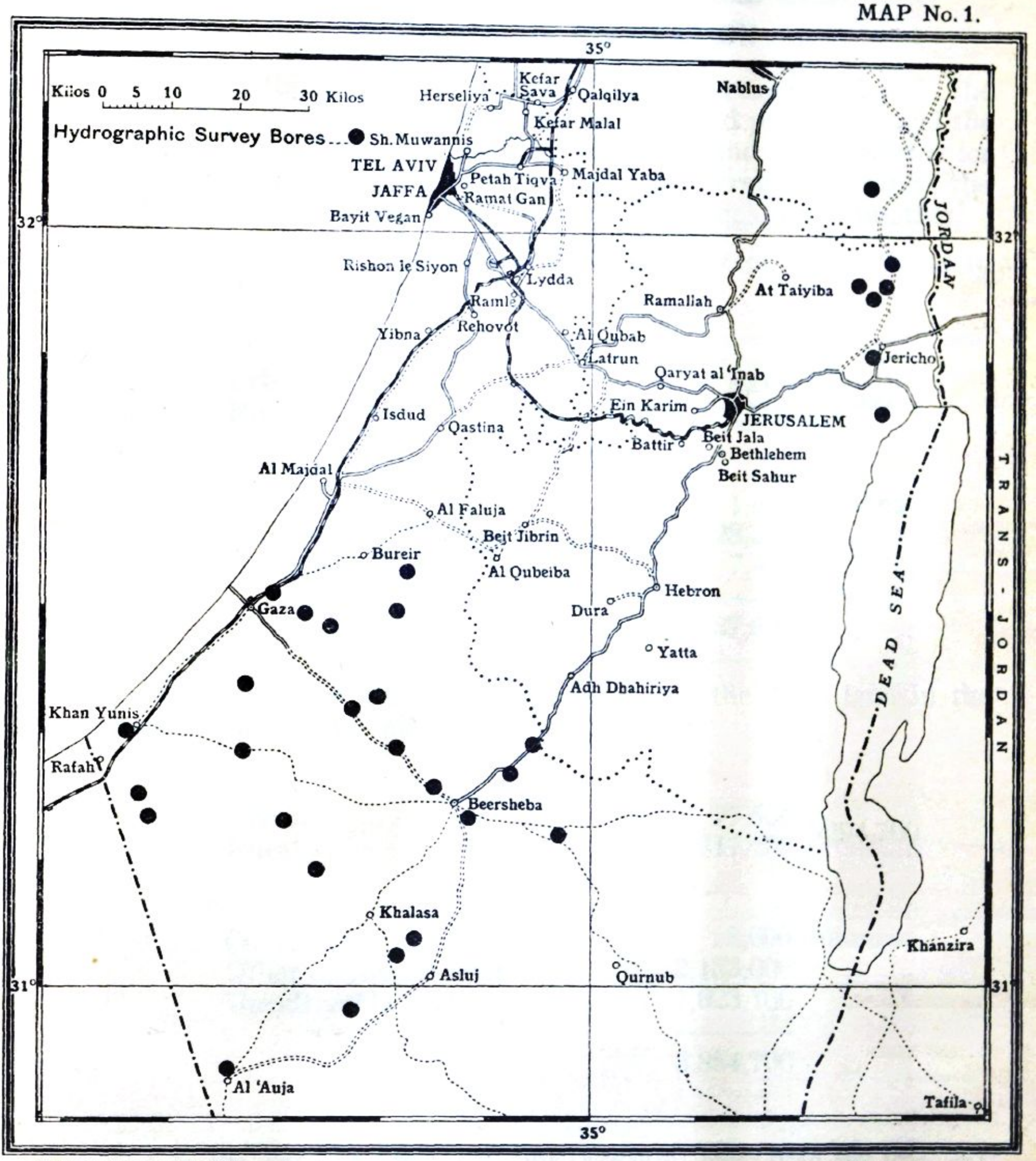
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These figures show that, while the Jewish community in the Arab State is small, the Arab minority in the Jewish State is huge. The Royal Commission [illegible] in the Jewish State. And in fact [illegible] are forced to emigrate.



PALESTINE HYDROGRAPHIC SURVEY

MAP No. 1.



Survey of Palestine, Jaffa 1937.

Ordnance Survey, 1938.

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These figures show that, while the Jewish minority in the Arab State is small, the Arab minority in the Jewish State is large. The Royal Commission foresaw that there would be a large Arab minority in the Jewish State, and in item (ii) (i) of our terms of reference we are directed to examine and report on—

(*a*) the possibility of voluntary exchanges of land and population, and

(*b*) the prospects of providing by works of land development room for further settlement to meet the needs of persons desiring to move from one area to another.

1. Voluntary Exchanges of Land and Population

106. From the figures given in the previous paragraph it is clear that there is little scope for the voluntary exchange of land between the Arabs in the Jewish State and the Jews in the Arab State, and little possibility of the voluntary exchange of rural population between the two states.

107. In the Jerusalem Enclave there are 4,000 Jews in the rural areas and the total amount of land held by Jews is 78,800 dunums. We consider it unlikely that the Jews in the rural areas in the enclave will be desirous of moving from the enclave to the Jewish State. And even if they should be, the number of Jews and the amount of Jewish land in the enclave are too small for any arrangements for exchange of land between Arabs in the Jewish State and Jews in the enclave to have any appreciable effect on the minority problem in the Jewish State.

2. The Possibility of the Transfer of Population

108. The Royal Commission in their Report drew attention to the lack of adequate evidence on the question of the amount of land which could be made available for settlement by the execution of irrigation, water storage, and development projects in Beersheba, the Jordan Valley, and Trans-Jordan, where large areas of sparsely populated country exist which might be capable, if water were available for irrigation, of supporting a larger population; and they recommended that those areas should be surveyed and an authoritative estimate made of the practical possibilities of irrigation and development. Investigation work estimated to cost £90,000*—£60,000 in Palestine and £30,000 in Trans-Jordan—began in the early part of this year. The results of these surveys, so far as they had proceeded up to the end of July, 1938, are described in the following paragraphs. The sites of bores sunk in connection with the survey are shown on map 1 opposite.

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* Of this amount His Majesty's Government provided £60,000.

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Beersheba Sub-District

109. As we have already stated in an earlier chapter, the Beersheba sub-district has an area nearly equal to that of the whole of the rest of Palestine. The greater part of this vast expanse of country, over 12½ million dunums in extent, is an arid wilderness, roamed over by the Bedouin in search of pasture for their flocks. In the north and north-west, however, there are extensive undulating plains on which, when the rainfall permits, the semi-nomadic Arabs are able to raise substantial cereal crops. It is in the southern part of these plains, which may roughly be said to lie north-west of a line drawn from Al Auja to Kurnub, that the traces of ancient settlements are to be found, and it was to this area that Sir John Hope Simpson referred when he wrote—

> Given the possibility of irrigation, there is practically an inexhaustible supply of cultivable land in the Beersheba area.

Unfortunately the rainfall in this area is low, varying from 5 inches in the south to 10 inches or 12 inches in the extreme north and north-west, and so uncertain that it has been estimated that in a cycle of seven years a cultivable plot produces a good crop in two, some crop in three, and none at all in the other two years. In a year of good rainfall, however, it is calculated that from 1,500,000 to 2,000,000 dunums are put under cultivation in this region, and, as will be seen from map 1, it is here that the bores made in connection with the survey have been sunk.

110. The line between Al Auja and Kurnub corresponds approximately to the 5 in. rainfall contour. South of this line the character of the country changes. It consists of a series of low ranges of rugged hills extending east and west, with undulating and irregular gravel plains between them. The lower slopes of the hills are usually boulder-strewn and covered with gravel, and, although here and there areas of wind-blown sand and alluvial deposits occur, they are isolated from each other. This area has not been tested for water as, even if water were found, the isolation of the individual patches of soil and their distance from markets make it exceedingly doubtful whether any part of it can ever be put to economic use.

111. The following is a summary of the results of the bores sunk in the Beersheba sub-district to the end of August last, when it was found necessary in view of the risk of attack by Arabs—in July two attacks were made on boring parties in the Jordan valley resulting in loss of life—to close down all boring operations in Beersheba as well as in the Jordan Valley—

> (i) Thirteen bores have been completed. Only one, near Gaza, has proved successful. In eight, water has either not been found at all or found in such small quantities as to be useless for the

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purpose of irrigation, and in one the water, although present in good quantity, is too saline (344 to 353 parts in 100,000) to be usable for irrigation purposes. In two other bores water, although present in fair quantity, is of a salinity higher than that (40 to 50 per 100,000) which has been accepted in the past in Palestine as the maximum for the cultivation of crops other than cereal crops. Experience in other countries, however, tends to show that it is impossible to lay down any absolute figure. The subject is now being investigated both in the laboratory and in the field, and until these investigations have been completed, it will not be possible to say whether the water from these wells will prove to be usable for irrigation or not. The remaining bore has been sunk, but has not as yet been tested for quantity or salinity.

(ii) Eight bores are still in process of being sunk, and on these work has not proceeded far enough for any conclusions to be drawn. The well at Al Auja, however, presents points of some interest. Water has been struck at two horizons. At the first horizon the water is very saline, but the salinity of the combined water from the two horizons indicates that the water from the lower horizon is much sweeter than that obtained from the higher. If these indications are confirmed by the test about to be carried out, the upper horizon will be shut off and the boring continued through the lower strata. There is a hope that, at this well, water has been struck of useful quantity and quality and at a moderate depth. If this hope should be confirmed, it is proposed to sink a second bore to test the extent of the underlying water.

(iii) In addition to the above bores, three wells were sunk a year or two ago in connection with the Water Resources Survey then being undertaken. In one of these bores no water was found and in two the water was too saline to be usable for irrigation.

112. The results of the well-boring experiments in the Beersheba area are thus most disappointing. Of the 16 wells sunk only one, near Gaza, has proved successful, although it is hoped that the bore at Khan Yunis, now awaiting test, will also yield satisfactory results. But both these bores are situated in the coastal sand dune area where it was fairly certain from the outset that sweet water would be found in reasonable quantity. Of the fourteen wells further in the interior, twelve are complete failures and the possibility of utilizing the water of the other two, in view of its salinity, has yet to be proved. A final conclusion cannot be reached till the remaining bores have been completed, but the most that can at present be said is that the Beersheba area is not one in which it is possible to sink a bore at random and obtain sweet water. On the contrary, even when sites are chosen after prolonged geophysical experiments

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and geological investigation, 75 per cent. of them prove a failure. The presence of abundant sweet water in the coastal sand dunes seems likely to be confirmed, and there is evidence that satisfactory water may be available in the vicinity of Al Auja. But in the greater part of the area there appears to be little hope of any improvement in agriculture by means of irrigation from wells.

113. There are indications that, in the distant past, considerable areas in the close vicinity of the wadis in this region were irrigated by diverting the flood water of those wadis over the fields by means of weirs. It is proposed, as part of the general hydrographic investigation, to construct one or two experimental works of this nature, and the necessary surveys were nearing completion at the end of August last. It is interesting to record that, on the site selected for one of these weirs, remains of a similar work of the Byzantine, or possibly Roman, period were found, which indicated clearly that at that period flood diversion works were a feature of the cultivation of this region. It cannot, however, be expected that such works could enable extensive additional settlement to take place in this area.

114. Apart from the question of irrigation, consideration has also been given to the possibilities of improving agriculture in the Negeb by the adoption of dry-farming methods. As explained above, the existing cereal cultivation is wholly dependent on a low and variable rainfall : the object of dry-farming cultivation is to ensure, by deep ploughing, the maximum absorption of rainfall in the ground, and to prevent, by frequent loosening of the upper soil, the evaporation of the moisture so absorbed. The view has been expressed to us that dry-farming methods might very greatly reduce the proportion of years when the winter crops in this region are a partial or complete failure ; that it might increase the yield by as much as 25 per cent. or 30 per cent. in a good year ; and that it might make possible a very considerable increase of the area put under summer crops. These views must be largely speculative in the absence of a scientific investigation of the practical application of dry-farming methods in this area, and such an investigation would necessarily take some years to complete. The prospects of securing by this means an improvement of agriculture in the Negeb are, however, sufficiently hopeful to render the carrying out of an investigation desirable, and the Palestine Government decided in August to provide funds immediately for the establishment of a Dry-Farming Experimental Station. Owing to the state of insecurity in the sub-district, however, it has not so far been possible to make further progress with this scheme. In any event, until these investigations have been carried out it would be premature to assume that there is scope for additional settlement on any considerable scale in the near future.

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The Jordan Valley south of the Sea of Galilee (Lake Tiberias)

115.

> There may be something on the surface of another planet to match the Jordan Valley : there is nothing on this. No other part of our earth, uncovered by water, sinks to three hundred feet below the level of the ocean. But here we have a rift more than one hundred and sixty miles long and two to fifteen miles broad, which falls from sea level to as deep as 1,292 feet below at the coast of the Dead Sea, while the bottom of the latter is 1,300 feet deeper still.*

This is Sir George Adam Smith's description of the Jordan Valley, which is a part of that tremendous rift in the earth's surface which stretches unbroken from the Lebanons to the Gulf of Aqaba. In this chapter we are concerned only with that section, sixty-five miles in length, which lies between the southern end of the Sea of Galilee and the northern end of the Dead Sea. In this distance the bottom of the valley falls gradually from 600 feet to nearly 1,300 feet below sea-level. Through its midst flows the swift current of the River Jordan in its deep-cut and winding channel, the narrow fringe of luxuriant vegetation on its banks contrasting vividly with the barren valley and the parched hillsides.

116. The section of the valley between Lake Tiberias and the Dead Sea falls naturally into two divisions. In the northern part, which lies between the lake and the southern end of the Beisan plain, the rainfall, though variable and precarious, may yet be sufficient in a good year for the cultivation of cereal crops without irrigation. Moreover, water is available for irrigation from the Jordan, the Yarmuk and the Wadi Araba. In this section, therefore, there is some settlement on both sides of the river. In the southern section, however, the rainfall is negligible and the depth below sea level so great as to render the summer climate intensely oppressive. In this section, settlement at present depends entirely on perennial springs or the few streams which break through the hills on one or other side of the valley.

117. We shall consider separately the four possible sources from which the land of the Jordan Valley can be irrigated—

(*a*) Wells on the western bank of the River Jordan.
(*b*) Wells on the eastern bank of the River Jordan.
(*c*) Small perennial streams on the eastern side of the Jordan Valley.
(*d*) The Sea of Galilee, the River Jordan and the River Yarmuk.

(*a*) *Wells on the western bank of the River Jordan*†

118. (i) One bore in the vicinity of Jericho and two bores in the valley north of the town have been completed. The bore near Jericho

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* The Historical Geography of the Holy Land. Chapter XXII.
† The wells on the western bank of the Jordan are shown on map 1.

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was drilled to a depth of nearly 200 metres, at which point work was discontinued, no water having been found. In one of the bores north of Jericho the water is too saline to be suitable for irrigation. In the other the water is of a salinity higher than that accepted in the past as a maximum for the cultivation of crops other than cereals ; and, as in the case of the bores in the Beersheba sub-district, it will not be possible to say whether the water from this bore can be used for irrigation till the results of the investigations now being carried out are known.

(ii) Two bores are under construction, but work was abandoned in July after both had been attacked by Arabs.

(iii) In addition to the above bores, two wells were sunk a year or two ago. In one water was not found, but the other produced a good supply of water of a very fair degree of salinity. This is in the Wadi Fusail and is the northernmost of the bores in the Jordan Valley. On the evidence at present available, the prospects of irrigation from wells in this area cannot be considered to be hopeful.

(*b*) *Wells on the eastern bank of the River Jordan*

119. A number of wells have been sunk in an area north and south of the Jerusalem–Amman road on the east side of the river. On this bank of the river the prospects are better than on the western side, but the area which can be irrigated from these wells is not large. It is estimated at 10,000 dunums.

(*c*) *Small perennial streams on the eastern side of the Jordan Valley*

120. According to the Fiscal Survey Records the area registered as irrigated by these streams is 206,300 dunums, while the area recorded as irrigated seasonally is 87,700 dunums. The reason for the difference between these two figures is that, in some cases, the land is cultivated on a two-year rotation and in others on a three-year or four-year rotation basis. The methods of irrigation followed by the cultivator are capable of improvement, and, although the problem of reorganising the supply presents many serious difficulties, proper canalisation would no doubt enable considerable improvements to be effected in the use of the available water. In the absence of data relating to each stream, it is almost impossible to arrive at an estimate of the additional area which could be irrigated. It has been suggested that an increase of 20,000 dunums in the area irrigated annually might be obtained.

(*d*) *The Sea of Galilee, the River Jordan and the River Yarmuk*

121. From what has been said in the previous paragraphs it is clear that no substantial increase in the irrigated area in the Jordan Valley can be expected either from wells or from the better utilization of the water of the perennial streams. If large areas are to be brought under irrigation in the valley south of the Sea of Galilee, water must be obtained from the other sources mentioned above,

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namely, the Sea of Galilee itself, the River Jordan and the River Yarmuk (the principal tributary of the River Jordan). There are, however, several difficulties in the way of the utilization of the water from these sources. The first arises out of the concession granted to the Palestine Electric Corporation. This corporation has a hydro-electric power station at Jisr al Majami, at the confluence of the River Jordan and the River Yarmuk, about six miles below the southern end of the Sea of Galilee. This power station was erected with the approval of the Palestine Government, and under the terms of the concession nothing can be done in the way of drawing off water from the Sea of Galilee, the River Jordan, and the River Yarmuk, which will diminish the supply of water below the quantity required for the generation of electric energy at the station. The flow of water available is not in excess of that required for the working of the existing plant, and hence this power station effectively prevents the carrying out of any scheme for the irrigation of land in the Jordan Valley which involves the abstraction of water from the Sea of Galilee or from the Jordan and Yarmuk rivers north of Jisr al Majami. We have been informed that the capital expenditure incurred on the construction of this power station was approximately £1,000,000. This figure affords some indication of the basis on which the Palestine Electric Corporation may be expected to claim compensation if, in order to overcome the difficulty, it were proposed to deprive them of their water rights at this place. It would be necessary to treat the whole of any expenditure on this account as non-effective, for it would not be safe to assume that any part of it could be recovered in the charge to be made to users of the water.

122. The second difficulty is to be found in the absence of any agreement with the Government of Syria in regard to the allocation of the annual flow of the Yarmuk River between Palestine and Trans-Jordan on the one hand and Syria on the other. So long as that question remains undecided it would not be wise to embark on any large irrigation scheme based upon the utilization of the water of the Yarmuk River.

123. A third difficulty arises out of the probable effect of the abstraction of a large volume of water from the River Jordan on the level of the Dead Sea, and the effect of a fall in the level of that sea on the working of the Palestine Potash Company, which has been given a concession for the extraction of salts and minerals from the Dead Sea. The sea receives the drainage of the River Jordan and of areas which discharge their waters directly into the sea. The evaporation from the surface of the sea is high and a state of approximate equilibrium now exists. If water is taken from the River Jordan for irrigation and the inflow into the sea is thereby decreased, the level of the sea will fall below its present level until a new equilibrium level has been reached. The data available are, however,

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not sufficient to enable the new equilibrium level, consequent on the abstraction of a given quantity of water, to be determined, and it is therefore not possible at present to estimate the effect of a fall in level, caused by the abstraction of water for irrigation, on the working of the Palestine Potash Company. It is, however, probable that a substantial fall created artificially by the use of water for irrigation would lead to a claim by the company for the reimbursement of expenditure (capital and recurring) incurred on account of the additional pumping costs and, if the evaporation pans had to be removed, the cost of such removal.

124. There is a fourth matter which requires consideration in connection with the utilization of the water of the River Jordan for the purpose of irrigation. The Place of Baptism, situated on the River Jordan not far from Jericho, is a place of particular sanctity to the Christian communities and one which in normal times is visited annually by a considerable number of pilgrims. The abstraction of a large volume of water from the Jordan for irrigation would decrease the flow of water at the Place of Baptism, and although the Christian community would doubtless not object to the water of the Jordan being used for an object so beneficial to the country as irrigation, Christian sentiment is obviously a factor which must be taken into consideration in determining the amount of water which can be abstracted. Here again data are not at present available for estimating what would be the effect of the abstraction of a given quantity of water on the level and appearance of the river at the Place of Baptism.

125. A preliminary investigation has been made into the practical possibility, apart from the difficulties dealt with in the preceding paragraph, of an irrigation canal on the east side of the Jordan Valley. Such a canal would take off from the Yarmuk River some distance above its junction with the River Jordan at Jisr al Majami, and it is estimated that, on the basis of the present available discharge from the Yarmuk River, it would be capable of irrigating an area of about 117,000 dunums. The total irrigable area on the east side of the valley, exclusive of the area now irrigated seasonally by water from the perennial streams, is put at about 280,000 dunums. It is estimated that, if the water supply for the canal could be augmented by a feeder from Lake Tiberias, it would be possible to irrigate the whole of this area of 280,000 dunums and yet leave a sufficient quantity of water to meet the needs of a canal on the western side of the valley. A preliminary investigation has also been made into the possibility of a canal on that side. This canal would take off from the southern end of Lake Tiberias, and it is estimated that it would command, in the plain of Beisan and the valley north of that plain, an area of about 70,000 dunums of cultivable land not irrigable from existing sources. Part of this area, about one-third, would be in the Jewish State under plan A.

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126. The engineering problems are likely to be of some magnitude, for the canals, particularly that on the eastern bank, would have to negotiate broken country and would have to traverse streams coming down from the neighbouring hills. Until detailed investigations have been carried out, it is impossible to form an estimate of the cost of construction, but it would certainly be a very large figure, and might easily amount to several million pounds. Further, the success of every irrigation project depends upon the price at which water can be supplied to the cultivator, and it will be impossible to say that canals along the Jordan Valley will be a success until the cost is known, and it has been determined that water can be supplied at a rate which will enable the land to be cultivated at a profit.

127. As has been pointed out above, the power-station at Jisr al Majami effectively prevents the carrying out of projects for high-level canals taking off from Lake Tiberias and the River Yarmuk north of that place. The construction of low-level canals taking off from a point on the River Jordan south of Jisr al Majami is held to be impracticable for the following reasons—

(*a*) On the western bank such a canal would have to run about 48 kilometres (30 miles) in the trough of the river, merely gaining height, before it would command a single dunum of land. Even beyond this point the area commanded would not be large. The best land lies along the foothills and for the most part this would be too high to be irrigated from the canal. The irrigable area would not exceed 30,000 to 40,000 dunums. An area of this extent, situated at the end of the alignment, would be far too small to justify the construction of a canal nearly 100 kilometres (about 62 miles) in length across most difficult country. Moreover, the broken nature of the country, through which it would pass, would not only give rise to grave engineering difficulties, but would also make the canal very expensive to construct and maintain.

(*b*) A low-level canal on the eastern bank would be subject in general to the same disadvantages as a similar canal on the western bank. As contours are not available, it is not possible to estimate the area which could be commanded, but it is unlikely that it would amount to more than a fraction of that commanded by a high-level canal, and to irrigate this relatively small area a canal running the whole length of the valley to the Dead Sea would be necessary.

128. The length of time which would have to be devoted to the various negotiations described in the preceding paragraphs, the uncertainty regarding their final outcome, and the impossibility of estimating in advance the total cost, both effective and non-effective, of the various methods of construction, render any discussion of the subject at this stage a matter of mere speculation. Until the various

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enquiries and negotiations have been completed, it is impossible to come to a final conclusion as regards the practicability of major canal irrigation schemes along the Valley of the Jordan, or to determine the area of irrigable land. But taking the most optimistic view, the area of land that could be irrigated in addition to that now irrigated would be approximately 350,000 dunums. At a rate of 30 dunums per holding—this is also considered to be an optimistic estimate—and 4·75 persons per family, the agricultural population for which provision could be made in the Jordan Valley south of the Sea of Galilee would be—

$$\frac{350{,}000}{30} \times 4{\cdot}75 = 55{,}416$$

say 55,500 persons.

Part of the irrigable area, however, falls within the proposed Jewish State under plan A. In considering the possibility of providing land for the transfer of Arabs from the Jewish State, this must be excluded. With this modification the figure of 55,500 becomes 51,800, say 52,000. Again, part of the irrigable area is cultivated at present by rainfall only, and the population supported on this cultivated but unirrigated portion should be deducted from the above figure of 52,000. An accurate figure for this population is not available, but for present purposes it may be roughly put at 3,000. With this reduction the figure of 52,000 becomes 49,000.

129. If major canal projects proved impracticable, the only alternative would be to pump water from the River Jordan. The high lift, the long distances to which the water would have to be carried in pipes, and the difficult and broken country over which it would have to be carried are serious obstacles to any schemes for irrigation by pumping from the River Jordan ; and the only part of the valley in which such schemes would appear to offer any hope of success is an area of about 118,000 dunums on the eastern bank of the Jordan lying north and south of the main road from Jericho to Amman. And here again the effect of pumping on the level of the Dead Sea and the level and appearance of the River Jordan at the Place of Baptism would have to be considered.

Adopting the same basis of calculation as under the canalisation scheme, the additional agricultural population for which provision could be made by the irrigation of these 118,000 dunums would be—

$$\frac{118{,}000}{30} \times 4{\cdot}75 = 18{,}683$$

say between 18,000 and 19,000 persons.

130. There is one other matter to which reference should be made in connection with irrigation schemes in the Jordan Valley: it is one which is relevant to all irrigation and land development schemes whether in the Jordan Valley or elsewhere in Palestine. It is the

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question of markets for the crops produced. If the rate charged for the water is sufficiently low to permit of holdings being devoted entirely to the cultivation of cereals, the question of markets is not of fundamental importance. But if the rate renders such a holding unprofitable and requires the adoption of mixed farming, including the growing of more expensive crops such as vegetables and fruit, markets are of vital importance. Water pumped from the River Jordan would, we are advised, be too expensive to permit of the land of a holding being devoted entirely to cereals ; mixed farming would have to be adopted. For water supplied by gravity from high level irrigation canals it is not possible to forecast the economic rate which would have to be charged, but here again it is probable that mixed farming would be essential. In fact, with a holding as small as 30 dunums mixed farming is the only method of cultivation which assures a livelihood to the farmer. Markets, therefore, would be a matter of great importance to large irrigation projects in the Jordan Valley.

The Southern Part of the Beisan Plain

131. A contour survey and a trial water settlement are being carried out in the Beisan Plain. It is hoped that as a result of this survey and settlement, it will be possible to effect economies in the use of water and to make a moderate amount of surplus water available for further development. It is difficult to estimate the additional agricultural population which the plain could then support ; but it is not likely to exceed about 4,000 persons.

Trans-Jordan

132. The land of Trans-Jordan falls into two zones, the cultivated or rain-fed zone and the uncultivated or dry zone. The cultivated zone is that in which the rainfall, in a normal year, is sufficient for the raising of cereal crops. These two zones are shown on map 6. The heaviest rainfall is experienced on the top of the Jordan escarpment, and the cultivated zone stretches eastward from this escarpment. The rainfall decreases rapidly towards the east, and the width of the cultivated zone in its widest part, that is in the north, is not more than 30 miles. This width decreases rapidly towards the south, and the zone ultimately tails out a short distance south of Ma'an into the southern desert. The area of this cultivated zone is about 7,700,000 dunums and that of the uncultivated zone about 82,300,000 dunums.

133. The fiscal survey of Trans-Jordan, which was completed about six years ago, was extended sufficiently far, both to the east and the west, to include land in the eastern desert and on the slopes

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of the Jordan Valley which, though usually uncultivated, may be cultivated in years of exceptionally good rainfall. The total area covered by the fiscal survey was 10,000,000 dunums, and the cultivated zone of 7,700,000 dunums falls within this larger area covered by the fiscal survey. The area to which the fiscal survey extended falls into the following classes—

(i) the cultivated zone		
(*a*) irrigated	260,000	dunums
(*b*) vineyards	80,000	,,
(*c*) rain-fed cereals	4,150,000	,,
(*d*) uncultivable land including forests	2,800,000	,,
(*e*) the Shera	440,000	,,
Total	7,730,000	,,
(ii) land bordering the eastern desert and land of the Jordan Valley slopes	2,270,000	,,
Total	10,000,000	,,

134. Within the cultivated zone there is an area of 400,000 dunums which is in a class by itself. This area is situated at an average altitude of 900 metres (nearly 3,000 feet) and possesses a rainfall adequate to ensure a good crop. The remainder of the rain-fed cereal area is not so favourably situated as regards rainfall and moisture. For instance, the crops in the Husn-Remtha Plain, east of Irbid, and the Madaba Plain, south of Amman, where the soil is very fertile, frequently suffer from inadequate rain and high temperatures, and in some years these adverse factors have a disastrous effect on the crops. The Shera lies at the southern end of the cultivated zone and is used by the Howeitat tribe as their summer grazing ground. The land of the Shera rises from about 3,000 feet near Ma'an to nearly 5,000 feet in the west and south, and it is only in the higher ground that the rainfall is at times enough for the cultivation of cereal crops.

The land bordering the desert and along the Jordan Valley slopes only gives a crop in a year of exceptionally ample and reasonably well distributed rainfall, and the percentage of crop failures is exceedingly high.

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135. Land settlement statistics are available for an area of 1,123,000 dunums comprising 80 villages. The whole of this area lies in the northern portion of the cultivated zone and it falls into three clearly distinguishable sub-areas—

	Total area.	Cultivated area.		Average area per landowner.	
		Vines.	Cereals.	Vines.	Cereals.
Sub-Area A ..	377,000	39,000	223,000	5	26
„ B ..	382,000	—	261,000	—	62
„ C ..	364,000	—	314,000	—	117

Sub-area A is situated in the special area of 400,000 dunums referred to in paragraph 134; this sub-area has an adequate rainfall. The average landowner's holding is small, being only 31 dunums, of which 5 dunums are under vines; 5 dunums of vines may be considered as equivalent to 10 dunums of cereals and hence expressed in cereals the average holding is 36 dunums.

In sub-area B the rainfall is less reliable, and the average holding (62 dunums) is larger than in sub-area A.

In sub-area C the rainfall is much more precarious—the Husn-Remtha Plain referred to in the previous paragraph falls within this sub-area—and the average holding is again larger, being 117 dunums.

The average holdings in the three sub-areas are not large; if anything they appear to be on the small side and are certainly no more than reasonable subsistence areas. They do not point to the land being able to carry a much larger population; on the contrary, they appear to indicate that there is a certain amount of land-hunger.

136. Other facts also point to the existence of land hunger in these sub-areas. During the winter of the year 1937–38 applications were submitted by about 800 families living in 15 villages of the Irbid district—Irbid lies in the northern portion of the cultivated zone—for the settlement of land about 50 kilometres distant in the State Domain area bordering on the eastern desert. The authorities in Trans-Jordan are of opinion that the majority of the applications were genuine and that they are indicative of a desire to obtain additional land, so that in years of exceptional rainfall the applicants may be in a position to recoup themselves for losses incurred in years of poor harvests.

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137. The following wells have been sunk in the Trans-Jordan plateau ; they are shown on map 6—

	Depth Drilled in Metres.	*Depth to Water in Metres.*	*Remarks.*
1. Irbid	175	—	No water found.
2. Remtha ..	182	—	Ditto.
3. Um Kundur ..	60	—	Ditto. Abandoned owing to difficulties in boring.
4. Zubayer Adwan	175	168	Small yield, less than 2 cubic metres per hour.
5. Teneib	162	152	Ditto.
6. Qatrane ..	136	114	Small yield ; 2½ cubic metres per hour.
7. Black Rock ..	67	—	No water found ; drilling abandoned owing to boring difficulties.
8. Ma'an	180	12	Drilled to a depth of 180 metres ; drilling will be continued somewhat further ; the prospects of a useful yield of water are very small.
9. Mafraq ..	242	195	Drilled by the 'Iraq Petroleum Co. ; tested at 64 cubic metres per day.

The results have been uniformly disappointing and there appears to be little likelihood of an extension of cultivation by irrigation. And in this connection it should again be remembered that it is not economic to grow ordinary cereal crops on land irrigated by water which has to be pumped : special crops must be grown on such land, such as vegetables and fruit, and special crops require an assured market.

Funds have been provided for the sinking of some bores in the Shera country where there are prospects of finding water. These bores have not been sunk as yet because it was thought advisable to take up the Shera tests after work had been completed in the Jordan Valley. But it is unlikely, even if water should be found at reasonable depths, that this area will be capable of agricultural development. The topography of the country does not lend itself to irrigation from wells, and, although it may be possible to cultivate part of it, the main benefit accruing from the discovery of additional water sources will be an increase in the number of animals which can be supported on the grazing grounds.

138. In our opinion, Trans-Jordan offers small scope for intensive settlement on the land. We do not suggest that it cannot carry a larger agricultural population than it does, but we are convinced that the additional agricultural population which the land can support is small.

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139. Apart from the prospects of irrigation schemes in Beersheba and the Jordan valley, and of development in Trans-Jordan, there is also the possibility of settlement in other parts of Palestine to be considered, namely the hill country and the Gaza sub-district, that is, the maritime plain south of the proposed Jewish State.

The Hill Country

140. The Royal Commission, in summarising under six heads the general conclusions enunciated by their various predecessors as a result of their examination of the possibilities of further settlement on the land in Palestine (chapter IX, paragraph 10), stated the sixth of these conclusions as follows—

(6) There is already congestion on the land in the hill districts.

141. The Royal Commission's own conclusion, after seeing two of the most successful examples of Jewish settlement in the hill country, and hearing the evidence of the Jewish Agency, is set out in paragraph 153 of the same chapter as follows—

> Having regard to all the foregoing considerations and to the necessity of providing land for cultivators who may be dispossessed in order to meet the requirements of any adequate policy of afforestation, a subject with which we deal in a later Section, we are satisfied that there can be no expectation of finding accommodation for any large increase in the rural Arab population in the hills. We therefore have no hesitation in saying that at present, and indeed for many years to come, the Mandatory Power should not attempt to facilitate the close settlement of Jews in the hilly districts generally, though in the immediate neighbourhood of Jerusalem dairy and fruit farms might eventually prove self-supporting.

142. Our own enquiries lead to the same general conclusion, that is to say, we are satisfied that, with the existing standard of cultivation and capital resources of the fellaheen, the land in the hill districts of Palestine is already congested. As an example, we give below the results of an investigation made, at our request, by the Director of Agriculture and Fisheries into the possibilities of closer settlement in the Hebron sub-district.

143. For the purpose of this investigation the Director adopted the following areas as representing what in his view might be regarded as a reasonable *lot viable* appropriate to each category of land as given in the Rural Property Tax Ordinance—

Category.	*Description.*	*Lot Viable. Dunums*
1	Citrus	10
3	Bananas	10
5	1st grade irrigated land and 1st grade fruit plantation	50
6	2nd grade irrigated land and 2nd grade fruit plantation.	57
7	3rd grade irrigated land and 3rd grade fruit plantation	67
8	1st grade ground crop land, 4th grade irrigated land and 4th grade fruit plantation.	80

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Category.	*Description.*	*Lot Viable. Dunums.*
9	2nd grade ground crop land, 5th grade irrigated land and 5th grade fruit plantation.	100
10	3rd grade ground crop land, 6th grade irrigated land and 6th grade fruit plantation.	111
11	4th grade ground crop land, 7th grade irrigated land and 7th grade fruit plantation.	133
12	5th grade ground crop land, 8th grade irrigated land and 8th grade fruit plantation.	167
13	6th grade ground crop land, 9th grade irrigated land and 9th grade fruit plantation.	250
14	7th grade ground crop land (untaxable), 10th grade irrigated land.	400
15	8th grade ground crop land (untaxable)	400
16	Forest, planted and indigenous and uncultivable land	400

We are aware that Jewish authorities claim that in well-watered hill country, such as Galilee, 40 dunums will constitute a *lot viable* for a fruit plantation. But Dr. Ruppin informed the Royal Commission that for the hill districts he had as yet no data, and we believe that no experience has yet been gained of a fruit-farm of this size being operated successfully under such conditions. The more cautious estimate of the Director of Agriculture for an average fruit-farm in Galilee is, as stated in Appendix 7, 60 dunums, and this estimate conforms with the figures for a *lot viable* adopted by him for the survey of the Hebron sub-district as given above. We think that an estimate of 40 dunums must be regarded as based on assumptions as to future methods of cultivation and marketing which at present are largely speculative, and we prefer to follow the Royal Commission who, in a slightly different context, considered (chapter IX, paragraph 53)—

> that, until the contrary is proved by experience and practical experiment, the Administration will be wise in adhering to their own definition. . . .

We propose, therefore, to adopt this method of reckoning in dealing with questions relating to the present standard of cultivation, without prejudice to the question what is the appropriate *lot viable* for land subjected to a higher degree of cultivation.

144. For the purpose of this investigation the Director divided the sub-district into two portions which are considered separately.

145. A.—*The portion of the sub-district north of a line drawn from Ein Jidi along the northern boundaries of the villages of Yatta, Dura, Ad Daweima and Al Qubeiba to the boundary of the Beersheba sub-district.*—This portion comprises a total area of 796,000 dunums, of which 441,500 dunums, or say 55 per cent., are uncultivable. The

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total population is 52,200, of which 21,400 persons, or 41 per cent., live in the town of Hebron and its suburbs. The number of persons directly supported by agriculture is not known exactly, but is estimated at about 38,000.

Applying the formula referred to above, the Director has advised us that the number of families who could be supported by this area without congestion is about 3,300, and the number of persons, assuming an average of five persons per family, is 16,500, that is, less than half of the number which is actually supported by agriculture on this area to-day. There is no reason to suppose that the classification of land in the area, which has only recently been reviewed and brought up to date, is incorrect, or that the standard of cultivation is in fact much higher than that which has been assumed for the purpose of the classification. The only reasonable conclusion is, therefore, that in this area there is already serious congestion on the land.

This is not to say that there is no room for extending the cultivable area in this district by clearing and terracing, or that no provision could be made for closer settlement by the cultivation of crops which lend themselves to the more intensive utilization of the land, or by means of mixed farming. In the opinion of the Director, development in any of these ways might be possible, provided that adequate capital were made available, that satisfactory arrangements could be made for the marketing of the new crops, and that, for mixed farming, water could be provided for irrigation on economic terms. At the best, however, changes of this kind must be gradual and spread over a considerable time; and even if they could be introduced successfully, it is extremely unlikely that they would do more than provide a reasonable level of subsistence for the existing Arab population.

146. B.—*The portion of Hebron sub-district south of the line referred to in A.*—This portion comprises an area of 1,262,500 dunums and carries a population of 24,000, of which 18,800 live in the four towns or large villages of Dura, Yatta, Adh Dhahariya and Ad Daweima. It is estimated that the population directly supported by agriculture in the area is between 17,500 and 20,000, the higher figure being more probably the correct one.

Of the total area, 964,800 dunums, or 76 per cent., is classified as uncultivable, and the land generally is, both actually and potentially, much poorer than the northern portion under A.

The theoretical *lot viable* for the various categories shows that the land should be able to support 3,647 families or 18,235 persons, of whom two-thirds would be dependent on holdings in the area classified as uncultivable. As pointed out above, it is probable that the existing population is already in excess of this number.

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While something could be done to improve the land by terracing and similar methods, if sufficient capital were made available, the prospects of closer settlement depend mainly on the discovery of water in the area in large quantities. This, we are advised, is unlikely; and, that being so, we cannot regard this area as holding out any considerable opportunity for additional settlement.

147. We have not obtained similar information with regard to the hill country of Samaria and the rest of Judæa outside the Jerusalem Enclave; but we have no reason to suppose that the conditions there are so different from those in the Hebron sub-district that we should be led to modify the conclusion reached by the Royal Commission with regard to the hill country of Palestine in general.

148. As regards the hill country in the Jerusalem Enclave, we have already quoted the Royal Commission's observation that "in the immediate neighbourhood of Jerusalem (Jewish) dairy and fruit farms might eventually prove self-supporting." We have examined the prospects of such farms, and are satisfied that the prospects of additional settlement in the neighbourhood of Jerusalem of persons dependent on this form of holding are inconsiderable. For the rest, our observations in the preceding paragraph apply to the hill country in the Jerusalem Enclave as well as to the rest of Judæa.

Gaza Sub-District

149. The total area of this sub-district, which stretches along the Mediterranean coast from the Ramleh sub-district in the north to the Sinai border in the south-west, and extends on the east to the borders of the Hebron and Beersheba sub-districts, is 1,110,697 dunums. The total population, including 858 Jews, is 100,250, of whom 39,500, or 39 per cent., live in the three towns of Gaza, Khan Yunis and Al Majdal and their suburbs. The agricultural population, of which a large part reside in the urban areas, was given in the 1931 census as 67,200; but it has probably increased since, and may perhaps be put at about 72,000.

The theoretical *lot viable* for the various categories of land under the Rural Property Tax Ordinance shows that the land should be able to support 9,173 families or 45,865 persons in all, compared with an actual population to-day of between 67,200 and 72,000, as estimated above.

150. Of the total area of the sub-district, only 217,700 dunums, or barely 20 per cent., are classified as uncultivable, and most of the cultivable lands are of considerable value for agricultural purposes. By far the greater part, however, say 77 per cent., is farmed by primitive extensive methods with cereals; and with such methods the agricultural population is already in excess of what the land can

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support on a reasonable basis of subsistence. If closer settlement is to be carried out, irrigation is necessary. Irrigation in this sub-district is, of course, entirely dependent on underground water. There is evidence that, in a belt stretching parallel to the coast and having a width varying from about fifteen kilometres in the north to ten in the south near Gaza, there is generally a good supply of underground water. In regions east of this belt, the prospects of finding an adequate underground water supply are much less certain. While some bores in this area proved unsuccessful, others tapped good underground supplies. There are also certain areas, especially south of Gaza, where the salinity of the water is comparatively high and is therefore not suitable for certain crops, such as citrus. If, however, water of the right quality can be obtained over a sufficiently large area, it is believed that it would be possible to change a considerable proportion of this land from unirrigated extensive cereal farms to irrigated intensive plantations, or intensive mixed farming, for which the *lot viable* may be as small as ten to thirty dunums, as the case may be.

151. Even, however, if water should be made available in sufficient quantities, the process of change in land utilization would at best be a slow one, and great caution would have to be exercised if the farmer is to be given a fair chance of success under the new conditions. In particular, before it is decided to grow deciduous fruits on a large scale, more experience is needed of their cultivation in Palestine, of the possibility of controlling certain serious insect pests, and of the availability of markets. As regards mixed farming, much valuable experience has been gained already by the operation of the Experimental "Organic Mixed Farm" attached to the Agricultural Research Institute of the Jewish Agency at Rehovot. But the question of markets still remains to be dealt with, and until this is solved we cannot assume with confidence that any large increase in the area under intensive cultivation in this sub-district will be possible.

152. The conclusions reached in this chapter may be summarized as follows—

(i) There is practically no scope for the exchange of land and population between the Arab and Jewish States or between the Jerusalem Enclave and the Jewish State (paragraph 106).

(ii) The results of the well-boring experiments in Beersheba have been most disappointing. In the greater part of this area there appears to be little hope of any improvement in agriculture by means of irrigation from wells. This does not entirely exclude all prospect of closer settlement, but until further investigation into the possibilities of dry farming has been carried out it would be premature to assume that there is scope for settlement on any considerable scale in the near future (paragraphs 112 and 114).

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(iii) In the Jordan Valley no substantial increase in the irrigated area can be expected either from wells or from the better utilization of the water of the perennial streams. If large areas are to be brought under irrigation, water must be obtained from Lake Tiberias, the River Jordan and the Yarmuk River. The problems to be solved before the construction of major canal irrigation schemes can be undertaken are difficult and complex, and their solution will involve lengthy investigations and negotiations. Even, however, if (*a*) these problems can be solved, (*b*) irrigation canals should be proved to be practicable, and (*c*) means can be found to finance the cost, which might amount to several million pounds, the additional agricultural population for which provision could be made, would not, on the most optimistic view, exceed about 50,000 persons. If major irrigation canals should not prove feasible, the alternative would be to irrigate a much smaller area by pumping from the River Jordan. Again, taking an optimistic view, the additional agricultural population for which provision could be made by such a scheme would be between 18,000 and 19,000 persons (paragraphs 115–129).

(iv) A moderate amount of surplus water can be made available for development in the southern part of the Beisan Plain. It is difficult to estimate the agricultural population which the plain could then support, but it is not likely to exceed 4,000 persons (paragraph 131).

(v) The question of markets for the sale of the agricultural produce is one of great importance to all large irrigation and land development projects, whether in the Jordan Valley or elsewhere in Palestine. Markets must be reasonably assured for the additional agricultural produce before schemes for bringing large additional areas of land under cultivation can be said to be practicable (paragraph 130).

(vi) Trans-Jordan offers small scope for intensive settlement on the land (paragraph 138).

(vii) The hill country in the Arab State cannot be regarded as holding out any considerable opportunities for additional settlement (paragraphs 147–148).

(viii) In the Gaza sub-district intensive cultivation could be increased over a considerable area, provided water of the right quality and in sufficient quantity were obtained. The change from extensive to intensive cultivation would, however, at the best be a slow one, and great caution would have to be exercised if the farmer is to be given a fair chance under new conditions (paragraphs 149–151).

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CHAPTER IX

THE JEWISH CLAIM IN REGARD TO JERUSALEM

153. The Royal Commission's proposals relating to Jerusalem have been severely criticized by Jews of all parties on the ground that they involve the permanent separation of Jerusalem from the Jewish State, and very strong representations have been made for the inclusion of part, at least, of the city within that state. The grounds on which this claim is based are set forth in the following extract from a memorandum we received from a Jewish source—

> There can be no question as to the necessity for entrusting the Holy Places of Jerusalem to the custody of the Mandatory Power as an international trustee. Those Holy Places, however, are concentrated within the Old City and the need of a special regime for that part of the town cannot justify the exclusion of the whole of Jerusalem from the Jewish State. It has been truly said that Jewish Palestine without Jerusalem would be a body without a soul. Jerusalem has throughout the ages been the spiritual centre of the Jews, dispersed as they were over the face of the earth. . . . It is a symbol of Jewish national life and practically synonymous in the minds of Jews with Palestine. Throughout the ages, Jews have persisted, in spite of all obstacles, in attempting to re-establish themselves in Jerusalem. In this latest phase of the Return to Zion, Jews have built the greater part of the new Jerusalem outside the city walls. This area outside the walls has a Jewish population of over 70,000, forming an almost compact unit: it includes the central Jewish National and religious institutions—the Jewish Agency and Zionist Organisation, the General Council of Palestine Jews, the Chief Rabbinate, the Hebrew University and the National Library and various foundations established by Jewish communities throughout the world. The separation of this Jerusalem from the Jewish State is an injustice to both. Apart from the special significance of Jerusalem, spiritual and political, the loss thereby entailed to the Jewish State in terms of population, economic position and taxable capacity would be irreparable.

154. The city of Jerusalem within the present municipal boundaries falls into three sections—

(*a*) the Old City,
(*b*) the predominantly Jewish area, and
(*c*) the area inhabited chiefly by Moslems and Christians.

155. The Old City is situated within the city walls. In A.D. 135 Jerusalem was destroyed by the Romans and its site ploughed up. Only a few vestiges of ancient Jewish buildings remain: the walled City as it now stands is the work of the Roman Empire, the Crusaders, and the Moslems.

156. The predominantly Jewish area, commonly referred to as the new Jewish Jerusalem, lies north-west of the Old City and on both sides of the main road leading to the Maritime Plain. The population of this new Jewish Jerusalem is about 72,000 persons, of whom 69,000 are Jews.

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157. The area inhabited chiefly by Moslems and Christians lies north and south of the Old City and also forms a belt between the new Jewish Jerusalem and the Old City. The combined population of this area and the Old City is about 53,000 persons, of whom 24,500 are Moslems, 21,500 Christians, and 7,000 Jews. Of the Christians, 6,000 are neither Arabs nor belong to kindred races.

158. Outside the municipal limits the more important Jewish suburbs are—

(*a*) the area which lies west of the new Jewish Jerusalem and along the road from the city to Ein Karim ;

(*b*) the Hebrew University area on the east of the city ;

(*c*) the suburbs of Meqor Haiyim and Ramat Rahel to the south of the city.

The Jewish population in these suburbs is about 3,000 persons.

159. On the part of the Jews it has been suggested that the new Jewish Jerusalem, together with the western suburbs and an extension curving round the Hebrew University, should be included in the Jewish State. This area is shown on map 11. The population within this area is approximately 74,500 persons of whom 71,000 are Jews. It has been further proposed that the Jewish area at Jerusalem should be connected with the Jewish State in the Maritime Plain south of Jaffa by a corridor. This corridor is shown on map 7. The population of the corridor is predominantly Arab with a very small number of Jews.

160. The area proposed to be included in the Jewish State lies close to the Old City on the north and west and (though this is not brought out in map 11) is situated on rather higher ground than the Old City itself. It also borders on the Moslem cemetery at Mamilla, and includes within its boundaries a certain number of Christian churches, hospitals and schools, a monastery, an orphanage, and the British War Cemetery. Finally, it includes a part of the main road from Jerusalem to the Maritime Plain, and a further section of this road, nearly as far as Latrun, lies in the proposed Jewish corridor.

161. It is clear that the partition of the city of Jerusalem, involving, as it does, the setting up of an inter-state boundary through the centre of the city, would give rise to administrative problems of great complexity. In the succeeding paragraphs we examine these problems at some length, and reach the conclusion that, although the difficulties are formidable, they are not altogether insuperable, and might not in themselves be a bar to the inclusion of a part of Jerusalem in the Jewish State, provided that reliance could be placed on the mutual goodwill and co-operation of the two adjoining communities. Unfortunately, past experience does not justify us in taking a hopeful view on this point ; and in reaching our final conclusion, therefore, we shall be unable to assume that these difficulties will be solved. But we have not been tempted to

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attach undue weight to this argument, since, as will appear, we are forced to regard the political and religious objections to the Jewish claim as in themselves insuperable.

162. Turning to the administrative problems, we deal first with that arising out of the maintenance of law and order. An inter-state boundary which cuts through the centre of a city must inevitably create difficulties in regard to police administration. In this connection, it has been suggested that if provision were made by which a member of the police force of either Administration was entitled, when " in hot pursuit " of an offender, to chase and arrest the fugitive on the territory of the other, and if extradition proceedings were made as simple as possible, the problems arising out of police administration would be satisfactorily solved. We agree with this suggestion so far as it goes, but the problem of the maintenance of law and order on a boundary running through Jerusalem could not be solved completely by arrangements relating to the hot pursuit of offenders and by the simplification of extradition proceedings. To our mind, the chief problem would be the prevention of breaches of the peace along the boundary between a population which, on one side, would be composed almost entirely of Jews, and on the other, very largely of Arabs. As we shall point out later in this chapter, the inclusion of part of Jerusalem in the Jewish State would be deeply resented by the Moslems. In such circumstances the maintenance of peace along a boundary running through the city and suburbs—along streets and across properties in private ownership—would be a most difficult task. Indeed the problem created by the setting up of such a boundary would be practically the same as that created by the contiguity of Jaffa and Tel Aviv (*vide* chapter V) and we are of opinion that it would have to be solved in the same manner, that is, by the construction along the boundary of a road with a railing down the middle. The construction of such a road through the centre of the city of Jerusalem would present much greater difficulties and would be a more disturbing and expensive operation than that proposed for Jaffa—Tel Aviv.

163. In paragraph 295 of chapter XIV we recommend that, in order to interfere as little as possible with the freedom of movement between the Jewish and Arab States on the one hand and the Mandated Territories on the other, persons residing in those states should be free, subject only to the requirements of law and order, to enter the Mandated Territories for short or casual visits but should not be allowed to reside habitually therein without the permission of the Government. Under such a system a boundary running through the centre of the city would not, from the point of view of immigration, cause any administrative difficulty to the Mandatory. It is doubtful, however, whether the Jewish State would find it possible to adopt a regime as liberal as we propose, for presumably it would desire to exercise control over persons entering the Jewish

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area in search of employment even of a casual nature. If such should be the case, a boundary running through the city along streets and across properties in private ownership would inevitably give rise to administrative difficulties, for it would be a boundary the crossing of which the Jewish State would find it extremely difficult to control.

164. Again a customs cordon would be impossible on a boundary running through the centre of Jerusalem. It has been suggested that this difficulty would be overcome if the whole of Jerusalem, that is both the portion in the Jewish State and that in the Mandated area, were treated as a single unit for customs purposes. This would necessitate agreement between the two Administrations that the customs duties in this portion of the Jewish State should be the same as those in the whole Mandated territory. But there would still remain the question of determining the allocation between the respective Administrations of the customs duties collected on the boundaries. But none of these particular difficulties would arise if our proposals in chapter XXII with regard to customs should be adopted.

165. Another set of administrative problems arises out of the fact that the water supply and drainage schemes have been designed and constructed as a single unit. The source of the water supply for Jerusalem is situated at Ras-el-Ain in the Maritime Plain, about 60 kilometres (38 miles) from Jerusalem, whence water is pumped to an overhead reservoir at Romema, about 800 metres (2,500 ft.) above sea-level, within the proposed Jewish area. From this overhead reservoir it is distributed by gravitation to the consumer. The works at Ras-el-Ain, the pumping stations and the pipe-line between Ras-el-Ain and Romema, and the overhead reservoir belong to the Palestine Administration, which is responsible for the supply of water to the reservoir at Romema. The distribution system, on the other hand, belongs to the municipality, and the latter body is responsible for the distribution of the water to the consumer. The financial arrangements are that the Government charge the municipality for water supplied at Romema, and the municipality charges the consumer for the water he uses. It is important to note that the pipes by which the water passes from Romema to the proposed Mandated area pass, and indeed must pass, through the proposed Jewish area. As regards the drainage system, the position, generally speaking, is that the drainage from that portion of the present municipal area which it is proposed should be included in the Jewish State, discharges through the drains in the Mandated area and the outfall is situated in this area. We do not suggest that the existence of these joint systems would create any insuperable administrative difficulty. Given goodwill and a desire for co-operation, agreements could be entered into for the working and maintenance of the joint systems. But, unfortunately, goodwill and co-operation cannot be assured, and the existence of these joint

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systems would provide a fruitful ground for misunderstanding and friction between the Jewish municipality on the one hand and the predominantly Arab municipality on the other.

166. We now turn to the political and religious objections to the proposal. As we have already said, the administrative difficulties, although weighty and serious, are, given goodwill, not insuperable, and in themselves might not be a bar to the inclusion of part of Jerusalem in the Jewish State. The political and religious objections are, however, of a much more serious character and are, in our view, fatal to the proposal that any part of Jerusalem should be included in the Jewish State.

167. Jerusalem is sacred not only to the Jews but also to the Moslems and the Christians. Within the Old City is situated the Haram-esh-Sherif, an Islamic place of great sanctity and one which is reckoned next to the sacred cities of Mecca and Medina as an object of veneration to Moslems. Within the area of the Haram-esh-Sherif are the Dome of the Rock and the Mosque of Aqsa. The former is said to be the spot from which the Prophet Mahommed ascended to Heaven. Within the same area is also situated the place where, according to tradition, Mahommed's horse, Baruk, was stabled when the Prophet made his celestial journey from the Rock. The Haram area and the buildings on it have been in Moslem ownership for many centuries and are regarded as among the most treasured possessions of the Moslem world.

168. Although on this point we have not had the opportunity of hearing the views of representative Moslems, we have been assured by persons well qualified to express an opinion that Moslems throughout the world would be most vehemently opposed to the inclusion of any part of Jerusalem in the Jewish State, that they would regard the establishment of a Jewish State overlooking the Moslem Holy Places as the first step towards the ultimate absorption of the Old City by the Jews, and that a decision to include part of Jerusalem with the Jewish State would inevitably lead to disorders of the most serious kind.

169. We are aware that the Zionist organizations have, on several occasions, denied that it is the intention of the Jewish people to menace the inviolability of the Moslem Holy Places, and leading Jewish representatives assured us that there could be no question that it was necessary to entrust the Holy Places of Jerusalem to the custody of the Mandatory Power as an international trustee. But this does not prove that the view expressed in the preceding paragraph as regards the Arab attitude towards the proposal to include part of Jerusalem in the Jewish State is incorrect. In spite of all the denials issued by the Jews, the Arabs still believe that the Jews have designs on the Old City, and the Jewish claim for the inclusion of the new Jewish Jerusalem in the proposed Jewish State tends to

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confirm them in that belief. Indeed, one leading representative of Orthodox Jewry informed us that in his view the Old City, with the exception of the Haram-esh-Sherif, should forthwith be included in the Jewish State, while another made the proposal that the Old City with the exception of the Christian and Moslem sacred places should form part of the Jewish State. And in this connection it should be remembered that the Wailing Wall, the last remaining vestige of the ancient Jewish Temple, forms part of the western boundary of the Haram-esh-Sherif, and that Jewry believes that, when the true Messiah comes, a Jewish Temple will once again be built on the ancient site.

170. We ourselves are convinced that Moslems would resent most deeply the setting up of a Jewish State in close proximity to the Old City, and that they would regard such a State as the spear-head of a Jewish attack on the Old City itself. The consequences would be most serious. Feelings between Arabs and Jews would be still further inflamed and the maintenance of order between Arab and Jew in, and in the neighbourhood of, Jerusalem would become one of the most difficult of tasks. The presence of a Jewish area under Jewish rule in close proximity to the Old City would constitute a continuing incitement to breaches of the peace.

171. To anyone who is disposed to think that this conclusion is based on exaggerated fears, we recommend a careful study of the detailed narrative of the events leading up to the outbreak in Jerusalem on the 23rd August, 1928, as given in chapter III of the Report of the Shaw Commission (Cmd. 3530), together with the following comment by that body, quoted from chapter IV, page 73 of their Report—

> On the other hand, the Mufti or any educated Moslem might—genuinely and not without reason—have feared that, if at some future time the Jews became politically dominant in Palestine, they would not be content to leave the old Temple Area in Moslem ownership. No declaration by the Zionist Organization could remove such a fear; the declared Zionist policy of non-interference with the Moslem Holy Places by no means commands, even to-day, the support of all Jews, many of whom as individuals desire to see the Temple of Jehovah rebuilt on its old site. Chief Rabbi Kook in his evidence before us expressed such a desire, but said that the event would not take place until the coming of the Messiah. Nor could the fear, if such be felt, be removed by the argument that Great Britain, as the greatest Moslem power in the world, would never permit interference with the Moslem Holy Places; the Arabs might well contend that the position of Great Britain in Palestine is by no means necessarily more permanent than has been the rule of other great Empires over Jerusalem in the past.

This comment, though related to the possibility of Jewish political dominance as a result of the continuation of the Mandate, is still, in our opinion, applicable to the situation which would arise if, as a result of partition, a Jewish State were to be set up in such close proximity to the Old City.

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172. But it is not only Moslem opinion which is to be considered in this matter. Jerusalem is also sacred to the Christian faith, and not only the Old City, within which stands the Church of the Holy Sepulchre itself and the Way of the Cross, but also many places in the surrounding area, such as the Mount of Olives and the Sanctuary of the Ascension, the Garden of Gethsemane, Bethlehem and the Church of the Nativity, the village of Bethany, the road to Emmaus, all places hallowed to the Christian by the most precious associations. It may be that many Christians, especially in this country, sympathize with the passionate longing of the Jews for Jerusalem and would be willing to see at least that part of the city which includes the modern suburb and the Hebrew University incorporated in the Jewish State, if that could be done by agreement and with goodwill. But we are convinced that the dominant desire of the whole body of Christians would be to preserve the peace of Jerusalem and to safeguard the Holy City from any change which threatened to provoke hatred and bloodshed within its walls or in their neighbourhood. With this in mind, we believe that Christian opinion throughout the world, realising that such a step would provoke resentment and disorder, would be deeply grieved by a proposal to entrust a part of the city precincts to the control of the Jewish community.

173. There is one other matter to which reference should be made. In a previous paragraph we have pointed out that the main road from Jerusalem to the Maritime Plain passes through the proposed Jewish area in Jerusalem and that a further portion of this road is situated in the proposed Jewish Corridor. But this is not all. The main road which runs north from Jerusalem to Ramallah and Nablus passes for a distance through the strip of land which it is proposed should be included in the Jewish State in order to place the Hebrew University in that State. In our view the inclusion of these main roads in the proposed Jewish State constitutes an important objection to the proposal that the new Jewish Jerusalem should be incorporated in the Jewish State. Moslems and Christians approaching the mandated Jerusalem and the Holy Places therein from the west and north would be required to pass through Jewish territory. Such an arrangement would inevitably give rise to incidents leading to disturbances of the peace. Again, if the main roads leading to Jerusalem pass through Jewish territory the Mandatory Power would be seriously handicapped in carrying out the trust of ensuring " free and safe access " to the Holy Places for all the world.

174. We do not wish to be thought insufficiently appreciative of the profound significance of Jerusalem to Jewry. We have received exhaustive and eloquent evidence of the intensity of the devotion felt by Jews to the city throughout their history and of the unique position which it has occupied in their spiritual and political thought. We recognize, moreover, that modern Jerusalem

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as the headquarters of the directing agencies of Jewish activity in Palestine is the centre of Jewish political and cultural life in the country to-day and that its exclusion from the Jewish State will deprive that state of a considerable population and a substantial source of revenue. After very earnest consideration of all the issues involved, however, we have no hesitation in concluding that, apart from the practical difficulties to which reference has been made, the religious and political objections to the Jewish claim must be held to be decisive. We feel convinced that the unique character of Jerusalem as the object of the affection and veneration of the adherents of three of the great religions of mankind must be recognized by its retention in trust for the world under Mandatory Government. We therefore recommend that, as proposed by the Royal Commission, the entire city should be included in the Enclave for the Holy Places at Jerusalem and Bethlehem and that no portion should be included in the Jewish State. Having reached this conclusion it is not necessary for us to consider further the proposed Jewish Corridor. If no portion of Jerusalem is included in the Jewish State there is no justification for such a corridor.

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CHAPTER X

A DETAILED EXAMINATION OF PLANS A AND B

1. Plan A

175. The figures of population and land for the Arab and Jewish States under plan A were given in chapter VII. For convenience they are repeated below—

Population

	Arab State (Including the Beersheba sub-district)			*Jewish State*		
	Arabs	*Jews*	*Total*	*Arabs*	*Jews*	*Total*
Urban	136,500	5,600	142,100	77,500	243,600	321,100
Rural	348,700	1,600	350,300	217,200	61,300	278,500
Total ..	485,200	7,200	492,400	294,700	304,900	599,600

Land

(in dunums)

	Arab State (Excluding the Beersheba sub-district)			*Jewish State*		
	Arabs	*Jews*	*Total*	*Arabs*	*Jews*	*Total*
Citrus land ..	26,600	1,300	27,900	78,600	135,900	214,500
Other cultivable land.	3,018,000	28,300	3,046,300	2,153,000	730,700	2,883,700
Uncultivable land	3,963,300	7,400	3,970,700	1,623,100	273,600	1,896,700
Total land*	7,007,900	37,000	7,064,900	3,854,700	1,140,200	4,994,900

Under Section (1) of our terms of reference we are required to recommend boundaries for the proposed Arab and Jewish areas which will—

(*a*) afford a reasonable prospect of the eventual establishment, with adequate security, of self-supporting Arab and Jewish States ;

(*b*) necessitate the inclusion of the fewest possible Arabs and Arab enterprises in the Jewish area and vice versa.

It will be seen at once that, while the proposed Arab State complies with Section 1 (*b*), this cannot be said of the proposed Jewish State. The number of Arabs in the Jewish State is very large, being 295,000 as against 305,000 Jews : that is, the Arabs constitute 49 per cent. of the total population in the Jewish State. The area of Arab land in the proposed Jewish State is also large : out of a total area of about 4,995,000 dunums the Arabs own 3,855,000 dunums, or over 75 per cent.

* Excluding roads, railways, rivers and lakes.

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176. The Royal Commission recognized that the existence of a large Arab minority in the proposed Jewish State would prove a most serious hindrance to the smooth and successful operation of partition, and they contemplated that the problem created by this large Arab minority should be solved by the transfer to the Arab State of the greater part of the Arabs constituting that minority. It does not seem too much to say that the successful solution of this problem was a fundamental assumption in their plan ; and that, if it should appear that no such solution can be found, the greater part of the case on which their plan rests falls to the ground. It will be seen from the following analysis that in our opinion it is impossible to provide, by voluntary exchange or transfer, for the removal of any but a small fraction of the Arab minority in the Jewish State.

177. As has been indicated in chapter VIII, the problem cannot be solved by an exchange of population and land. The small number of Jews (7,200) and the small amount of land (37,000 dunums) held by Jews in the proposed Arab State render this solution impracticable. Nor is the possibility of a solution being found by the method of exchange increased by taking into account the number of Jews and the amount of Jewish land within the Jerusalem Enclave. Here again, the number of Jews in the rural areas and the amount of Jewish land are too small to make exchange a feasible proposition.

178. If the problem cannot be solved by an exchange of land and population, can it be solved by a transfer on a voluntary* basis of the Arab population ? The answer to that question must also be in the negative.

In the first place, even on the most optimistic basis land is not available for the resettlement of more than a fraction of the number of Arabs included in the proposed Jewish State, and it is mere speculation to assume that land will become available for even that fraction. To found a permanent policy on such speculative assumptions would be most imprudent. We have dealt with this question of land for resettlement in considerable detail in chapter VIII and need only repeat our conclusions briefly here—

(*a*) As regards *Beersheba*, the conclusion we reached was that the results of the well-borings recently carried out furnish little hope of that sub-district being able, through irrigation, to

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* In the despatch dated the 23rd December, 1937, from the Secretary of State for the Colonies to the High Commissioner for Palestine (published in Cmd. 5634) it was announced that His Majesty's Government have not accepted the Royal Commission's proposal for the compulsory transfer in the last resort of Arabs from the Jewish to the Arab area (Appendix I). On behalf of the Jews it was also made clear to us that Jewish opinion would be opposed to the exercise of any degree of compulsion.

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support a larger agricultural population than it does at present. This does not entirely exclude all prospect of closer settlement in this area, but until further investigation into the possibilities of dry farming has been carried out it would be premature to assume that there is scope for settlement on any considerable scale in the near future.

(*b*) As regards the *Jordan Valley*, we pointed out that the solution—if a solution were at all possible—of the difficulties which will have to be overcome before major canal irrigation schemes can be undertaken, must inevitably involve negotiations and investigations extending over a considerable period of time, and that, even if such schemes were to prove practicable and satisfactory arrangements could be made to finance the cost (which might easily amount to several million pounds), the additional agricultural population which, on the most optimistic view, could be provided for was only about 49,000.

(*c*) As regards the *southern part of the Beisan plain*, the more economic utilization of the water from the springs in this plain would make a moderate amount of surplus water available for development. It is difficult to estimate the additional agricultural population which the plain could then support, but it is not likely to exceed about 4,000 persons.

(*d*) As regards the *hill country* in the proposed Arab State, our enquiries led us to the same conclusion as that reached by the Royal Commission, that is to say, that there is no room for any large increase in the rural Arab population in the hills.

(*e*) As regards the *Gaza sub-district*, the conclusion we reached was that, provided water of the right quality and in sufficient quantity were obtained, intensive cultivation could be introduced over a considerable area. It was, however, pointed out that the change would at the best be a slow one, and that great caution would have to be exercised if the farmer is to be given a fair chance under the new conditions.

(*f*) In regard to *Trans-Jordan*, we concluded that there was small scope for intensive settlement on the land.

179. In the second place, even if it were possible to make land available for resettlement, it does not follow that the problem would have been solved, for it is unlikely that the Arabs themselves would be willing to leave their home lands and start life afresh in a new area. They have a deep attachment—shared by peasants all the world over—for their ancestral lands. The lands which they would be called upon to leave—the Maritime Plain, the plains of Esdraelon, Jezreel and Beisan, the Huleh Basin and the hill country of Galilee—constitute the most fertile and best watered parts of Palestine. Even if lands were available for the resettlement of large numbers of Arabs in Beersheba and the Jordan Valley,

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the lands to which they would be asked to migrate are situated in arid tracts where rainfall is scanty and uncertain and where crops will depend almost entirely on irrigation. Again, the plains have a warm but equable climate, and in the hills, while there is a greater range of temperature, the maximum temperature is a few degrees lower than in the plains. But the climate of the Jordan Valley south of the Sea of Galilee is tropical. The Valley is situated between 200 to 400 metres (600 and 1,200 feet) below sea level, and in summer the high air pressure and the excessive heat combine to produce most oppressive conditions. The Arabs dislike the climate of the Jordan Valley and would not willingly leave their homes in the healthy regions of the plains and the hills for the heat and discomfort of the valley.

180. In the third place, it is in any event improbable that the Arab cultivator would be prepared to migrate in order to create space for the Jews. The gulf between the Arabs and the Jews has widened year by year. The Arabs look upon the Jews as foreigners invading their country, who are able and ready to spend money regardless of values if only they can acquire land occupied by Arabs on which to settle Jews. Further, they believe that the Jews intend to oust them from employment. They know that Jews settled on land belonging to the Jewish National Fund are prohibited by the terms of their lease from employing Arab labour; they know of the pressure on Jewish employers to employ Jews and not Arabs; and they know of the movement to intimidate Jewish farmers who employ Arab labour. Such being their feelings towards the Jews it does not seem likely that the Arabs would be willing to migrate in order to make room for the Jews.

181. After studying the question with particular care, we have been forced to conclude, for the reasons given above, that the problem created by the large number of Arabs in the proposed Jewish State cannot be solved by means of either an exchange or a transfer of population.

182. If this conclusion is valid, can the problem be solved by the exclusion from the proposed state of an area which is almost entirely Arab? This question brings us to the proposed inclusion of Galilee in the Jewish State. But before we examine this proposal it will be convenient to deal with an area at the southern extremity of the proposed Jewish State. This area is almost entirely Arab in character and its exclusion from the Jewish State would effect a desirable though relatively small reduction in the number of Arabs in that state.

183. The portion of the proposed Jewish State which lies south of the Jerusalem Enclave falls into two clearly distinguishable sections, a northern and a southern section. The dividing line

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between these two sections runs from the Mediterranean Sea along the Wadi Rubin and then south of the villages of Al Qubeiba and Zarnuqa till it joins the boundary of the Jerusalem Enclave. The figures of population and land for these two sections are—

	Northern Section	*Southern Section*
Population—Arabs	4,700	18,100
Jews	16,700	1,600
Total ..	21,400	19,700

Land (in dunums)	*Arabs*	*Jews*	*Arabs*	*Jews*
Citrus land	13,500	35,000	14,600	6,500
Plantations	2,000	5,000	7,600	1,700
Taxable cereal land	22,900	5,000	159,600	17,500
Untaxable cereal land	—	—	200	—
Total cultivable land	38,400	45,000	182,000	25,700
Built-on areas	200	5,000	600	200
Uncultivable land	20,000	20,500	90,500	900
Total land*	58,600	70,500	273,100	26,800

The northern section is predominantly Jewish as regards population and, to a less marked extent, as regards ownership of land. The southern section is even more predominantly Arab. In this section the Arabs form 90 per cent. of the population and hold about 90 per cent. of the land. The southern section also contains an important Moslem place of pilgrimage—the shrine of Nabi Rubin—which in the autumn is visited by many thousands of Moslems. We are of opinion that the southern section should be excluded from the Jewish State.

184. We now turn to Galilee. Sir George Adam Smith defines the historic Galilee as follows :—

> The natural boundaries of Galilee are obvious. South, the Plain of Esdraelon . . . . . ; north, the great gorge of the Litany or Kasimiyeh, cutting off the Lebanon ; east, the valley of the Jordan and the Lake of Gennesaret; and west, the narrow Phoenician coast. This region coincides pretty closely with the territories of four tribes—Issachar, Zebulun, Asher and Naphtali. But the sea-coast, claimed for Zebulun and Asher, never belonged either to them or the province of Galilee ; it was always gentile.†

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* Excluding roads, railways, rivers and lakes.

† Chapter XX of " The Historical Geography of the Holy Land."

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For our present purpose we use the word " Galilee " as referring to the area lying between the Mediterranean on the west, the escarpment overlooking the Huleh basin on the east, the boundary of Palestine on the north and the southern edge of the Galilee hill country on the south. The area is shown in map 9 and is described therein as " Galilee." Galilee is almost wholly in Arab occupation as the following figures show*—

	Arabs	*Jews*
Population	88,200	2,900
Land (in dunums)	*Arabs*	*Jews*
Citrus land	8,000	—
Bananas	100	—
Plantations	120,800	2,100
Taxable cereal land	376,000	8,000
Untaxable cereal land	97,300	6,800
Total cultivable land	602,200	16,900
Uncultivable land, including built-on areas	718,900	19,000
Total land†	1,321,100	35,900

Of the Jewish population of 2,900, 2,000 live in the town of Safad and 250 in the town of Acre. Jews form less than 4 per cent. of the total population (apart from the towns only 1 per cent.) and they own less than 3 per cent. of the land.

185. We are of opinion that Galilee should not be included in the Jewish State. Our reasons briefly stated are three. First, the population is almost entirely Arab and the land is almost entirely owned by Arabs. Secondly, the Arabs in Galilee are vehemently opposed to the inclusion of that area in the Jewish State; they will certainly resist such inclusion by force; and we see no justification for using force to compel this large body of Arabs in what is a purely Arab area to accept Jewish rule. Thirdly, we consider that it is likely that, even if their resistance should be effectively crushed, such pacification would be only temporary, and that this area, by reason of its purely Arab character and its comparative inaccessibility, would remain a " running sore " in the body of the Jewish State. We develop these arguments at greater length in the following paragraphs.

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* These figures do not include the population and land of the suggested Nazareth Enclave (*see* chapter IV).

† Excluding roads, railways, rivers and lakes.

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186. The Royal Commission in their Report drew attention to the fact that the frontier they had proposed necessitated the inclusion in the Jewish State of the Arab area of Galilee, but they appear to have taken the view that, as the Arab inhabitants of Galilee had throughout the recent disturbances shown themselves less amenable to political incitement than those of Samaria and Judaea, where the centres of Arab nationalism were located, the inclusion of Galilee in the Jewish State was not likely to lead to serious friction. Subsequent events have proved that this view was mistaken. It is true that during the series of disturbances up to and including those of the year 1936, the population of Galilee took little part in political activities, and that the disturbances in that district were largely confined to the towns of Acre and Safad. With the publication of the Royal Commission's Report, however, the situation rapidly changed. Since that date Galilee has been in a state of incipient rebellion. We do not wish to say anything which will encourage violence, but on this point we must speak plainly.

We heard the views of officials and other persons well qualified by experience and knowledge of the country to speak of the probable Arab reactions to the inclusion of Galilee in the Jewish State, and they were all agreed that such a course would be followed by an intensification of the present disturbances. The evidence leaves us in no doubt whatever. We believe that a decision to include Galilee in the Jewish State would be followed by an increase in disaffection leading to open rebellion, and that the British Government would be faced with the ungrateful task of taking the sternest repressive measures in order to compel the Arabs of Galilee to accept Jewish rule. The maintenance of peace and order in that area would then become a military operation requiring a military occupation.

187. It has been suggested to us that these are not matters which need concern the British people, since, once the Jewish State has been set up, it would be for the Jews to deal with Arab resistance within Galilee. We cannot agree with this view.

(*a*) First, there must inevitably be a considerable interval between the announcement by His Majesty's Government of their policy and the setting up of an independent Jewish State, during which the British Government as Mandatory Power would remain fully responsible for security and order. It is not likely that Arab opposition would wait until the Jewish State had been set up before breaking out into acts of open resistance, and during the interval, therefore, the whole burden of suppressing this resistance would fall upon His Majesty's Government.

(*b*) Secondly, the substitution of Jewish for British forces would not relieve the British Government of their responsibility for the policy which put the Jewish forces in a position to suppress the Arabs who resist that policy.

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(*c*) Thirdly, there is the risk that the Jewish suppression of the Arabs in Galilee might lead to attacks on the Jewish State from outside. If this were to happen, His Majesty's Government, by virtue of their treaty obligations to the Jewish State, could not fail to become involved.

188. We find it difficult to believe that public opinion in this country would support a policy which renders inevitable either the continued use of British forces or the use of Jewish forces to suppress a prolonged and resolute Arab resistance to the inclusion of Galilee in the Jewish State.

189. In any event we doubt whether any military suppression of Arab resistance in this area would result in permanent pacification. Experience does not suggest that a large racial minority forming a homogeneous block in an isolated and compact area is likely to be prepared to acquiesce permanently in a foreign rule, imposed upon it by ruthless repressive measures. In our view, the inclusion of Galilee in the Jewish State would create a minority problem which would endanger, not only the stability of that state, but the prospect of securing in the future friendly and harmonious relations between Arabs and Jews in the Middle East.

190. In our opinion the reasons we have given for the exclusion of Galilee from the Jewish State are decisive. But it has been suggested that the exclusion of this area from the Jewish State will deprive that state of an area which offers considerable room for settlement by the Jews. Even if this were the case, we should still regard the arguments we have given as predominant ; but, in fact, the suggestion is exaggerated. We have examined this matter in detail in Appendix 7. For the purpose of estimating the additional population which could be settled on the land in Galilee, Jewish authorities have told us that they assumed that a suitable *lot viable* in the plains would be 25 dunums, and in the hills 40 dunums. They were, however, careful to explain that this estimate was based upon the hypothesis that the lands are " developed and fully utilized at the highest level of efficiency ", and that the hypothesis was " theoretical in so far as it disregards not only the factor of human inertia but also various difficulties of a financial, legal and political nature which may in practice have to be taken into account." For the reasons given in Appendix 7, we have been unable to accept the estimate of the appropriate *lot viable* on which they have made their calculations ; we consider it too optimistic. Instead, we have adopted an estimate suggested by the Director of Agriculture, and working on this basis we conclude that, provided that capital is available for the necessary works of development and that the difficult question of markets can be satisfactorily solved there would at best be room for only a moderate increase (say 15,000 persons) in the agricultural population.

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There is a considerable element of speculation in any calculation of agricultural absorptive capacity and we do not claim that the figure given in Appendix 7 is accurate. It would be subject to all the reservations made by the Jewish authorities, in regard to their own estimate, and moreover would depend (as, indeed, would their own calculation) on the willingness of all the landowners who possess surplus land to sell it. At best, therefore, it can only be regarded as largely theoretical, but we think it sufficient to indicate that Galilee does not offer great scope for closer settlement on the land.

191. In any case, however, the process of change in land utilization must be slow, and at best it will be many years before it could be completed throughout the whole of Galilee. But during that time it must be expected that the demand for land to meet the needs of the Arab population will be increasing year by year as the population grows : indeed, as is brought out in Appendix 7, if the natural increase in the population should continue at the present rate, that in itself would be sufficient to absorb in about 10 years the estimated additional agricultural absorptive capacity consequent on the best possible utilization of the land. While we have recommended elsewhere (chapter XIV) that, in estimating the capacity of the land for absorbing additional immigrants, regard should be had only to the population existing at any given date, it is obvious that when the process of settlement is assumed to be spread over several years, the population to be taken into account will be larger and the amount of surplus land available for new settlers will be smaller each year. In estimating to-day what will be the scope for closer settlement in Galilee during, say, the next ten years, it is clearly necessary to take this fact into account.

192. For these reasons we are unable to recommend the adoption of the Royal Commission's plan, that is plan A.

2. Plan B

193. We now turn to consider the variant of plan A to which we referred in paragraph 7 of chapter I and which we have called plan B. Plan B, shown in map 9, may be described as plan A with the following areas excluded from the Jewish State—

(*a*) Galilee ;

(*b*) the southern section of that portion of the Jewish State lying south of the Jerusalem Enclave.

194. If the two areas mentioned in the preceding paragraph are excluded from the Jewish State, how should they be treated politically ? As regards the small section at the extreme south of the Jewish State there is no difficulty. It should be included in the Arab State. As regards Galilee, the question is examined in the succeeding paragraphs.

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195. If Galilee is excluded from the Jewish State the possible alternatives are : (i) Arab control and (ii) Mandatory control. As regards the first alternative, the conclusion we have reached is that if the Jewish State is to be assured of adequate security against aggression it would not be possible to allow Galilee to pass under Arab control.

(i) *Possibility of Arab Control of Galilee.*

196. With the exclusion of Galilee the Jewish State, besides the coastal area including the Carmel Ridge, would consist of—

(*a*) a strip of territory running east and west along the plains of Esdraelon, Jezreel and Beisan (North), which at its narrowest part would be only about 15 kilometres (less than 10 miles) wide ; and

(*b*) a second strip running north and south and including the greater part of the sub-district of Tiberias and the eastern part of the sub-district of Safad, which at its narrowest part would be between 7 and 8 kilometres wide (between 4 and 5 miles).

The Jewish State in these sectors of its territory would have little depth and would be most vulnerable to attack, for it would consist not only of a narrow strip surrounded by Arab States but would also be dominated tactically by the Arab State in the hills of Galilee. That the Jewish State would be so dominated by Galilee is clear from an examination of the physical features of the boundary which separates Galilee from the Jewish State. On the eastern boundary of Galilee, that is on the line east of the town of Safad, the dividing line between Galilee and the Jewish State would run at the base of a steep escarpment rising to a height of 2,400 feet at Safad. On the southern boundary the position would be similar. The Jewish State would be situated in the plain of Esdraelon and the boundary would run along the southern edge of the Galilee hills. The position may be summed up in this way. The boundary of Galilee where it marches with that of the proposed Jewish State would form a suitable defensive boundary for the protection of Galilee against an attack from the Jewish State, but would not constitute a suitable defensive boundary for the protection of the Jewish State if Galilee should pass under Arab control.

197. Again, we have been assured by the military authorities that, in case of war, Haifa would be untenable if Acre were in hostile hands ; indeed, in their view, the defence of Haifa requires Acre to be in the hands of the power that holds Haifa. If, therefore, Haifa is in the Jewish State, Acre cannot be permitted to pass under Arab control. The reason for this is to be found in the relative positions of Haifa and Acre. Haifa is situated at the southern end

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of the Bay of Acre, and the town of Acre at its northern end. The distance between the two places is only about 13 kilometres (8 miles), and guns placed at Acre would completely command Haifa.

These are the reasons which have led us to the conclusion that Galilee could not be allowed to pass under Arab control.

(ii) *Possibility of Mandatory Control of Galilee.*

198. If then Galilee cannot be allowed to pass under Arab control it follows that if plan B is to be adopted it must remain permanently under Mandate. This proposition raises certain constitutional questions which require examination. (*a*) First, the Preamble to Article 22 of the Covenant of the League of Nations implies that in course of time the people of Palestine, like the other communities formerly belonging to the Turkish Empire, would be enabled to stand by themselves, and according to the Preamble to the Mandate for Palestine this Article is one of the two obligations on which the Mandate is founded. This obligation is towards the population of Palestine, the Arabs and the Jews, and it appears to us that the proposition that Galilee should remain permanently under Mandate would be inconsistent with the specific terms of Article 22 of the Covenant. It would mean that the Arabs of Galilee were to be prevented from acquiring their independence because the security of the Jewish State would thereby be threatened; in other words, the Arabs of Galilee would be denied their independence in order to ensure the independence of the Jews. Such a state of things would, it seems to us, be difficult to justify. (*b*) Secondly, if as a result of partition, an Arab State were set up in another part of Palestine, the probability is that the inhabitants of Galilee would also sooner or later claim to be granted their independence, and, for the reasons given in the preceding argument, we think that it would be difficult to maintain a complete refusal of such a claim. But it would be impossible to concede the claim in regard to the whole of Galilee, for, as has been explained, the boundary between Galilee and the Jewish State could not be regarded as a suitable defensive boundary for the protection of the Jewish State in the plain against an attack from the Arab State in the hills. The utmost that could be conceded without endangering the security of the Jewish State would be the independence of an area lying west of a line drawn east of the town of Safad, north of a line drawn south of the Safad-Acre road, and east of a line drawn from Majd el Kurum to a point on the coast about 5 kilometres (3 miles) south of Ras an Naqura. According to the advice which we have received from the military authorities no line further south would afford a suitable defensive boundary against an attack from an Arab State in northern Galilee. Thus the area to which independence could be conceded would be less than one-third the size of Galilee.

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199. But the question would then arise, how should the remaining area of Galilee, that is, the area between this defensive line and the southern edge of Galilee, be administered? Should it be included in the Jewish State or retained under Mandate? There are serious objections to either course. To include this Arab area within the Jewish State would be to reverse without any justification whatsoever the earlier decision to exclude it. On the other hand, to retain it under a permanent Mandate would be open to the objection stated in the preceding paragraph to the retention of Galilee as a whole under a permanent Mandate, and to the further objection that, sandwiched between a Jewish State and an Arab State, it would be tactically unsound.

200. In our view the problems created by Galilee are in themselves fatal to plan B. It appears to us to be fundamentally wrong that while the Jews in the plains to the south and east are given their independence, the Arabs in Galilee or any part of it should be denied their independence in order to ensure the security of the neighbouring Jewish State. Such a denial would certainly not lead to peace between the Arabs and the Jews.

201. Plan B is also, in our opinion, open to other grave objections with which we now deal.

(*a*) *Haifa*

202. According to plan B the town and port of Haifa are in the Jewish State. But Haifa is far from being an entirely Jewish town. It is a "mixed" town in which the Arabs as well as the Jews have considerable interests.

(*a*) The population of Haifa is divided almost equally between Arabs* and Jews; if the suburbs in Haifa Bay are included, the Jews will be in a slight numerical preponderance. The inclusion of Haifa within the Jewish State would mean the bringing of about 50,000 Arabs under Jewish rule.

(*b*) The figures for the urban property tax payable in the year 1938–39 are as follows—

	Tax Payable	
	£P.	*Per cent.*
(i) Arabs*	37,800	about 30
(ii) Jews (including certain important trading concerns which contain a considerable non-Jewish element) ..	69,700	,, 55
(iii) Others, including the Government and the Municipality	19,500	,, 15
	£P. 127,000	100

* *Note.*—The word Arab is here used in its strict sense and not as equivalent to "Non-Jew."

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(*c*) The following figures show the distribution of municipal revenue between Jews and non-Jews. Figures are not available showing the Arab* share in the non-Jewish portion.

	1936–37		1937–38	
	Jews per cent.	*Non-Jews per cent.*	*Jews per cent.*	*Non-Jews per cent.*
Municipal property tax	58	42	59	41
Slaughter fees and meat transport fees	50	50	50	50
Intoxicating liquor licence fees ..	64	36	64	36
Building permit fees	77	23	72	28

(*d*) The land is distributed as follows—

	The municipal area per cent.	*The town planning area (including the municipal area) per cent.*
(i) Jews	43·8	64·6
(ii) Arabs*	26·4	13·0
(iii) Other owners including Government ..	29·8	22·4

(*e*) The capital invested in buildings between the years 1930–31 and 1937–38 (both inclusive) is approximately—

	£*P*.
(i) Jews	7,657,000
(ii) Arabs*	2,039,000
(iii) Others	366,000
Total	£*P*.10,062,000

(*f*) The approximate capital invested in industrial concerns, excluding the Palestine Electric Corporation, is—

(i) Jewish, including one firm which has passed into British ownership, the management and staff remaining Jewish	about £*P*.1,800,000
(ii) Arab*	,, 180,000

(*g*) It is estimated that 60 per cent. to 65 per cent. of the import and export trade of the port is in Jewish hands and 40 per cent. to 35 per cent. in non-Jewish hands. Figures are not available for the Arab* share of the non-Jewish portion.

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* *Note.*—The word Arab is here used in its strict sense and not as equivalent to "Non-Jew."

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(*h*) Lighterage work in the harbour is divided as follows—

Arabs* .. 50 per cent. to 65 per cent., according to the season.

Jews .. 50 per cent. to 35 per cent., according to the season.

(*i*) The rich inshore fisheries at Haifa are worked entirely by Arabs. The number of fishermen is over 300.

(*j*) According to the Census Report for 1931, nearly a quarter of the agriculturists in Palestine would be unable to maintain their present standard of life if they were not able to find a secondary means of subsistence (paragraph 259 of the Report on the Census); and it is probable that, with the large increase in the agricultural population during the last seven years, this proportion is even larger to-day. For persons in this category Haifa is an important source of supplementary employment: when Haifa is prosperous and the demand for labour active large numbers of Arabs from the surrounding country who find it difficult to support themselves by the produce of their lands come to the town to find employment. Further, Haifa may expand industrially. The southern pipe-line from the oil fields in 'Iraq terminates at Haifa, and we understand that a refinery, designed to treat not less than 2,000,000 tons of crude oil yearly, is to be erected there by the oil companies at a cost of about £5,000,000. The establishment of this refinery may be followed by the establishment of subsidiary industries, and if this should be the case the local demand for employment would expand considerably. The Jews have made it clear to us that once the Jewish State is set up, Arabs who are not citizens of that state will not be allowed to enter the Jewish State in search of employment. This would mean that Haifa would no longer be available as a field of employment for Arabs outside the Jewish State. The effect of this on the economy of the territories in which these Arabs reside would be serious.

(*k*) Haifa is the only deep water port in Palestine. The Royal Commission were of opinion that, in the interests of Arab trade and industry, the Arab State should have access for commercial purposes to Haifa and recommended that the Jewish treaty should provide for the free transit of goods in bond between the Arab State and Haifa. Provision for the transit of goods in bond is a usual international arrangement; but it does not give the same sense of security as would be given by possession or (if possession cannot be granted) by the knowledge that the port is in the hands of impartial trustees. To assign the port at Haifa to the Jews is certainly not treating the Arabs and the Jews on an equal footing in the matter of facilities for trade.

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* *Note.*—The word Arab is here used in its strict sense and not as equivalent to "Non-Jew."

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(*l*) While Arab non-agricultural industry is at present only a small portion of the total non-agricultural industry of Palestine, its main hope of future expansion lies in Haifa. If Haifa is included in the Jewish State the prospects of the expansion of Arab industries will be remote indeed.

203. In view of these facts, we are of opinion that there are serious objections to the inclusion of Haifa in the Jewish State. There are equally serious objections to its inclusion in the Arab State. It cannot be included in the Jewish State without detriment to Arab interests and it cannot be included in the Arab State without detriment to Jewish interests. The best course, if that should prove to be possible, would be to retain it under Mandatory control so that it can be developed for the benefit of both.

(*b*) *Population and Land*

204. If Galilee and the predominantly Arab area at the southern end of the Jewish State (paragraph 184) be excluded from that State, the population and land figures of the Jewish State become—

	Arabs	*Jews*	*Total*
Population	188,400	300,400	488,800
Land (in dunums)			
Citrus land	56,000	129,400	185,400
Other cultivable land ..	1,391,400	694,600	2,086,000
Uncultivable land ..	813,100	253,500	1,066,600
Total land	2,260,500	1,077,500	3,338,000

The number of Arabs in the Jewish State would still be large, being 188,000 as compared with a Jewish population of 300,000; that is the Arab minority would constitute 38 per cent. of the total population and would be equal to 62 per cent. of the Jewish population. The area of Arab land in the Jewish State would also be large, being 2,260,000 dunums as against 1,077,000 dunums of Jewish land; that is, the Jewish State would contain twice as much Arab land as Jewish land.

205. The Jewish State under plan B may be regarded for the sake of this present argument as falling into three parts :—

(*a*) The part in the Maritime Plain south of Haifa and bounded on the north by a line running approximately east and west a short distance north of Zikhron Ya'aqov.

	Arabs	*Jews*
Population*	54,000	226,000

(*b*) The town of Haifa.

	Arabs	*Jews*
Population*	51,000	48,000

* The population figures are approximate.

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(*c*) The remainder, that is the portion which runs east and west from Haifa to Beisan and then north and south from Beisan to the northern boundary of Palestine.

	Arabs	*Jews*
Population*	83,000	26,000

In the first portion the Jews are in a large majority, the Arabs forming only 19 per cent. of the total population ; and even if the town of Tel Aviv (140,000) be excluded, the Jews are still in a majority.

In the second portion the Arabs and the Jews are almost equally divided.

In the third portion the Arabs are in a large majority, the Jews forming only about 24 per cent. of the total population. As we shall explain in chapter XII, we are of opinion that, if a plan of partition brings under the political domination of the Jews large numbers of Arabs in an area where the Jews are not already in a substantial majority, the operation of the plan will be violently opposed by the Arabs. Such a plan will not lead to peace. In our view the large Arab majority in this third portion constitutes a further objection to plan B.

206. For all these reasons we find plan B no less unacceptable than plan A.

207. The result of our examination of plans A and B may be summarized as follows—

1.—Plan A

(i) The number of Arabs in the proposed Jewish State under plan A is almost equal to the number of Jews, the figures being 295,000 Arabs as compared with 305,000 Jews. Further, the Arabs hold four-fifths of the land in the proposed State, 3,855,000 dunums out of a total area of 4,995,000 dunums. (Paragraph 175.)

(ii) The problem created by the large number of Arabs in the Jewish State cannot be solved by means of either an exchange or a transfer of population. (Paragraph 181.)

(iii) An area, predominantly Arab, at the southern extremity of the Jewish State should not be included in that state. (Paragraph 183.)

(iv) Galilee should not be included in the Jewish State. The reasons why it should not be included are three. First, the population is almost entirely Arab and the land is almost entirely Arab owned. Secondly, the Arabs in Galilee are vehemently opposed to the inclusion of that area in the Jewish State ; they will resist such inclusion by force, and there appears to be no justification for using force to

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* The population figures are approximate.

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compel this large body of Arabs, in what is a purely Arab area, to accept Jewish rule. Thirdly, its inclusion would create a minority problem which would endanger, not only the stability of the Jewish State, but the prospect of securing in the future friendly relations between Arabs and Jews in the Middle East. (Paragraph 185.)

(v) Galilee does not offer scope for the settlement of large numbers of Jews on the land. At best, there is room for only a moderate increase (say 15,000 persons) in the agricultural population, and even this is dependent upon a change in land utilization, which must inevitably be slow. The natural increase in the population at its present rate is in itself sufficient to absorb in about ten years this estimated additional agricultural absorptive capacity. As the process of settlement on the land must inevitably be slow, it is necessary to take this fact into account in estimating the scope for closer settlement in Galilee to-day. (Paragraphs 190–191.)

(vi) For these reasons the conclusion is reached that plan A is unacceptable. Plan B is then examined.

2.—Plan B.

(i) The predominantly Arab area at the southern end of the Jewish State should be included in the Arab State. (Paragraph 193.)

(ii) If Galilee is excluded from the Jewish State the possible alternatives are (*a*) Arab control, and (*b*) Mandatory control. (Paragraph 195.)

(iii) If the Jewish State is to be assured of adequate security against aggression, it would not be possible to allow Galilee to pass under Arab control. (Paragraphs 196–197.)

(iv) The retention of Galilee under Mandatory control is open to the strong objection that it means that all or, at best, the majority of the Arabs of Galilee would have to be denied their independence in order to ensure the security of the Jewish State. (Paragraph 198.)

(v) The problems created by Galilee are considered fatal to plan B. (Paragraph 200.)

(vi) But it is pointed out that Haifa, the only deep water harbour on the coast of Palestine, is not by any means an entirely Jewish town and that the Arabs have considerable interests therein. The conclusion is reached that Haifa could not be included in the Jewish State without serious detriment to Arab interests and that, similarly, it could not be included in the Arab State without serious detriment to Jewish interests. It is suggested that the best course, if that should prove to be possible, would be to retain it under Mandatory control so that it can be developed for the benefit of both. (Paragraph 202.)

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(vii) If Galilee and the area on the south were excluded from the Jewish State the number of Arabs in that state would still be large, 188,000 Arabs as compared with 300,000 Jews. The Arab minority would constitute 38 per cent. of the total population of the Jewish State and would be equal to 62 per cent. of the Jewish population. (Paragraph 204.)

(viii) It is pointed out that in that portion of the Jewish State which runs from Haifa east to Beisan and then north to the Palestine frontier the Arabs are in a majority, the Jews forming only 24 per cent. of the population. The view (explained more fully in chapter XII) is expressed that a plan of partition, which brings under the political domination of the Jews large numbers of Arabs in an area where the Jews are not already in a majority, will be opposed by the Arabs and will not lead to peace. The inclusion of this area in the Jewish State is held to be open to the objection that the Arab majority will oppose it by force and that it will not produce peace. (Paragraph 205.)

(ix) The final conclusion is that plan B is also unacceptable.

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CHAPTER XI

PLAN C

208. In the preceding chapter we gave the reasons why we find it necessary to reject the Royal Commission's plan in its original form, and why the majority of us consider that even the modified form of that plan, which we have called plan B, is unacceptable.

209. We now put forward as an alternative plan C, which although certainly not perfect (for it is impossible, if for no other reason than the geographical distribution of the two races, to produce a perfect scheme), is the best which the majority of us have been able to devise.

210. Before describing plan C, it is necessary to consider how far our terms of reference permit us to depart from the Royal Commission's plan. Those terms of reference direct us—

> Taking into account the plan of partition outlined in Part III of the Report of the Royal Commission, but with full liberty to suggest modifications of that plan, including variation of the areas recommended for retention under British Mandate . . . to recommend boundaries, etc.

It has been suggested that the word " modifications " should be interpreted in a narrow sense, as meaning no more than changes of detail, and that your predecessor's intention was that the broad outline of the Royal Commission's plan should in any event be retained. We ourselves do not take this view of our instructions. It appears to us that the word " modifications " must be interpreted with reference to the words " with full liberty to suggest " which immediately precede it, and to the absence from our terms of reference of any direction to accept the Royal Commission's plan as indicating a just settlement between the claims of the two races.

211. Indeed, the clearest indication of governing principles which we find in your predecessor's instructions to us is in the emphasis laid in paragraph (i) (*a*) and (*b*) of our terms of reference upon the need that the Arab and Jewish States which it is proposed to create should

> (i) possess adequate security ;
> (ii) be self-supporting ; and
> (iii) include the fewest possible Arabs and Arab enterprises in the Jewish area and vice versa.

We regard ourselves, therefore, as free to suggest any plan of partition which appears to us to be necessary in order to comply as far as possible with these governing principles.

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212. No one who has spent three months of the past summer in Palestine, as we have done, can fail to have been profoundly conscious of the spirit of intense opposition to partition which permeates the Arab population. In dealing with a people who have no elected representatives, and with whom, moreover, it was impossible for ourselves to make any direct contact at all, the difficulty is to estimate how far what appears to be national action is really the outcome of deep-seated national feeling, and how far it is, so far as the fellaheen at least are concerned, an artificial and temporary movement, fostered by propaganda and terrorism, and dependent upon the interested activities of a relatively small number of effendis of the politician class. It is perhaps needless to say that, before forming a considered judgment on this question, we have not let ourselves be prejudiced in either direction by the present campaign of terrorism.

213. In our judgment, the recent events in Palestine do represent a genuine feeling among the Arab population of hostility to partition, a feeling of which the Royal Commission were clearly unaware when they put forward their plan, for it was not until the Report and the Government's proposals were published that the policy of partition found open expression. We believe that the position in Palestine may be fairly summarised thus. If a plan of partition is approved which brings under the political domination of the Jews large numbers of Arabs in an area where the Jews are not already in a substantial majority, the introduction of such a plan will be resisted by the Arabs with all the force at their command, in other words, by open rebellion, and will only be carried out if the resistance is suppressed by superior force. In view of recent experience, that will mean a military operation on a large scale. What forces will be required for the purpose, how long it will take to put down the rebellion, how much the doing so will cost, both in military charges and in indirect loss to the country, how many lives will be lost, and what will be the residue of bitter feeling against both the British and the Jews when order has at last been restored, are questions which we cannot attempt to answer. But that partition in this form will bring peace to Palestine we cannot venture to hope.

214. But although we are satisfied of the existence of this widespread antagonism to partition, we do not consider it to be of such a nature as to oblige us to report that no plan of partition can be regarded as practicable. It is not within our power to produce a solution which we can feel confident will meet with acceptance by both sides: the gulf between their respective demands is far too wide for that. But it is our duty to put forward the best plan of partition that we can devise, and we do so, trusting that, if our proposals should be regarded as a reasonable attempt to do justice, within our terms of reference, between the claims of both parties, they may form the basis of a settlement which both Arabs and Jews will be prepared to accept, notwithstanding that they may disappoint the expectations which either party may have formed.

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215. The plan which we put forward is as follows, the boundaries of the several territories being shown on map 10—

(*a*) The Arab State will be as proposed in plan B subject to the following modifications—

(i) a slight alteration in the north-west corner along the Carmel Ridge; and

(ii) the exclusion of the Beersheba sub-district (except for a small area on the west) and the village lands of Rafah.

(*b*) The boundary of the Jerusalem Enclave will be as proposed under plan B.

(*c*) The Jewish State will consist of the coastal area between Tel Aviv and the Carmel Ridge, and of the portion south of the Jerusalem Enclave as proposed in plan B. The boundary will be as proposed in plan B throughout, except on the north, where it will be cut off from Haifa about 24 kilometres (fifteen miles) south of that town.

(*d*) The whole of the territory, including Haifa itself, north of this line and of the northern boundary of the Arab State, will be retained under Mandate under conditions to be described later (chapters XIII and XIV).

(*e*) The Beersheba sub-district (except for a small area on the west) and the village lands of Rafah will also be retained under Mandate under conditions to be described later (in the same chapters).

216. For the purpose of this plan Palestine may be considered as falling into three parts, as map 10 shows: a northern part, to be retained under Mandate, and known as the Northern Mandated Territory; a southern part, also to be retained under Mandate and known as the Southern Mandated Territory; and a central part, consisting of all the territory between the other two, which will be made the subject of partition. We will now consider each part separately, and explain the reasons which lead us to our conclusions with regard to it.

1. The Northern Mandated Territory

217. In chapter X we have criticized, on various grounds, the proposals of plans A and B with regard to this part of Palestine. We recapitulate here the main points of the argument.

(i) Haifa

Haifa is a "mixed" town in which Arabs as well as Jews have considerable interests. Out of a population of about 100,000, there are about 50,000 Arabs. It is the only deep-water port in Palestine: to assign it to the Jews is certainly not treating Jews and Arabs on an equal footing. It is already an

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important source of supplementary employment to the large numbers of Arabs from the surrounding country who find it difficult to support themselves by the produce of their holdings of land ; and if it should expand industrially, as seems probable, its importance to the Arabs in this respect will increase. But if Haifa were included in the Jewish State, Arabs outside that state would no longer be allowed to enter it to seek employment, and the effect of this on the economy of the territories in which these Arabs reside would be serious.

Haifa, therefore, cannot be included in the Jewish State without detriment to Arab interests ; equally it cannot be included in the Arab state without detriment to Jewish interests. It should, if possible, be retained under Mandatory control so that it can be developed for the benefit of both.

(ii) Galilee

It is impossible to put Galilee into the Jewish State without injury to the Arabs resident in that area, who form some 96 per cent. of the population and own about the same percentage of land. Nor can it be put into an Arab State without endangering the security of the Jewish colonies in the plains to the south and east of Galilee, which are overlooked by the Galilee hills.

(iii) The Haifa Bay Plain, the Plains of Esdraelon, Jezreel, Beisan (North), and Huleh

For the reasons given in chapter X, it is not possible to include these plains alone in the Jewish State ; nor could the whole area, including both Galilee and the plains, be assigned to the Arab State without serious injustice to the Jews and a violation of the charge to include the fewest possible Jews and Jewish enterprises in the Arab State.

218. Nor is it right to overlook the position of the Christians (mostly Arabs) of whom there are about 30,000 in the northern area, outside of Nazareth (which would in any case be kept under Mandate). They themselves did not give evidence before us, but representations have been made to us by those who were well qualified to speak on their behalf that they would prefer to remain under the British Mandate, rather than to be included in either a Moslem or a Jewish State.

219. All these considerations point irresistibly to the conclusion that it is not possible to partition this northern section of Palestine without injustice to either Arabs or Jews.

220. What then is to be the political future of this area ? If it cannot be partitioned, it must evidently remain under Mandatory control ; but for how long, and under what conditions ?

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(*a*) We have already expressed the opinion, in chapter X, that a permanent mandate for Galilee, that is a mandate with no provision for its termination under any conditions, would be a violation of Article 22 of the Covenant. For the same reason we must exclude a permanent mandate for this larger area.

(*b*) The Royal Commission recommended that before the four towns of Haifa, Tiberias, Safad and Acre were included in the Jewish State, they should be retained for an indefinite period under a temporary Mandate (chapter XXII, paragraph 22 (iii)); and it might be suggested that the area now in question should likewise be retained under temporary Mandate, without any attempt to indicate when or under what conditions the period of control should come to an end.

We are convinced that this would be a profound mistake. Uncertainty as to the political future of Palestine has undoubtedly been from the outset one of the principal causes of the present unhappy relations between Arabs and Jews. What is needed is a clear statement of policy which shall enable both races to know as precisely as possible under what form of government the citizens of the new areas will live henceforth. The worst possible form of settlement would be one which left both Jews and Arabs in any part of Palestine uncertain whether in a few years time either of them may not be subjected against their will to the political dominance of the other.

(*c*) For the same reason we are unable to accept a suggestion which has been made to us that an area in the north of Palestine should be retained under Mandate for at least ten years, after which the position should be reviewed in the light of the conditions then prevailing.

(*d*) The solution which we recommend is that the Mandate for the northern section shall continue in being until the Jews and Arabs in the area agree to ask that it should be surrendered, and the area be given its independence, either as part of an existing Jewish or Arab State, or as a separate Palestinian State. By "agreement" we do not of course mean that there must be complete unanimity on both sides, but that both the Mandatory and the League of Nations must be satisfied that the greater part of the minority race are in agreement with the greater part of the majority race.

221. The only reservation which we think it necessary to make in putting forward this solution relates to Haifa. We have reached the above conclusions with regard to the northern part of Palestine, including Haifa, on grounds which have nothing to do with defence. But to ignore the importance of Haifa from the standpoint of defence would manifestly leave the argument incomplete. Our terms of reference do not oblige or authorize us to take into account the needs of Imperial defence, but they do compel us to look to the security of the proposed Arab and Jewish States and of the Holy Places; and in considering the political future of Haifa it is necessary

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to bear this point in mind. It was assumed by the Royal Commission that Treaties of Alliance on the 'Iraq precedent should be negotiated between the Mandatory and the representatives of the new states (Chapter XXII, paragraphs 4–9), and should include Military Conventions dealing with the maintenance of naval, military and air forces, the upkeep and use of ports, roads and railways, the security of the oil pipe-line and so forth. Assuming such treaties to be entered into, the Mandatory will have to undertake special responsibilities for the protection against external attack of the new States, as well as of the Mandated areas, including the Holy Places. We are advised by the military authorities that for the discharge of these responsibilities (i) Haifa is an essential part of the scheme of defence of the Holy Places and the central and southern parts of Palestine, as well as of the northern section ; (ii) it is essential that Haifa and Acre should be in the same hands ; and (iii) it is highly desirable that they should both remain under a permanent Mandate. The military authorities have also informed us, however, that they could not regard an arrangement under treaty with either the Arab or the Jewish State as satisfying the requirements of the situation in view of the special responsibilities which His Majesty's Government as Mandatory would have to undertake for the protection of Palestine, and especially of the Holy Places, and which profoundly distinguish our relations with Palestine from our relations with 'Iraq.

222. So far as the immediate future is concerned, if plan C is adopted no difficulty will arise, since both Haifa and Acre will remain under Mandate—and presumably under a British Mandate—for an indefinite period, which will only be terminated when the two races which form the population agree to ask for their independence. We think, however, that, in view of the special importance of Haifa for the protection of the whole of Palestine, including the Holy Places, it should be laid down from the first that the grant of independence to the towns of Haifa and Acre with a suitable defensive boundary will always be subject to the condition that this can safely be done, having regard to the special responsibilities of the Mandatory for the defence of the Holy Places and the new states against external attack.

223. We believe that the solution which we have proposed for the future of the northern part of Palestine will commend itself to impartial opinion as the only satisfactory way to deal with this area under a partition scheme. But a proposal to retain the area indefinitely under Mandate goes only a very little way towards providing for its political and economic future. There still remain such important and difficult questions as, under what conditions shall the Jews in future be allowed to immigrate into and acquire land in the area ; what steps, if any, shall be taken to protect the interests of the Arabs in the event of Jews being allowed to acquire land

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therein ; what steps, if any, shall be taken by the Government to develop the land for the benefit of the Arabs as well as of the Jews ? A liberal and equitable settlement of these matters forms an essential part of our plan ; and we shall return to them in chapters XIII and XIV.

2. The Southern Mandated Territory

224. The Royal Commission suggested (chapter XXII, paragraph 22 (v)) that, with a view to providing access for commercial purposes to the Red Sea for the benefit of both Arab and Jewish trade and industry, an enclave on the north-west coast of the Gulf of Aqaba should be retained under Mandatory administration ; and that the Arab Treaty should provide for the free transit of goods between the Jewish State and this enclave. The rest of the Beersheba sub-district they proposed to include in the Arab State.

225. At the time when the Royal Commission reported, little was known of the possibilities of irrigation in the Beersheba area ; and in the absence of precise knowledge it was still permissible to let the imagination dwell on the thought of the " practically inexhaustible supply of cultivable land " in that area which might be developed, if water for irrigation could be made available. Under the Royal Commission's plan the development of the land in this area would be carried out by a Partition Department of the Palestine Government with the assistance of a grant from the United Kingdom Government (chapter XXII, paragraphs 44-46) ; and the Royal Commission evidently assumed that the assignment of the Negeb* to the Arab State under partition would constitute no hindrance to the execution of this project. Since the object of such development would be the resettlement of Arabs transferred from the Jewish State, whose departure would make room for additional Jewish immigrants, the effect of developing the Negeb would be indirectly beneficial to the Jews, even though the area were not actually included in the Jewish State.

226. Since then, however, boring-tests have taken place, as has already been stated in chapter VIII of our report, with the most disappointing results ; and it is now clear that in the greater part of the area no improvement in agriculture which is dependent on irrigation can be hoped for. In any case, as we have pointed out in the chapter quoted, the Arab fellah is not likely to be willing to transfer from the comparatively prosperous and well-watered area of the Jewish State to settle in the uncongenial conditions of the Beersheba sub-district, with its heat, its low rainfall and scarcity of fuel, and its remoteness from any friendly neighbours. The opportunities for the transfer of population to this area are therefore small.

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* We use the term " Negeb " merely as a convenient synonym for " the Beersheba sub-district," though we are aware that technically there is a certain difference in connotation between the two terms.

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That being so, we feel that to include the Beersheba sub-district in the Arab State is to condemn it to perpetual poverty, for there is no doubt that the Arab State will not be able to afford money for its development, or to effect any substantial improvement in the present under-nourished condition of its Bedouin inhabitants.

227. To include the Negeb in the Arab State now would, moreover, mean that the Jews would forthwith be precluded from all hope of settling in any part of this vast and sparsely inhabited area. Slender as the prospect of successful Jewish settlement therein may now seem to be, we think that there are large parts of the sub-district, now almost entirely unoccupied, which the Jews ought to be given an opportunity to develop forthwith; and that, even as regards the occupied portion of the sub-district, it would be wrong to take such action as would exclude that prospect entirely until the tests now being undertaken and any further experiments which it may be decided to carry out have been completed, and the scope for closer settlement in that portion of the Negeb can be stated with greater precision than is now possible. If as a result of such investigation the Government are satisfied that there are opportunities for additional settlement after reasonable provision has been made for the needs of the existing population, we think it only fair to the Jews that they should be allowed to share in such opportunities under conditions which will ensure that the rights of the existing inhabitants are not prejudiced. But for this purpose an ample supply of funds will be required. Money might be forthcoming from Jewish sources for a scheme of development which, while having for one of its objects an improvement of the conditions of the existing inhabitants, would also facilitate the settlement of Jews in the area. That would not be possible if the Negeb were included in an Arab State; but it could be done if it were either retained under Mandate or included in the Jewish State. Since, however, there are at present no Jews at all in the area, the inclusion in the Jewish State of the 60,000 Arabs in the occupied portion of the Negeb would clearly be contrary to our terms of reference; nor do we favour the inclusion in the Jewish State at this stage of what we have described above as the unoccupied area. It follows, therefore, that if the Negeb is to be developed, as is desirable in the interests of both Arabs and Jews, it must be retained under Mandate for the present.

228. Our recommendations for the political future of the country will follow in the next chapter, when we come to consider its economic development and the conditions under which Jewish settlement therein may be permitted. Here we need only say that we propose to apply to the Negeb the general principle that no independent State shall be set up in this area in opposition to the wishes of the minority, unless that minority is so small, either actually or relatively, or so situated territorially, that its wishes ought not to be allowed to

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frustrate the wishes of the majority. This principle will, we hope, make it clear to the Arab inhabitants of the Negeb that there can be no question of their being placed under the political domination of the Jews against their will.

229. Provision must, however, be made for the possibility that at some future date the Negeb, with the consent of the minority, may acquire its independence, or may desire to unite with the Jewish State, with which, however, it will have no direct contact by land. To meet this contingency, we think it necessary to draw the southern boundary of the Arab State along the boundary between the village lands of Khan Yunis and Rafah, north of the Palestine–Sinai frontier, and to include the village lands of Rafah (39,900 dunums with a population of 1,600 Arabs) in the Southern Mandated Territory, thus providing for direct access from this territory both to the sea and to the railway.

230. As stated in paragraph 215 (*e*) above, the Southern Mandated Territory will include the whole of the Beersheba sub-district with the exception of a small area on the west. It will be seen from map 10 that the existing boundary of the sub-district practically coincides, for some distance between Gaza and Khan Yunis, with the main railway line from Lydda to Kantara. A line running close to a railway is an unsuitable boundary between two states, and we have, therefore, thought it advisable to draw the western boundary of the Southern Mandated Territory further to the east in this section.

3. The Central Part of Palestine

231. It follows from what has been said above that in our judgment this is the only part of Palestine which, under present conditions, can be subjected to partition without injury to either Arabs or Jews. The basis of partition which we recommend under plan C for this central part is the same as for plan B, with the exception of the northern end of the coastal area and the Carmel Ridge. Here it will be necessary to draw two new boundary lines, one cutting off the Jewish State in the coastal area from the northern section, which is to be retained under Mandate ; and the other modifying the line between the Jewish State and the Arab State in the hill-country of Samaria. For the former we recommend a line drawn across the southern edge of the Carmel Ridge, from the coast north of the villages of Tantura, Bat Shelomo, Daliyat ar Rauha and Al Kafrin till it joins the boundary between the Jewish and Arab States as proposed under plan B. For the latter we propose a line striking in a north-easterly direction from the boundary between the Arab and Jewish States under plan B in the neighbourhood of the village of Kafr Qari to a point on the northern boundary of the Jewish State north-west of the village of Al Kafrin.

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232. In chapter X, in the course of our criticism of plan B, we expressed the view that it was fundamentally wrong that, while the Jews in the plains to the south and east were to be given their independence, the Arabs in Galilee or any part of it should be denied their independence in order to ensure the security of the neighbouring Jewish State. But, it may now be asked, granted the validity of this argument against plan B, why does it not apply with equal force against plan C, under which it is proposed to deny the claim of the Arabs to be allowed to set up an independent Arab State in the whole of the northern territory, or at least (if on grounds of defence Haifa must be retained under Mandate) in the whole of the remainder of that territory ?

This is an objection which calls for serious treatment, but we believe that the arguments which follow are sufficient to dispose of it.

(i) Under plan B, the Arabs in Galilee—a purely Arab area—would be denied their independence in order that the Jewish state might be established in the neighbouring plains to the east and south. The wishes of the Arab majority were to be ignored, while the wishes of the Jewish minority were recognized. Under plan C the same problem arises, but the difficulty is met by refusing to give preferential treatment to either the majority or the minority ; both must remain without their independence until they can reach agreement.

(ii) The Jews have entered Palestine under the most solemn assurances from the League of Nations and from His Majesty's Government in particular as the Mandatory Power. It has never been suggested that those assurances would be violated by the proposal to include in the Arab State a few thousand Jews, mostly in the town of Jaffa, who could if necessary be transferred or exchanged. But it would, in our opinion, be entirely inconsistent with those assurances to put under the political domination of an Arab State the 19,000 Jews living in the numerous settlements up and down the plains east and south of Galilee.

For these reasons we conclude that the argument in question does not hold good against plan C.

233. The argument for plan C may now be summarized as follows—

(i) It is impossible, without injustice to either Arabs or Jews, to partition the northern territory. Nor can this territory be handed over intact to either side.

(ii) It is also impossible to hand over the Negeb to the Jews without a violation of our terms of reference, while it would be unfair to the Jews to hand it over to the Arabs so long as there

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remains any reasonable prospect of Jewish settlement taking place therein without prejudice to the rights of the existing inhabitants.

(iii) Both the northern and the southern territories must therefore be retained under Mandate for an indefinite period.

(iv) The only part of Palestine which can be partitioned is therefore the central portion, within which the boundaries of the proposed Arab and Jewish States and of the Jerusalem Enclave will be as on map 10. These boundaries will be identical with those in plan B, except as explained in paragraphs 229–230 above.

234. The resulting figures of land and population for the whole of Palestine are given below—

ARAB STATE

	Arabs	*Jews*	*Total*
Population	444,100	8,900	452,900
Land	7,329,700	63,800	7,393,500*

JEWISH STATE

	Arabs	*Jews*	*Total*
Population ..	54,400	226,000	280,400
Land	821,700	436,100	1,257,800*

MANDATED TERRITORY

(i) *Jerusalem Enclave*

	Arabs	*Jews*	*Total*
Population ..	211,400	80,100	291,500
Land	1,485,200	78,700	1,563,900*

(ii) *Northern Territory*

	Arabs	*Jews*	*Total*
Population ..	231,400	77,300	308,700
Land	2,730,500	677,300	3,407,800*

(iii) *Southern Territory*

	Arabs	*Jews*	*Total*
Population ..	60,000	—	60,000
Land	1,944,500(?)	55,500	2,000,000(?)*†

Total Mandated Territories

	Arabs	*Jews*	*Total*
Population ..	502,800	157,400	660,200
Land	6,160,200	811,500	6,971,700*†

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* Excluding roads, railways, lakes and rivers.
† Excluding 10,577,000 dunums of desert in the Beersheba sub-district.

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235. It will be noted that the Arab minority in the Jewish State under plan C, though considerably reduced, will still be substantial. We shall consider in chapter XVI the question of the provision of suitable guarantees for this and other minorities. While, however, we have no doubt that the Jews will be prepared to furnish full guarantees for the liberal treatment of the Arab minority, we consider that every effort should be made to encourage and assist the voluntary transfer of Arabs from the Jewish State. In chapter VIII we reached the conclusion that land is not available for the resettlement of of the large number of Arabs who would be included in the Jewish State under plan A, and we do not suggest that it would be possible to re-settle in the near future more than a fraction of the much smaller number who would be included in the Jewish State under plan C. There are, however, limited possibilities of resettlement; moreover, as we shall show in paragraph 269 of chapter XIII, there is room for a very considerable increase in the number of settlers on the existing Jewish land in the Northern Mandated Territory, and it would appear that this might provide a means for facilitating the transfer of Arabs from the Jewish State. We consider that negotiations should be entered into with the Jews with a view to obtaining a definite undertaking from them to finance, within reasonable limits, the cost of such transfer and re-settlement in the Arab State or the Mandated Territories. As stated in chapter XVIII (Finance), we were given to understand by Jewish witnesses that this was a service which they were prepared to undertake.

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CHAPTER XII

JEWISH PROPOSALS FOR THE JEWISH STATE (APART FROM JERUSALEM)

236. Before reaching our conclusions on plans A, B, and C as set out in the previous chapters, we had before us certain proposals made by the Jews for the modification of plan A and gave them our careful consideration. We have already dealt in chapter IX with the Jewish proposals relating to Jerusalem. In this chapter we deal with the remainder. It will be seen from map 7 and the description in the following paragraphs that some of these proposals are inconsistent with plan C: there is not, however, the same inconsistency with plan B. In any case we think it desirable to examine these proposals in detail.

237. On behalf of the Jews it has been urged that the plan outlined by the Royal Commission is open to the objection that the area of the Jewish State is too small. The following is an extract from a memorandum submitted to us by them—

> The possibilities of new agricultural settlement in this area (the Jewish State) are extremely limited. The major part of it is occupied by Arabs. The Royal Commission in assigning this territory to the Jewish State definitely envisaged the transfer of the bulk of that Arab population, if need be by compulsory means, as far as the plains are concerned. If, as would appear from the terms of the Secretary of State's despatch, the idea of compulsory transfer has now been abandoned, it is essential that it should be realized that the area in the Jewish State available for future Jewish settlement, limited as it is in any case, has suffered a very considerable further reduction. The narrow margin of land which may still be available for new Jewish settlement, must be considered in relation to the imperative need (*a*) of providing room in Palestine for large numbers of Jews who are facing ruin in Eastern and Central Europe, (*b*) of creating a broad agricultural base for the Jewish population of the State, and (*c*) comprising within its borders a population large enough to serve as a home market for its industries.

238. In order to increase the size of its territory it has been suggested that the following areas should be included in the Jewish State as outlined by the Royal Commission (plan A)—

(i) an additional area in the Gaza sub-district (under plan A only a small portion of the Gaza sub-district would be included in the Jewish State);

(ii) a part of the Beersheba sub-district;

(iii) the southern portion of the Beisan Plain;

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(iv) an area on the eastern side of the River Jordan lying between the Yarmuk River on the north and a line opposite the southern edge of the Beisan Plain on the south, and bounded on the east by a line drawn in the hills overlooking the Jordan Valley. (This area is situated in Trans-Jordan.)

For convenience of reference these areas are hereafter referred to as areas (i), (ii), (iii), and (iv) respectively.

Area (i)

239. The figures for the population and land are—

Population

	Arabs.	*Jews.*	*Total.*
	24,300	Nil	24,300

Land (in dunums)

	Arabs.	*Jews.*	*Total.*
Citrus land	7,000	200	7,200
Other cultivable land	397,400	3,100	400,500
Uncultivable land	55,800	—	55,800
Total land*	460,200	3,300	463,500

This area is predominantly Arab. The population (over 24,000) is entirely Arab, while the land is held almost entirely by Arabs, the Jewish land forming less than one per cent. of the total. This area could not, therefore, be included in the Jewish State without a violation of the charge in our terms of reference to include the fewest possible Arabs and Arab enterprises in that state. For this reason we are of opinion that it should not be assigned to the Jewish State.

Area (ii)

240. If area (i) cannot be included in the Jewish State, neither can area (ii), for the latter would then form a small island of Jewish territory entirely detached from the Jewish State. Under plan C this area is retained under Mandate and provision is made for Jewish settlement therein, if sufficient land should be available after the reasonable needs of the existing population have been met.

Area (iii)

241. This comprises the southern part of the Beisan Plain with an area of about 92,000 dunums, of which, by the middle of the present year (1938), the Jews had acquired about 17,000 dunums.

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* Excluding roads, railways, rivers and lakes.

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The population consists of about 7,000 Arabs and about 200 Jews. It is an area which is capable of development. It contains a large number of springs, the water of which is at present not being used economically, and, as was explained in chapter VIII, the more economical use of this water would enable a somewhat larger area to be brought under irrigation. When we were examining plan B we gave considerable thought to the question whether this area should be included in the Jewish State. Our conclusion was that it should not, for the following reasons, be assigned to that State. First, it is undesirable that the town of Beisan, which is an entirely Arab town with over 3,000 inhabitants and a centre of Arab nationalism, should be included in the Jewish State. Secondly, as we have explained in chapter VIII, the amount of land available for the resettlement of Arabs wishing to transfer from the Jewish to the Arab State is very small, and this fact makes it desirable that this area should be retained in the Arab State in order to provide holdings to which, when developed, Arabs might transfer from the Jewish State. In so far as this object is fulfilled, Jewish settlement in the Jewish State is facilitated.

Area (iv)

242. The proposal relating to this area involves the extension of the Jewish State across the River Jordan so as to include within its boundaries a part of Trans-Jordan. We have decided against this proposal because—apart from the doubt whether the Government of Trans-Jordan would agree to the transfer to the Jewish State of this part of their territory—the military authorities have advised us that, in order to obtain a suitable defensive boundary for this area, it would be necessary to draw that boundary a very considerable distance inside the Trans-Jordan hills. This would mean the inclusion in the Jewish State, in addition to the sparsely populated lands in the valley, of a large number of villages in the hill country of Trans-Jordan, a country inhabited entirely by Arabs.

243. The Royal Commission recommended that the boundary between the Arab and Jewish States should cross the Carmel Ridge in the neighbourhood of the Megiddo road, and the boundary we have adopted under plans A and B, in accordance with the advice of the military authorities, runs just to the north of this road, the road itself being situated in the Arab State. It has been suggested on the part of the Jews that the boundary should be drawn south of this road, so as to include not only the road in the Jewish State but also the high points in the vicinity and to the east of the village of Umm Al Fahm. The reasons urged in support of this suggestion are, first, that the road is an essential line of communication between the Plain of Esdraelon and the Maritime Plain, both of which are situated in the Jewish State under plan B, and secondly, that from the point of view of defence it is necessary to include within that state

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the hills in the vicinity of Umm Al Fahm. We have not been able to accept this suggestion. The Megiddo road, that is the road running through the Musmus Pass to Hadera, although it is an important line of communication, is not the only road across the Carmel Ridge between the Plain of Esdraelon and the Maritime Plain. There is another road about 13 kilometres (about 8 miles) to the north which leaves the Plain of Esdraelon a short distance north of the Jewish settlement of Yokneam and crosses the ridge by way of the Jewish Colonies of Bat Shelomo and Zikhron Ya'aqov. This road provides a good means of communication between the Plain of Esdraelon and the Maritime Plain. The country south of the Megiddo road is entirely Arab, and the adoption of a boundary which would include in the Jewish State the hills in the vicinity of Umm Al Fahm would not only mean the inclusion in that state of a considerable area of Arab land in the hills, but also the southern portion of the Plain of Esdraelon, an almost entirely Arab area. The Arab population which would be included in the Jewish State would be large. The village of Umm Al Fahm itself has a population of about 4,700, and the total Arab population affected would be between 10,000 and 15,000 persons. Moreover, we have been advised by the military authorities that the inclusion of the high ground round Umm Al Fahm is not essential for the defence of the Jewish State, and that a boundary drawn along the northern side of the Megiddo road gives the Jewish State a reasonably good defensive boundary.

244. It has also been proposed that the Jerusalem Enclave should be extended to the south so as to include the town of Hebron, 29 kilometres (18 miles) south of Jerusalem. For the Jews Hebron possesses great historical associations : it contains the burial place of the Patriarchs and was the first capital of King David. Hebron is, however, an important Arab town with a population of 20,000 persons. There was a small Jewish population there before the disturbances of 1929, but the survivors have since been compelled to leave the town. To include Hebron in mandated territory would mean the extension of the enclave boundary southward by 14 kilometres (9 miles) and would deprive the Arab State not only of an important town but also of a considerable rural population. We feel that we should not be justified in proposing such a large addition to the enclave in order to include therein the Jewish sacred places at Hebron. Arrangements will be necessary for the protection of places sacred to the Jews in the Arab State and vice-versa, and the Jewish sacred places at Hebron will be covered by these arrangements.

245. It has also been suggested that the following areas should be retained under Mandate—

(*a*) the area, including Jericho, lying between the eastern boundary of the Jerusalem Enclave and the River Jordan ;

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(*b*) a strip of territory along the western shore of the Dead Sea;

(*c*) the southern part of the Beersheba sub-district.

Under plan C the whole of the Beersheba sub-district, with the exception of a small part on the west, will be retained under Mandate. This includes not only the area covered by (*c*) but also a part of (*b*). As regards (*a*) and the rest of (*b*), we have not found it possible to accept the suggestion that they should be retained under Mandate, which would mean the severance of the Arab area south of the Jerusalem Enclave from that north of it.

The effect of plan C will be that the works of the Palestine Potash Company at the northern end of the Dead Sea will be situated in the Arab State and those at the southern end in Mandated territory. It has been represented to us that the whole of the works should be included in Mandated territory, one of the arguments used being the need of preserving the right of pre-emption in time of war of the products of the company under their concession, which the Mandatory Power now possesses by virtue of that concession. Under our proposals the benefit of this right will fall to be apportioned among the successor Administrations. We should not feel justified in recommending that the company's northern works should be included in Mandated territory on this ground, but we invite the attention of His Majesty's Government to the point in case it should be desired to make provision in the treaty with the Arab State for the right to pre-empt the company's products in time of war.

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CHAPTER XIII

JEWISH SETTLEMENT IN THE MANDATED TERRITORIES UNDER PLAN C

246. The facts recounted in the previous chapters have compelled us to conclude that the central section is the only part of Palestine which can as yet be given its independence under a plan of partition, and that the rest of the country should still remain under Mandate. But what form should this Mandate take, and what provision, if any, should be made in it for Jewish immigration? The Royal Commission recommended that the Balfour Declaration should not apply to the territory to be retained under Mandate under their plan: all the inhabitants of that territory should stand on an equal footing; and the basis of the new Mandate should be simply the principle of good and just government without regard for sectional interests. But the area proposed to be retained under Mandate under the Royal Commission's plan was very much smaller than that proposed under plan C. Under the former the Mandated area (exclusive of the small enclave of Nazareth) was limited to the Jerusalem Enclave, whereas under the latter it includes not only that Enclave but also the Northern and Southern Mandated Territories. On the other hand, the area proposed for the Jewish State under the Royal Commission's plan was very much larger than under plan C. It is understandable that the Royal Commission should have felt that the obligations to the Jews under the Balfour Declaration did not require that any special provision should be made for Jewish immigration into the area retained under Mandate under their plan. But the position is different under plan C. It would seem, therefore, that, if the Royal Commission were right in regarding their plan as fulfilling the obligations to the Jews under the Balfour Declaration, suitable provision should be made under plan C for the continuation of Jewish immigration into a part, at least, of the areas to be retained under Mandate, provided that the rights and interests of the existing inhabitants are not thereby prejudiced.

247. It is worth while to consider more closely what the Arab reactions to such a policy in the Mandated Territories are likely to be. The Royal Commission found that the causes of Arab discontent with the present Mandate were mainly three—(1) fear of political domination by the Jews; (2) fear of economic domination by the

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Jews; and (3) desire for national independence and consciousness that it is because of the Jews that they are being denied it. Taking these points in order—

(1) Under plan C the Arabs in the Mandated Territories will have a sure guarantee against the fear of Jewish political domination. It should be laid down in the clearest terms, and we think that the principle should be embodied in the Mandate itself, that the Arabs in the Northern and Southern Mandated Territories cannot be placed under Jewish rule without their own consent. In the Jerusalem Enclave the question will not arise, since the Mandate will be permanent.

(2) The Arabs' fear of economic domination by the Jews is real and pertinent; and our plan will not succeed unless we can devise measures which will remove it, or at least justify both His Majesty's Government and the League of Nations in feeling that there is no longer any reasonable foundation for it. Our proposals under this head will be set out later on in this chapter.

(3) Under plan C the Arabs will be given the opportunity to set up an Arab State in as large a part of Palestine as can be assigned to them without injury to the Jews. And we are confident that no impartial person would think the Arabs justified in claiming sovereign rights over the persons and property of Jews who have settled in other parts of Palestine on the faith of the Balfour Declaration and the Mandate.

We consider that, subject to the reservation in sub-paragraph (2) above, the Arabs, if they are prepared to accept plan C otherwise, would have no reasonable ground for opposing further Jewish immigration into the Mandated Territories. On the contrary, for the reasons given in chapter III in our discussion of the population problem, and further developed in chapter XXII, under the same head, we think that the Arabs in the Mandated Territories would be faced with the prospect of greater economic hardship if Jewish immigration should be completely closed down, than they would be if it should be allowed to continue under the conditions proposed in this chapter.

248. We suggest that one of the advantages of plan C is that it presents a fresh opportunity to carry out on a smaller scale and, as we trust, in a more favourable atmosphere than before, the experiment, which the original framers of the Balfour Declaration must surely have had in mind, of seeking to build up, by the joint efforts of both Arabs and Jews, a single state in which the two races may ultimately learn to live and work together as fellow-citizens. Even to many persons to whom the thought of partitioning the Holy Land is abhorrent, it is hoped that such a policy will make an appeal; and the British people will, we believe, be ready, notwithstanding their existing heavy burdens, to make such financial sacrifices as the policy may require of them if a peaceful settlement can thereby be secured.

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249. We have said that, if Jewish immigration into the Mandated Territories is to be permitted to continue under suitable conditions after partition, it is essential that the causes of Arab fears of economic domination should be removed. For this two things are in our opinion necessary: a positive and constructive policy of development, designed for the direct benefit of the Arabs as well as of the Jews, and a negative policy of control over Jewish acquisition of land, which shall enable the Arabs to know precisely under what conditions further Jewish settlement in these territories may take place. It is not enough to rely upon generalities such as the words of the Balfour Declaration: the Arabs must be told in precise and unequivocal terms exactly what safeguards are proposed in order to protect them in future from the economic domination of the Jews.

250. In our opinion immigration policy can only be determined in relation to Jewish acquisition of and settlement on the land. Accordingly we begin with the two latter questions and set out immediately below a summary of our recommendations under each of these heads, for the Northern Mandated Territory, the Jerusalem Enclave, and the Southern Mandated Territory respectively. In the succeeding paragraphs we shall explain and justify these recommendations; and we shall then proceed in the next chapter to discuss immigration policy for the Mandated Territories.

251. Our recommendations, then, are as follows—

1. The Northern Mandated Territory

(1) The Mandatory should be empowered under the Mandate, and should forthwith obtain statutory powers, to control (including power to prohibit), either generally or in any prescribed area, the transfer of land to—

(*a*) any person or persons;
(*b*) any class or classes of persons;
(*c*) any company, corporation or other body of persons.

This power of control should extend to sale, mortgage, gift, dedication of waqf of every description, lease and any other disposition of land except devise by a will.

Land should be defined as including houses, buildings, and things permanently fixed on the land.

(2) (i) The Mandatory should thereupon declare an area corresponding approximately to Galilee,* as defined in paragraph 184, a prescribed area for this purpose and prohibit therein—

(*a*) the transfer of land by a non-Jew to a Jew; and

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* Defence considerations were taken into account in drawing the boundary of Galilee as shown on map 9. It does not follow that precisely the same boundaries would be appropriate for the present purpose.

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(*b*) the transfer of land to any company, corporation or other body of persons except with the prior approval of the Administration. This approval would not be given unless the Administration was satisfied that the land was being acquired by the company or other body as the case may be for a purpose other than Jewish occupation.

(ii) After ten years this prohibition should be reviewed, but should not be withdrawn or relaxed in the area, or in any part of the area, to which it has been applied unless the Mandatory and the League of Nations are satisfied that Arab opinion in the area affected is in favour of such withdrawal or relaxation. It would be left to the Mandatory to decide how Arab opinion should be obtained.

(iii) Jews should not be prohibited from residing in the prescribed area.

(3) There should be no prohibition on the transfer of land to Jews in the urban area of Haifa (as defined in appendix 8) and in any other urban area which the Mandatory Government may from time to time declare to be a free area for this purpose. It is suggested that Tiberias should be declared such an area from the outset.

(4) As regards the rest of the territory, the transfer of land to Jews should be prohibited save in the following cases—

(*a*) transfers with the approval of Government for the consolidation of existing Jewish holdings, for facilitating irrigation of existing holdings, and for the parcellation into individual ownership of masha'a land held in common by Jews and Arabs ;

(*b*) any other transfer respecting which the Government are satisfied—

(i) that there are possibilities of closer settlement on the land to be acquired ;

(ii) that adequate provision has been or will be made for the resettlement of the cultivators under conditions which will enable them to obtain a reasonable livelihood from their holdings, and that such provision will be carried into effect ; and

(iii) that, save where the Government are satisfied that conditions make it impracticable, any surplus land or other benefits resulting from the promotion of closer settlement will be shared equitably between Jews and Arabs, if necessary in consideration of a contribution by Government, in conformity with the principle enunciated in paragraph 251 (5) above, towards the capital cost incurred by the Jews in developing the land or otherwise.

(5) We recognize that the Government are already expending very considerable sums on agricultural services ; but we fear that these are not enough for the purposes we have in mind. We propose that

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in addition, with the object of facilitating Jewish settlement, the Government should assist, and when necessary themselves undertake, an active programme designed to benefit both Arabs and Jews of (*a*) agricultural development, including drainage and reclamation of lands, provision of water if available, and construction of roads and bridges, and (*b*) of agricultural research, experiment and education ; and that for this purpose they should be prepared to spend additional sums up to a specified amount.

(6) In so far as surplus agricultural land may be made available as the direct result of such development, the benefit therein should be shared equitably between both Arabs and Jews.

2. The Jerusalem Enclave

252. All the above recommendations apply to the Jerusalem Enclave, except that it is not thought that the Government will find it necessary to declare any part of this territory a prescribed area, in which the transfer of land to Jews shall be prohibited, and that the urban area of Jerusalem should be declared to be a free area from the outset for the purpose of paragraph 251 (3) above.

3. The Southern Mandated Territory

253. It is not easy to formulate precisely the lines on which development should proceed in this Territory, with a view both to the protection of the interests of the existing inhabitants and to the promotion of Jewish settlement therein. But broadly speaking we suggest that the Mandatory might proceed on the lines indicated below.

254. For the purpose of facilitating Jewish settlement therein, we recommend that the Negeb be regarded as divisible into two parts, an Unoccupied and an Occupied area, which should be dealt with separately. The Occupied area would be that portion of the Beersheba sub-district which the Bedouin tribes are accustomed to cultivate and over which they claim tribal or hereditary rights of occupancy. The Unoccupied area would be the rest of the sub-district. The dividing line between the two might be roughly a line corresponding with the 5-in. rainfall contour and the change in the character of the country which we have described in paragraph 110: it has been suggested to us that it would run more or less from Al Auja to Asluj and Kurnub.

The Unoccupied Area

255. The Unoccupied area has no settled inhabitants, though occasionally a few wandering Bedouin pass over it. It is desert, and desert it is likely to remain, unless Jewish enterprise and capital can develop it. This area, or any part of it which the Government are satisfied that the Jews have a serious intention of

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developing, would be declared by Government to be a public domain, subject to the obligation to compensate any tribe or individual who may be able to satisfy the competent court that they have a right of occupancy therein. A lease of such part or parts of it as the Government may think fit would be granted by the Government to a Jewish company, financed entirely from private sources, which we suggest might with advantage be entrusted with the promotion of Jewish settlement in the Negeb generally. The lease would be free of rent, though taxation or royalties would be payable as usual in respect of the land or its resources, and would be for such period and subject to such conditions as the Government may determine, including (i) the repayment by the company of any expenditure incurred by the Government in payment of compensation for ownership or occupancy rights in the area covered by the lease, and (ii) such conditions as the Government may think fit to impose with a view to maintaining communications with the Gulf of Aqaba, and the right to construct or provide railways, roads or other forms of transport, either itself or by any person or body nominated by it. This will enable the Jews, should they think fit, to try, at least, to develop the Unoccupied area of the Negeb; and this opportunity should not, we consider, be denied to them. This would still leave the way open to any other interested parties, for example, a mining company, to develop a part of the area under appropriate conditions.

256. As regards the political future of the Unoccupied area, we see no difficulty in the ultimate grant of independence to this portion of the Territory, in which the number of inhabitants is at present so small as to be negligible, provided that in the meantime the Jews have taken advantage of the arrangements now proposed to settle therein in considerable numbers.

The Occupied Area

257. The Occupied area would be declared by the Government, under the powers recommended in paragraph 251 (1) above, to be for the time being a prescribed area in which Jews should be prohibited from acquiring land. Except for the urban area of Beersheba itself, we understand that no part of the Beersheba sub-district has been surveyed and settled. Steps should be taken to survey and settle this area as quickly as possible, staff and funds being provided for the purpose in addition to the normal provision for the completion of settlement proceedings in the rest of the Mandated Territories. We regard this as important, since until this work has been completed, no settlement of the Jews in this area can take place, and no steps can be taken to improve the standard of living of the Bedouin. We understand that it is estimated that the work of settlement survey north of 31° latitude, which roughly corresponds with the line of demarcation between the two areas as suggested in

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paragraph 254 above, would take about 5½ years to complete, at a cost of about £P130,000. The declaration of the area as a prescribed area should remain in force until the survey is completed.

258. It is most important that the goodwill of the Arabs should be secured in advance of any direct action for the purpose of facilitating Jewish settlement in this area, and with this object it is desirable that steps should be taken as soon as possible to explain the Government's policy clearly to the Bedouin tribes, and to obtain their general assent to the experiments which it may be desired to undertake before any general scheme of development can be put into operation. These experiments are of three kinds, water-boring tests, conservation of surface water, and an experimental dry farming station, and have already been described by us in the chapter dealing with the Possibility of Exchanges and Transfer of Population (chapter VIII). The nature and purpose of these experiments should be made clear to the Bedouin, and any suggestions which they may have to make should receive due consideration. They should be made to realize that, if the experiments are successful, it is they themselves who will be the first to benefit in consequence. This may take time, but we agree with the Royal Commission that it would be a mistake to proceed too hastily in this matter. The tribes cannot be expected to acquiesce very readily in a scheme which, if successful, will result in their being obliged to choose between leaving the country altogether, and adopting a settled life instead of their present semi-nomadic habits ; and they must be assured that they will be given every advice and assistance by Government in the process of accustoming themselves to the new mode of life which is offered to them. We think it justifiable to assume that in this way the goodwill of the tribes will be obtained ; the alternative action, which we recommend should be taken if this hope should not be fulfilled, is described in paragraph 262 below.

259. When the goodwill of the tribes has been obtained, we think that the greater part of the experiments should be undertaken directly by the Jews, the programme being drawn up with the approval of Government.

260. If these experiments show that closer settlement on the land is possible, the Government should make an estimate, in consultation with the Jews and with representatives of the local tribe or tribes, of the quantity of surplus land. In view of their exceptional poverty the local inhabitants should have the first claim to benefit by any improvements in cultivation which may be found possible as the result of these experiments and which will enable them to adopt a reasonable standard of life ; and the Arab claim under the principle of equitable sharing between Arabs and Jews, as proposed in paragraph 251 (5) above, should be deemed to have been discharged when reasonable provision has been made in this way for the needs of the existing inhabitants.

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261. As soon as the Government are satisfied that the reasonable needs of the existing inhabitants have been or will be met, the prohibition on Jewish acquisition of land in this area should be withdrawn, and Jews should be permitted to acquire land in the area for purposes of settlement, subject to the approval of Government. The Government should be prepared to withdraw the prohibition gradually in respect of each section of the area as the settlement survey thereof is complete, provided that they are satisfied that Jewish purchases of land in that section will not lead to breaches of the peace.

262. It remains to consider the possibility that the Bedouin will from the outset oppose any action which, though designed to benefit themselves in the first place, will ultimately facilitate the settlement of Jews in the Negeb. We do not think that the Government should allow their policy to be frustrated in this way by the unreasonable opposition of backward tribes, occupying an area which, if the experiments should indicate that a higher standard of cultivation is possible, will be in excess of their reasonable requirements. We think, therefore, that in that event the representatives of the tribes should be told that the Government are nevertheless determined to carry out the experiments which they have in mind, but will do so themselves, the Jews not being allowed to participate at this stage, and that until the experiments are completed the area will remain a prescribed area, in which no Jew will be permitted to acquire or settle on land. Meanwhile the settlement survey will be carried out by Government as proposed. When the results of the experiments are available the matter will be reconsidered, and it may be hoped that, if these are favourable, the Bedouin will be ready to reconsider their attitude when it is explained to them that unless they do so they must not expect that money will be made available for improving their own position.

263. As regards the political future of the Occupied area, we are of opinion that no independent state should be set up there in opposition to the wishes of the minority, unless that minority is so small, either actually or relatively, or so situated territorially, that its wishes ought not to be allowed to frustrate the wishes of the majority. In order that there may be no room for misunderstanding it should be made plain that the Occupied area will not be made an independent state if the majority of the Bedouin, assuming their numbers and territorial disposition to be much the same as at present, are opposed to that course.

264. In any case we think it desirable that the Mandate for the whole Southern Mandated Territory should continue for at least ten years.

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265. At the cost of some repetition, we will now explain the object and effect of these recommendations.

4. The Negative Policy of Control

On what we have called the negative, or control, side of future policy, the Jews will be prohibited from acquiring land and settling (but not from mere residence) in Galilee for a period of at least ten years from the date of partition. That, we feel sure, is a necessary measure of precaution if there is to be any chance of the new policy being accepted by the Arabs. Whether the Jews will ever be allowed to settle in Galilee or not will depend on whether experience shows that the various obstacles, human, financial and economic, to successful settlement in the hill-country, which the Jews themselves recognize to exist to-day, can be successfully overcome; the need for markets, the uncertainty as to underground water supplies, the doubt whether certain new forms of cultivation will succeed in the hill-country, the doubts concerning the size of the appropriate *lot viable*, the difficulties of training cultivators in the new methods, of providing the necessary finance, of finding owners willing to sell to Jews; and—perhaps most important of all—the doubt whether at best there will remain after a few years any surplus land in Galilee for new settlement if the natural increase of population continues at the present rate. And finally, even if it can be shown by experiment and by practical experience elsewhere that these obstacles, or most of them, can be successfully overcome, our scheme still provides that Jewish settlement cannot take place in this area without the consent of the Arab population of the area. We are convinced that nothing short of an absolute guarantee of this kind, in unequivocal terms, can remove the Arabs' suspicions of what the Government may intend to do when the initial period has expired. In the meantime it will be open to the Jews, by their attitude towards the Arabs elsewhere in Palestine, to convince the Arabs in Galilee that it is really to their interest to accept them as neighbours.

266. As regards the rest of the Northern Mandated Territory and the Jerusalem Enclave generally, the effect of our recommendations is, broadly speaking, to confine Jewish acquisition of land within three channels. To take the least important first, the Jews may, with the Government's approval, acquire land for the consolidation of existing holdings, or for facilitating irrigation of existing holdings, or for the parcellation into individual ownership of land in which the Jews have already acquired an interest, but which is held under the masha'a system in common ownership by a number of proprietors, some of whom are Arabs. The right to acquire land for these purposes is something which clearly cannot be expected as a general rule to prejudice the interests of the Arab cultivators, and cannot reasonably be denied to the Jews. Purchase would, of course, be subject in all cases to the willingness of the owner to sell, and to the Cultivators (Protection) Ordinance, and the condition that Government approval must be obtained would be sufficient to ensure that the cultivator's interest was duly considered in any special case.

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267. Before proceeding to discuss the other two means by which Jews may acquire land in the Mandated Territories after partition, we pause to consider the suggestion which has been made that all such acquisitions, except as provided for under the previous paragraph, should be prohibited for a certain period, in order to give time for the present bitterness of inter-racial feeling to die down.

268. The total amount of land owned by the Jews in that part of the Northern Mandated Territory which consists of the plains to the south and east of Galilee (as defined by us for the purpose of plan B), or more exactly in the whole of the Territory except Galilee and the Haifa Bay area, is at present about 500,000 dunums, of which about 100,000 dunums are classed as uncultivable. The total Jewish rural population of this area as at September, 1936, is given by the Jewish Agency in the Census of Jewish Agriculture carried out in that year, as 13,275, of which the number of persons directly dependent on agriculture is 10,454, or 78·75 per cent. In addition, it is understood that a certain number of Arab cultivators remain in occupation of a part of this land, but we have no information as to their number and are unable, therefore, to take them into account in the following calculations. Nor have we taken into account therein the 100,000 dunums of land which are classed as uncultivable, although the proportion between uncultivable and cultivable land thus shown (1 : 4) is much higher than that which the Jews have told us that, for this part of Palestine generally, they usually assume to be, from its nature, utterly worthless for cultivation, even under the most efficient methods of husbandry. The average amount of cultivable land owned per head of the Jewish agricultural population is, therefore, $\frac{400,000}{10,454} = 38 \cdot 25$ dunums, and the average per family, allowing 4·75 persons per family, is 181·7 dunums. The average amount of cultivable land per Jewish family is remarkably high, and indicates clearly that, after allowing for the existing Arab cultivators and for such portion of the land now classed as uncultivable as may prove to be cultivable, there is room for a very considerable increase in the number of Jewish settlers on the land already owned by them in this part of the Northern Mandated Territory, if the land proves capable of being developed to the standard which Jewish witnesses themselves have used in putting before us their estimate of the absorptive capacity of the district as a whole. That standard is as follows—

	Lot Viable in Dunums		
	Irrigated	*Non-Irrigated*	*Total*
For land in the Huleh Basin..	25	—	25
Plains of Esdraelon, Jezreel and Beisan (North)—			
(*a*) From S'deh Ya'akov to Ein Harod ..	10	50	60
(*b*) From Ein Harod to Jordan	21	22	43
Hills of Eastern Galilee	—	40	40

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In furnishing us with this estimate the Jewish witnesses were careful to point out that it was based " on the hypothesis that [the] agricultural resources [of the several areas], as at present known, are developed and fully utilized at the highest level of efficiency. This hypothesis is theoretical in so far as it disregards not only the factor of human inertia, but also various difficulties of a financial, legal and political nature which may in practice have to be taken into account." And they admitted that many of these factors were in practice already operating to prevent or delay closer settlement on the lands which the Jews had already acquired, and much of which had already been cultivated by Jewish settlers for a number of years.

269. Notwithstanding these reservations, however, it does not seem unreasonable to apply those standards to the lands already owned by the Jews in this area, in order to calculate their absorptive capacity on the assumption that they will in time be developed and fully utilized at the highest level of efficiency, according to the calculations of the Jews themselves. Taking only the most conservative estimate of *lot viable* (namely, 60 dunums of cultivable land) as applicable to the whole area, this would put the maximum absorptive capacity of these lands at 6,666·6 families, or 31,667 persons, as against 10,454 persons in September, 1936, an increase of 21,213 persons. If we increase the figure of 31,667 in the proportion of 10,454 to 13,275 to allow for the resident non-agricultural population, we get a figure for the total potential rural population of 40,217 as against 13,275 in September, 1936, or an increase of nearly 27,000 persons.

270. The increase in the Jewish agricultural population of all Palestine between 1931 and September, 1936, was 29,031*, or an average of 5,806 souls per annum. At this rate it might be expected that, even if all their colonizing energies were concentrated on these settlements, it would be nearly four years before the Jews had utilized to their fullest extent the possibilities of settlement on the lands already owned by them in the Northern Mandated Territory. On these figures it might be argued with some plausibility that no further Jewish purchases of land should be permitted in any part of the Northern Mandated Territory for a period of say four years at least. No great harm, it might be said, could thereby be done to the Jews, who, according to the evidence, are not likely in any case to introduce during this period a larger number of agricultural settlers

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* Census of Palestine, 1931, Volume II, page 283, Table XVI, gives the total Jewish population dependent on agriculture as 26,939. According to the Jewish Agency's Census of Agriculture, the figure for September, 1936, was 55,370. It cannot be asserted that the figures are exactly comparable, but they are probably near enough for the present argument.

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than could be settled on their existing holdings if these were fully developed according to the standards at which the Jews themselves aim ; and there would be much to be said for a pause or standstill of several years during which no further acquisition by the Jews of agricultural land whatever (save for the limited purposes mentioned in paragraph 266 above) would be permitted outside the Jewish State. This standstill would give time for the present bitterness of feeling between the two races to die down, and thereafter it would be possible to review the position in the light of current conditions and to decide —possibly in agreement with the Arabs, if goodwill should by then have been sufficiently restored—under what conditions further transfers of land to the Jews might take place.

271. If our only object were to devise a scheme which would be likely to induce the Arabs to acquiesce in partition, there would no doubt be much to be said for this view, although even from that point of view we doubt if it would be as effective as might at first be thought. But that is certainly not the only criterion which we have to take into account in testing the merits of the various proposals which we have had under consideration. We are bound also to consider the effect on the Jews, whose claims to special consideration in the Mandated Territory under plan C we have already recognized, and we cannot feel that such a policy would do justice to their present desperate needs. If, in fact, it should be possible for them during the next few years to increase their past rate of agricultural settlement, by a rapid development of lands which are proved to be capable of closer settlement without injury to the existing cultivators, we do not think that they should be prevented from doing so on the ground that there may be still room for closer settlement ultimately on the lands which they already possess, but on which for one reason or another the process of utilization to the highest degree of efficiency is taking place more slowly. Again, it is a cardinal point of our proposals, as will be brought out later in this chapter, that Government would be justified in spending substantial sums on land development in the Mandated Territory after partition as part of a comprehensive policy the object of which shall be to benefit the Arab while facilitating Jewish settlement. But if there is to be no assurance of further Jewish agricultural settlement beyond what can be done on the land which the Jews already possess, it cannot be expected that His Majesty's Government will be willing to spend the United Kingdom taxpayer's money on the development of the land for the sole benefit of the Arabs ; the Jews obviously will not do so ; and it is quite certain that the revenues of the Mandated Territory alone will not be adequate for the purpose. Thus the Arab population would be deprived for the next five years at least, if

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not for ever, of opportunities for improving their standard of living which they might obtain if facilities for further Jewish settlement are granted now.

272. A further, and in our opinion a most weighty objection to the policy of a five years' standstill, is that it would leave both Arabs and Jews once again in a state of complete uncertainty as to what will be the Government's policy and how it will affect their own position when the standstill comes to an end. We have already expressed the opinion in paragraph 220 that Palestine has suffered gravely in the past from this uncertainty as to the political future; and we are convinced that its influence would be equally unhappy in this case, and that far from leading to appeasement, as the advocates of the policy hope, it would be more likely to keep alive suspicion and ill-will between the two races.

273. For these reasons we reject the idea of a standstill, and consider that provision should be made for the acquisition of further land by the Jews in the Mandated Territories after partition, outside any prohibited area, subject to effective and clearly defined safeguards in the interests of the existing population. Such provision will be made under two heads, Urban Areas and Rural Areas.

(i) *Urban Areas*

274. In considering the question of the effect upon the Arab population of Jewish immigration into Palestine, we think it important to draw a distinction between immigrants who are destined to be agricultural settlers, and other classes of immigrant. For the Jewish agricultural settlers, both men and women, judging by the examples of their work which we were able to see for ourselves, we have only admiration: their energy, self-sacrifice and enthusiastic devotion to the ideals they have set before themselves, are deserving of the highest praise. We know and appreciate the reasons which have led the leaders of the Zionist movement to insist upon the creation of a Jewish class of workers in the most strenuous manual occupations, and in agriculture particularly, as the necessary foundation of a healthy modern State. We are far from seeking to deny the wisdom of this policy, still less to suggest that it might now be modified. Nevertheless we think it important, in order to see the problem of Jewish immigration in its true perspective, to remember that, even in September, 1936, the total number of Jews directly dependent upon agriculture was only about 55,000 out of a total Jewish population on the same date of about 390,000, and that while the net number of Jewish immigrants recorded as having entered Palestine in the years 1932–6 inclusive is 172,651, the agricultural population increased during that period by only 29,000, or just over one-sixth of the total number of

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immigrants (paragraph 270 above). In other words, from the point of view of mere numbers, agricultural settlement is a comparatively unimportant side of immigration* although it is probably one of the major causes of the present hostility of the Arabs for the Jews.

275. Far more important to Jewry, which is desperately anxious to find a refuge for the Jews who are being forced to leave their homes in Europe, is the right to settle in urban areas and therein to establish new industries with the help of such capital as they can bring into the country. The Jews themselves have told us that they calculate that for every Jewish immigrant settled on the land, two immigrants can be settled successfully in other occupations. We doubt whether any useful relationship can be established between the two classes in this direction, though, considering the relationship in the reverse direction, we think that the number of additional Jews who can be successfully settled on the land is to an important extent dependent upon the total number of Jewish immigrants who will provide them with an assured market. The number of persons who can be established in industrial and other occupations in Palestine depends upon other factors, principally the supply of capital, the skill and enterprise of the management and of the skilled personnel employed, the cost of living and the standard of living of the work people, the degree of tariff protection afforded, the extent and purchasing power of the domestic market, and the ability to compete in foreign markets—factors which it is quite impossible to assess. Admittedly the Jews who wish to establish new industries in the Mandated Territories will not be able to rely with confidence upon the same degree of tariff protection as they might do in an independent Jewish State, able to control its own fiscal policy, and in respect of this important factor, they may be handicapped. But in other respects their prospects of success would seem not to be markedly different from what they would be in a Jewish State, provided that they are allowed to acquire land in a suitable area with good access by rail and sea to the home and foreign market. We can see no good reason why the Arabs should oppose the acquisition by Jews of land so situated; on the contrary there is every reason to suppose that the Arabs will benefit substantially from the additional demand

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* Going further back, we may compare the present figures with those for 1922, when there were, according to the Statement of British Policy in Palestine, dated 3rd June, 1922, about 80,000 Jews in Palestine, " of whom about one-fourth are farmers or workers on the land." Thus between 1922 and 1936 the agricultural population has increased by $(55{,}000 - \frac{80{,}000}{4}) = 35{,}000$ persons, out of a total increase of the Jewish community during the same period by (390,000 — 80,000 =) 310,000, or just over 13 per cent. of the total increase.

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for employment which will be created if new industries are successfully established thereon. Indeed, we will go further, and say, for the reasons given in chapters III and XXII under the head of Population, that unless Jewish immigrant capital is encouraged in this way to enter the country and to be used for the development of Jewish industries in the Mandated Territories, the economic position of the Arab population outside the Jewish State is likely to be serious. To the prospects of benefits to the Arabs from this source we add one qualification. It is, of course, impossible to prevent Jewish employers from exercising a voluntary preference in favour of Jewish labour, though so long as the Arab standard of living and rate of wages is below that of the Jews (and while it should be the object of the Government gradually to raise the former, it will be a long time before they reach the Jewish level), the temptation to reduce costs by employing Arabs will be strong. But we assume that, in conformity with the principles of good and just government, the Mandatory Power will take strong measures against any attempt by Jewish organizations or individuals to prevent employers, by intimidation or picketing, from exercising their freedom of action in this matter.

276. The area in the Mandated Territories which complies most fully with these conditions is, of course, Haifa. We recommend accordingly that a suitable industrial zone around the town itself should be prescribed by the Government as a free zone within which the transfer of land to Jews should be permitted. The limits which we would suggest for this zone are indicated in Appendix 8; but the Government should be prepared to vary them from time to time if necessary to meet industrial requirements.

A similar zone should be prescribed around Jerusalem (for which we have not thought it necessary to suggest limits ourselves, except that we consider that it should be larger than the municipal area), and another, we suggest, around Tiberias. Power should be sought for the Government to prescribe such a zone for any other urban area which it may think fit, and to fix the limits and vary them from time to time.

(ii) *Rural Areas*

277. It is the acquisition of land by the Jews in the rural areas of the Mandated Territories, other than any prohibited area, for purposes not covered by the proposals in paragraph 251 (4) (*a*) above which is most likely to provoke suspicion and resentment among the Arabs; and it is here, therefore, that the need is greatest for effective and convincing safeguards of the interests of the existing population. To this end we recommend that the Government should undertake the responsibility of satisfying itself, before giving its consent to any purchase of land by the Jews for such purposes, first, that the land is actually capable of closer settlement; secondly that adequate provision has been or will be made for the resettlement of any tenant cultivators of the land under conditions which will

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enable them to obtain a reasonable livelihood from their holdings, and thirdly, that, save where the Government are satisfied that conditions make it impracticable, any benefits resulting from closer settlement shall be shared equitably between both Arabs and Jews.

278. So far as the Arab cultivators are concerned, we think that these safeguards should be effective. As regards the Jews, we believe that this part of our proposals is in general conformity with the Jewish Agency's own policy. In their Memorandum to the Royal Commission dated November, 1936, the Agency said—

> The Mandate requires the Administration of Palestine to encourage close settlement by Jews on the land, and to do so in co-operation with the Jewish Agency. The work about to be executed in the Huleh marshes provides a striking example of co-operation between the Government of Palestine and Jewish public bodies to the advantage of Jews and Arabs alike. The intensive development of the Beisan area may well be made to provide another.
>
> The possibilities of such co-operation are not exhausted by what is being done in Huleh and what can be done in Beisan. If development is vigorously pressed forward, the Jewish Agency believes that there will be found to be other parts of Palestine in which both Jews and Arabs would benefit by what may be described as a tripartite arrangement between the Government, the Jewish Agency and the Arab cultivators. The basis of such an arrangement might be that, as suggested above in the case of the Beisan region, the Jewish Agency would provide water in exchange for land, while the Government would take steps to procure the consolidation of holdings in order to facilitate irrigation and the orderly parcellation of the area affected between Arabs and Jews. The essence of the scheme is that the Arab holding would be reduced in size, but increased in terms of productivity, by irrigation to be provided by the Jews. Thus land would be liberated for Jewish settlement, while the Arab cultivator, far from being prejudiced, would be left with a more productive holding than before.
>
> Without at this stage going more minutely into detail, the Jewish Agency believes that it is on some such lines as these that the land resources of Palestine could be developed for the benefit of Jews and Arabs alike. It is possible that for the purpose of ensuring the orderly execution of a development scheme having this end in view, it may be found necessary to regulate by agreement, in some appropriate manner, the channels through which land may be bought for Jewish purposes, or, again, it may be agreed to be desirable that there should be some understanding as to the areas in which the authorized land-purchasing institutions are from time to time to operate. Provided that a genuinely constructive policy is adopted and carried out, the Jewish Agency does not believe that there will be any insurmountable difficulty in agreeing upon arrangements which will satisfactorily safeguard all legitimate interests.

The words in the middle of the second paragraph quoted above, "while the Government would take steps . . . . Arabs and Jews", are somewhat obscure, but seem to imply that the Government would be expected in such a case to make use of the Land (Expropriation) Ordinance in order to compel an unwilling owner to sell his land. This difficult question is discussed by the Royal Commission in paragraphs 26 and 82 of chapter IX of their Report and is touched upon again in paragraphs 85–93 of the same chapter

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in connection with a suggestion that public utility societies might be formed for developing large areas of land (500 dunums and upwards, as appears from paragraph 10 (5) (ii) of chapter XIX). They considered that, with a view to the consolidation of holdings for the concentration of Arabs in one block, " recourse should be had, if necessary, to the Land (Expropriation) Ordinance and that scattered individual Arab holdings should not be allowed to interfere with the development of a scheme which has been proved to the satisfaction of Government beneficial to Jews and Arabs alike " (paragraph 82 of chapter IX). The scheme for the formation of public utility societies included a proposal that Government should " acquire the land, when the price had not been fixed by negotiation, under the Land (Expropriation) Ordinance, and take such steps as might be necessary to consolidate holdings " (paragraph 85). After answering the objections which the Palestine Government had brought forward against the proposal, the Royal Commission observe (paragraph 93)—

> The political difficulties form part of the general picture of the administration of the country, and we do not underrate them. But we cannot blind ourselves to the fact that, if the Mandate is to continue and the Mandatory Power is to discharge its obligation, the pace of progress must not be determined by factious agitators. Where, then, the following conditions are fulfilled,
>
> (*a*) there is land available and a general willingness to sell,
>
> (*b*) it has been proved suitable for intensive cultivation, and
>
> (*c*) satisfactory financial arrangements can be devised, we do not think that such a scheme under Government supervision and control should be held up by calculated obstruction.

We understand from these observations that the Royal Commission were satisfied that, if a development scheme of substantial size and promising benefits to both Arabs and Jews was being obstructed by the refusal of a few isolated individuals to sell their holdings, and the other conditions mentioned were fulfilled, it was in the public interest that Government should have recourse to its powers of compulsory acquisition under the Land (Expropriation) Ordinance. We agree with this view, and recommend that, where these conditions are fulfilled, the Government should be prepared to use its powers under the Ordinance with such amendment as may be necessary to procure the consolidation of holdings in order to facilitate development by means of irrigation and otherwise, and the orderly parcellation of the area affected between Arabs and Jews.

279. As is pointed out in paragraph 331, under the contract by which land belonging to the Jewish National Fund is leased to Jewish settlers, the lessee is required to execute all works connected with the cultivation of his holding only with Jewish labour. In that paragraph we recommend that the Jewish State should be required

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to pass legislation providing that any contract or sale or lease forbidding directly or indirectly the employment of persons of a particular race or religion shall be null and void. We suggest that similar legislation should be enacted for the Mandated Territories.

5. The Constructive Policy of Development.

280. We turn now to the positive side of our recommendations. The idea of a constructive policy of development with a view to facilitating Jewish settlement in Palestine is, of course, by no means new. Attention was first drawn to it by the Shaw Commission in their Report of March, 1930 (Cmd. 3530) on the 1929 disturbances. It formed the basis of the recommendations of Sir John Hope Simpson's Report of October, 1930, (Cmd. 3686) on Immigration, Land Settlement and Development. In the White Paper of 1930 (Cmd. 3692, paragraph 22) His Majesty's Government expressed themselves " satisfied that, in order to attain these objects " (that is, to ensure that the position of the other sections of the population was not prejudiced by Jewish immigration, and to encourage closer settlement of the Jews on the land) " a more methodical agricultural development is called for with the object of ensuring a better use of the land " ; and in his letter of the 13th February, 1931, to Dr. Weizmann, the Prime Minister, Mr. Ramsay MacDonald, while emphasizing that it was to landless Arabs within a particular category that His Majesty's Government owed a special obligation, added— " The recognition of this obligation in no way detracts from the larger purposes of development, which His Majesty's Government regards as the most effectual means of furthering the establishment of a National Home for the Jews." While the White Paper made it clear that it was part of the general policy of His Majesty's Government that Palestine should be self-supporting, it was the intention of His Majesty's Government at that time (June, 1931) that the funds required for the purpose of giving effect to the policy of a more methodical agricultural development in Palestine should be found by means of a loan which Parliament would be asked to authorize the Treasury to guarantee. At the same time Mr. Lewis French was appointed Director of Development, with instructions to consider, *inter alia*,

(i) the improvement and intensive development of land in the hills in order to secure to the fellahin a better standard of living without, save in exceptional cases, having recourse to transfer ;

(ii) the feasibility and advisability of providing credits for Arab cultivators and Jewish settlers, and if so, the best methods of achieving this purpose ; and

(iii) proposals for obtaining, irrigating and otherwise reclaiming land not at present cultivated or cultivated only to a limited extent.

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But shortly afterwards the financial crisis supervened, and subsequently, after reviewing the position in the light of financial conditions both in the United Kingdom and in Palestine, His Majesty's Government decided that, in the existing financial circumstances, it was impossible for the British Government to make a contribution to land development in Palestine such as was envisaged in 1930. The financial position of Palestine itself was, however, felt to be sufficiently satisfactory to enable it to finance its own requirements. In addition, an extensive programme of public works was to be instituted by the Government of Palestine, including services, such as a survey of underground water resources and provision for the improvement of village water supplies, which could properly be classed as development services ; the cost of these works was intended to be financed to a large extent out of a loan of £2 millions to be guaranteed by the British Treasury. But that loan in its turn was never raised, and the services which were to have been financed in this way from loan funds were in fact financed out of the current revenue and accumulated surpluses of Palestine. As a result of this, and of the subsequent need to divert revenue to expenditure on public security, the Government of Palestine found themselves unable to provide funds for development purposes on any considerable scale ; and the various plans to which so much prominence had been given in 1930 have borne little fruit.

281. The Royal Commission had no definite recommendations to make with regard to development under Part II of their Report (in which they assumed the continuation of an undivided Palestine under a single Mandate), except that they commended the proposal for a Government contribution towards the cost of the Huleh Concession Scheme (chapter IX, paragraphs 120–124), and that, as stated in paragraph 278, they favoured the setting up, not necessarily with financial participation by the Government, of public utility societies for promoting closer settlement on areas of 500 dunums and upwards in the plains, and the use of the Land (Expropriation) Ordinance, if necessary, where a scheme, which satisfied certain specified conditions, was in danger of being held up by calculated obstruction (chapter IX, paragraph 93). But for the purpose of facilitating the transfer of Arabs from the Jewish to the Arab area, which they regarded as an essential step if the minority problem, " the most serious hindrance to the smooth and successful operation of Partition," was to be solved, they recommended " the execution of large scale plans for irrigation, water-storage and development " in Trans-Jordan, Beersheba and the Jordan Valley (chapter XXII, paragraph 41), and the payment of the cost, which would be heavier than the Arab State could be expected to bear, from a grant which Parliament should be asked to make for the purpose (*ibid*, paragraph 44). They made no attempt to estimate the cost of such schemes, but it must have been clear to them, from the estimates which had been supplied to them respecting the Huleh Scheme, that the cost was likely to

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run into several millions of pounds* if the whole of the Arab population of the plains which were included in the Jewish State under their plan were to be transferred to the Arab State (*ibid*, paragraph 43).

282. In chapter VIII we have given our reasons for thinking that the prospects of such transfer of population are remote ; that the conditions in the areas named by the Royal Commission are far less favourable for development and close settlement than the Royal Commission supposed ; and that even if development were to be undertaken successfully, it is unlikely that large numbers of Arabs would be willing to leave their own homes, even in a Jewish State, and migrate to these new and, in their eyes, inhospitable districts. In so far as it may be possible to effect such transfers, we should, of course, welcome the doing so, for even under plan C there will still remain over 50,000 Arabs in the Jewish State, constituting a minority problem which will require the highest wisdom and courage on the part of Jewish statesmen to handle successfully. But we cannot agree with the Royal Commission that the cost of development for this purpose should fall on the United Kingdom Government. The benefit of such measures will accrue to the Jews even more than to the Arab State, since every Arab transferred from land in the Jewish State will make room for a new Jewish settler ; and the Jews themselves have told us that they would regard this as a far more suitable way of assisting the Arab State than the direct subvention recommended by the Royal Commission, and that they would be prepared to pay the interest and sinking fund on a loan to be raised for the purpose.

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*Excluding Haifa and Galilee, the Arab population of the Jewish State as proposed by the Royal Commission may be put at about 150,000, or say 30,000 families. But not all these families would be dependent on agriculture for their livelihood, and it is assumed that the number so dependent would not exceed 20,000. Mr. French estimated the cost of resettling an Arab family at 1931 prices at £P350 to £P400, or £P270 on developed land where flow irrigation was general, that is, where drainage and reclamation of land, development of springs, canalization, and construction of roads and bridges had already been provided by Government agency. Taking the higher figures (the lower figures are clearly inapplicable, unless the cost of development can be calculated separately) the cost of resettling 20,000 Arab families may be put at between £P7 and £P8 millions. It is true that the Royal Commission only recommended that a Parliamentary Grant should be made to meet the cost of the proposed irrigation and development scheme, but it is obvious that, for the successful transfer of an agricultural population having no capital of their own, provision must also be made for settling each family in their new home and providing the necessary stock and equipment. Sir John Hope Simpson puts the cost of this at £P60 per family on average, and Mr. French accepted this figure and included it in his own estimate of the total cost of resettlement. In addition there would be the cost of settling the remaining 10,000 families. We have no basis on which to calculate this cost, but it is unlikely to be less than £P100 a family, making a total of £P1,000,000 to be added to the above figures. Against this liability must be set the value of land owned by any of the persons to be resettled, but no figures are available by which the reduction on this account of the gross liability may be estimated.

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283. It is clear from this summary of the past history of the question that in one form or another the idea of a costly programme of agricultural land development in Palestine, of which a great part would be financed from United Kingdom funds, has been a feature of British policy since 1930. This fact gives us greater confidence in putting forward our own proposals under this head. We defined those proposals in paragraph 251 (5) of this chapter. The object which we have in mind is, broadly speaking, to ensure that, in the allocation of the benefits resulting from development expenditure, the Arab shall not suffer in comparison with the Jew owing to his lack of capital. We take, as an example of what we have in mind, the Huleh Basin Scheme. Out of a total of 45,000* dunums within the Huleh concession area, 13,000* (instead of 10,000* under the original Concession) are to be reserved for the Arabs by whom they have hitherto been partially reclaimed. This land is at present flooded for half the year. In addition, the scheme makes provision for improving the position of the existing Arab cultivators on 55,000 dunums outside the concession area, by substituting controlled irrigation for the present primitive arrangements. The part of the concession area, now covered by lake and marshes, which is to be reserved for Jewish colonization, is only 32,000* dunums. Thus, out of a total of 100,000 dunums to be benefited under the scheme, two-thirds will be in Arab ownership, and only one-third in Jewish. In this particular case no resettling process will be necessary: the surplus land will be land reclaimed from under water or marsh, instead of being made available by a process of "squeezing up" the existing Arab cultivators. It is not easy, therefore, to calculate exactly in what proportions the scheme will benefit Jews and Arabs. The Jews will receive 32,000 dunums of land which is entirely surplus; the Arabs will have 55,000 dunums of existing holdings improved by an unknown percentage, and 13,000 dunums improved by at least 100 per cent., and probably more. For these benefits the Jews will pay £900,000, including the cost of the concession, the Government £223,000†, and the Arabs nothing.

284. The principle underlying this arrangement seems to us to be eminently sound. The Government, before approving any development scheme involving the acquisition of land in Arab ownership submitted to them by the Jews, will first satisfy themselves that it will result in closer settlement becoming possible on the land to be acquired. They will then (unless the scheme is so small as to make these conditions impracticable) negotiate with the Jews (i) for the allocation between Jews and Arabs of the benefits to be expected from the development expenditure, on the principle that, over and above what is needed for resettling the existing cultivators,

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*After making allowance for roads, canals and irrigation works.

†According to the figures given in the Royal Commission's Report, which, however, are subject to revision owing to later developments.

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with their existing standard of living, a substantial share in any surplus land made available shall be assigned to the Arabs (whether to the existing cultivators, in order to improve their existing standard of living, or to others who are known to be landless or in greater need of additional land than the existing cultivators, would be a matter to be determined by the Government in each case, in consultation with both Jews and Arabs) ; and (ii) for the allocation of the cost between the Jews and the Government. For this and for the determination of the Arabs' share in the surplus benefits, no fixed rule can be laid down, but *prima facie* we see no reason why the precedent of the Huleh Scheme should not be followed as a general indication of what is equitable in such cases under both heads, although we have not in mind any schemes comparable in magnitude with the Huleh Scheme.

285. This is the method of development, for the joint benefit of both Jews and Arabs, which we favour at this stage. But other methods are possible. In particular we would not wish to exclude the possibility that the Government may decide itself to undertake works of development, the benefits resulting from which would be allocated on the same equitable basis between Jews and Arabs, in return for an appropriate contribution by the former towards the cost. This, however, would be exceptional ; as a general rule we should expect that the initiative in a development scheme which was intended to benefit Jews as well as Arabs should be taken by the Jews. The Government would normally, we think, confine its activities to services which would be intended primarily for the benefit of the Arab cultivators, such as (i) an enlarged programme of agricultural research and experiment and of instruction and education in agricultural matters, (ii) the construction of roads and bridges for linking up Arab villages with the main roads, (iii) the extension of the present agricultural development loan scheme* and (iv) the improvement of Arab marketing arrangements on the lines of the successful Jewish Co-operative Association, the Tnuva. Indirectly, however, such expenditure should facilitate Jewish settlement, since the better educated the Arab cultivator becomes in agricultural matters, the more quickly and willingly he will learn to adapt himself to the new conditions of intensive cultivation which it is necessary that he should accept if settlement of the Jews on the land is to be made possible.

286. We do not wish it to be assumed, from the picture which we have drawn above of the possibilities of action under the policy advocated in this chapter, that we are satisfied that there is abundant scope for development of the land in the Mandated Territories with a view to close settlement thereon. Apart from the Huleh Scheme, we are far from taking an optimistic view of the possibilities of

*The present scheme is limited to £P50,000, and to cultivators in the hill-country.

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additional agricultural settlement in those parts of the Mandated Territories to which our proposals apply. That, however, is not the attitude of the Jews; and it is the Jews, and not the Government, who will take the initiative in setting these development schemes in motion. According to estimates given to us by Jewish witnesses, the absorptive capacity of the Huleh Plain, including the area to be developed under the Huleh Concession Scheme, is, in terms of agricultural population only, 39,000, and that of the Plains of Esdraelon, Jezreel and Beisan (North) 22,100, over and above the present total population of those areas; besides these, allowance must be made for the possibilities of additional settlement in the Haifa Bay area and in the hills and upland country to the south and east of Galilee, for which separate estimates are not available. These figures are of course theoretical in the sense described in paragraph 268 of this chapter; and we ourselves do not endorse them. But it is clearly proper to make provision under our scheme for the possibility that the Jews may be right, or even partially right, in their calculations, so long as it is understood that the Government accept no responsibility for any extravagant hopes that may be fostered thereby.

287. There is one further point to which we must draw attention. Our proposals envisage close settlement resulting, as a rule, from *large* schemes of development, the benefits of which will, save when the Government are satisfied that conditions make it impracticable, be apportioned equitably between Arabs and Jews by the orderly parcellation of the area affected (paragraph **251** (4) (*b*) (iii) above). In making this reservation we had in mind that in some cases the area developed would be so small that the apportionment of the surplus between Arabs and Jews would be impracticable. In such cases, in the absence of special arrangements, the whole of the surplus would go to the Jews, and there would of course be no contribution from public funds to the cost of development. But it is conceivable that the greater part of any development which may take place will be in this form; if so, there is clearly a danger lest the policy of sharing the benefits equitably between Arabs and Jews should be frustrated. To prevent this we think that it should be laid down that, for the purpose of giving effect to that policy, the Government reserve the right to aggregate the value of the surpluses thus created by the Jews for their sole benefit, and at some suitable stage to require the Jews, as a condition of receiving Government approval for further transfers of land, to provide a proportionate amount of surplus land for the sole benefit of the Arabs. The Government on their part should be prepared to make an appropriate contribution, on the footing that the ratios of benefits for Arabs and Jews respectively, and of Jewish and Government expenditure respectively, shall be roughly the same under this system of aggregating a number of small development schemes as they would have been under a single large scheme.

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288. All this will cost a great deal of money, and it will be clear from our later chapter on Finance that there is no possibility that the Mandated Territories will have any margin of revenue to spare for such a purpose : on the contrary, the indications are that from the outset they will be faced with a budgetary deficit of about half a million pounds, which can only be made good by a grant from the United Kingdom Exchequer. The cost of these development services, in so far as it is not borne by the Jews, must therefore fall wholly on the United Kingdom. But there are two conditions which we think it would clearly be proper to attach to any recommendation for the grant of assistance of this kind.

(i) First, it should be clearly recognized that the sole justification for financial assistance from United Kingdom funds is the existence of our national obligations to the Jews. We have argued in this chapter that, since the creation of a Jewish State in the Maritime Plain under plan C, which is the best plan of partition that we have been able to devise, does not discharge those obligations, as assessed by the Royal Commission, in full, it is essential that provision should be made for the continuation of Jewish settlement after partition in that part of Palestine which we propose should be retained under Mandate ; that this will be facilitated if the Government declare it to be their policy to assist, and when necessary themselves undertake, an active programme of land development designed to benefit both Arabs and Jews ; and that this in turn will involve expenditure on an ample scale from the United Kingdom Exchequer. But the Arabs have no claim to benefit by this expenditure of their own right. The offer of that assistance must, therefore, be subject to the clearly expressed condition that the Arabs must abandon their present hostility and co-operate peacefully with the Government in the latter's policy of facilitating Jewish settlement, subject to the safeguards proposed, and to the further warning that the Government are in no way committed to continue this form of expenditure once they have decided that the possibilities of further Jewish settlement are exhausted.

(ii) Secondly, Parliament cannot be asked to sign a blank cheque for this purpose. It is impossible to estimate in advance the amount of money which might be spent usefully in the ways we have suggested, and difficult to suggest any figure which shall be fair to all the parties concerned. It seems to us relevant, however, to point out that the recommendation of the Royal Commission with regard to expenditure on development for the purpose of facilitating the transfer of Arabs from the Jewish State—involving, as we point out in paragraph 281 above, a charge on the United Kingdom Exchequer which might have run into several millions of pounds—was apparently accepted, among the other conclusions of the Commission, by His Majesty's Government in their Statement of Policy of

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July, 1937 (Cmd. 5513) ; and that according to our proposals the Treasury should be under no obligation to accept this particular liability. In its place we recommend that the limits to which Parliament should be asked to commit themselves in respect of the whole of the Mandated Territories together, should be—

(i) on non-recurrent expenditure, such as grants for development in whatever form in the Mandated Territories, including the Huleh Concession Scheme, a sum not exceeding one million pounds in the aggregate ; and

(ii) on recurrent expenditure on agricultural services, including the acceleration of land settlement operations in the Southern Mandated Territory, as proposed in paragraph above, a sum not exceeding £75,000 a year for not more than 10 years.

The money would not, of course, be required all at once ; its disbursement would probably be spread over many years. In order to mark it out as distinct from the deficiency grants which will certainly be required to maintain the normal administration of the Mandated Territories, we suggest that it might be convenient that it should be shown under a separate subhead of the Parliamentary Vote.

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CHAPTER XIV

JEWISH IMMIGRATION INTO THE MANDATED TERRITORIES UNDER PLAN C

289. Having set out in the previous chapter our recommendations in regard to Jewish acquisition of and settlement on the land in the Mandated Territories, we come now to immigration policy.

290. We are here concerned only with immigration into the Mandated Territories. It will of course be for the Arab and Jewish States to determine freely their own immigration policy; but if the right of free access from those states into the Mandated Territories is granted as proposed in paragraph 295 below, we think that there should be a provision in the treaty with the Arab State that it shall control effectively immigration from outside the frontiers of what is now Palestine and Trans-Jordan, and that, if persons from outside those frontiers do in fact enter the Mandated Territories through the Arab State, the latter shall be responsible for their deportation.

291. The general principles by which we recommend that immigration into the Mandated Territories after partition should be governed are as follows—

(i) The Balfour Declaration should no longer apply. The object of establishing a national home for the Jews in Palestine should be deemed to have been fulfilled by the setting up of the proposed Jewish State, but in order to provide for the immigration of as many Jews as possible, consistently with good and just government for the whole population, the Mandatory should continue to receive Jewish immigrants into the Mandated Territories or any part of them, either continuously or at intervals, as he may think fit, up to the point when he may decide, at his sole discretion, that this is no longer possible without injury to the rights and position of other sections of the population.

(ii) The rate of such immigration should be decided by the Mandatory from time to time upon political, social, and psychological as well as economic considerations.

(iii) Among intending immigrants from outside what is now Palestine and Trans-Jordan, preference should be given to Jewish immigrants, permission to settle in the territory being given to persons of other nationalities only for exceptional reasons.

(iv) Persons of whatever race habitually residing in the rest of what is now Palestine and Trans-Jordan should be free, subject only to the requirements of law and order, to enter the Mandated Territories for short or casual visits, but should not

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be allowed to reside habitually therein without the permission of the Government. In deciding whether residence is habitual or not, the onus of proof should rest with the person concerned. Permission to reside habitually in the Mandated Territories should be granted to such persons within the limits of an "intra-Palestinian"* quota, to be fixed by Government at the same time and in the same manner as the quota for "extra-Palestinian"* immigrants, but without preference for either Arabs or Jews, save as provided in paragraph 295 below.

(v) The Mandatory should have the right to grant to an intending immigrant permission to settle in the territory subject to the condition that, either for a limited time or indefinitely, he shall not without special permission reside in any specified part or parts of the territory, and to prescribe different conditions for the control of immigration into different parts of the Mandated Territories.

(vi) Article 4 of the present Mandate (which provides for the recognition of an appropriate Jewish agency for the purpose of advising and co-operating with the Administration of Palestine in matters affecting the establishment of the Jewish national home) should not be reproduced in the new Mandate, but the Mandatory should use his best endeavours to consult with representatives of both Arabs and Jews, as well as experienced opinion independent of the Government and of both races, before deciding on the application of these principles.

292. We comment on these proposals in the order in which they are set out above—

(i) It is quite impossible to foresee what additional number of Jewish immigrants it will be possible to receive into the Mandated Territories after partition, without injury to the rights and position of the rest of the population. The final decision on this question must rest with the Mandatory at his sole and absolute discretion, having regard only to the principles of good and just government. It may be that the closure of these territories to further immigration will be applied by degrees, one part being declared finally closed while another is still left open. But the time must come when the whole of the Mandated Territories will have to be closed to Jewish immigration, and it must be clearly understood that when this time has come all obligations of His Majesty's Government arising out of the Balfour Declaration will have been fully discharged.

In accordance with our general desire that the Government's future policy in Palestine should be as free as possible from ambiguities, we think it important that, for the purpose of determining

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* We use these epithets for convenience to distinguish between (*a*) persons habitually residing within the frontiers of what is now Palestine and Trans-Jordan, and (*b*) persons habitually residing outside those frontiers.

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immigration policy in the Mandated Territories, the phrase " rights and position of the other sections of the population " should be defined more precisely. We suggest that it should be understood to mean that further Jewish immigration ought not to be permitted if the Government are satisfied that the result would be to lower the general standard of living of the population existing at the time.

There remains the exceedingly difficult, but vitally important question whether the phrase " rights and position " should include the right to have reserved for the existing agricultural population a margin of land to provide for the probable natural increase of that population. We have examined this question in chapter III, and for the reasons given there we think that the only practical rule is to have regard solely to the population existing at any given date.

293. (ii) This principle is a repetition of the Royal Commission's recommendation (chapter X, paragraph 73).

294. (iii) and (v). We think it important that effective steps should be taken to prevent illicit immigration into the Mandated Territories from outside Palestine and Trans-Jordan, especially of Arabs, who are likely to be tempted to try to enter the Mandated Territories in large numbers in order to benefit by the development policy advocated in the preceding chapter. The Royal Commission had before them certain suggestions, designed to prevent illicit immigration, of which the most important, and the only one to which we think it necessary to make specific reference, was a proposal for the institution of a system of identity cards. On this they observed: " We are not sure on the evidence before us whether it is possible to enforce a system of identity cards. If the system is administratively possible, it is clear that the control of the police will be far more effective " (chapter X, paragraph 46). We think that every effort should be made to overcome the administrative difficulties to which the Royal Commission refer, and we trust that the Jews will be willing to co-operate in this task, since our proposals assume that it will be possible to lay down different conditions for the control of immigration into the Southern Mandated Territory on the one hand and the rest of the Mandated Territories on the other, and also to prevent persons in the Arab and Jewish States from residing habitually without permission in the Mandated Territories, and it is doubtful whether it will be possible to achieve either of these objects without an identity card system.

295. (iv) In recommending the adoption of this principle we have been influenced mainly by the desire to interfere as little as possible with the freedom of movement between the Jewish and Arab States on the one hand and the Mandated Territories on the other. So far as Jerusalem and Bethlehem are concerned, the right of free access thereto is, of course, a cardinal feature of the Royal Commission's

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plan, and it is essential that the ability of all the inhabitants of Palestine to visit those places freely should remain as far as possible unimpaired by partition. But there are other places in Palestine sacred to one or more of the three religions to which a similar right of access ought to be preserved. And in general it is clearly right, as a matter of principle and for the sake of friendly relations as well as business convenience, that every effort should be made to prevent partition from becoming a barrier cutting off the two races and the inhabitants of the different areas from easy intercourse with each other. This principle applies with special force to the Mandated Territories for a number of reasons. First, because of the size and importance of the areas which it is proposed under plan C to retain under Mandate, and of the number of places of religious significance contained therein ; secondly, because it would clearly be inconsistent with our conception of the necessity for retaining Haifa under Mandate that free access to it should be forbidden to either Arabs or Jews in the rest of Palestine ; and thirdly, because of the administrative difficulty of maintaining so effective a control along the frontiers of the Mandated Territories, where these march with those of the Arab and Jewish States, as to prevent the illicit entry of persons from those states. But the principle also applies to the Arab and Jewish States. Although we cannot expect those states to adopt a regime as liberal as that we have proposed for the Mandated Territories—for instance the Jewish State would presumably not find it possible to admit Arabs from the neighbouring territories in search of casual employment—we trust that the regulations which they will apply to persons entering their own territory for short or casual visits will be as simple as possible. Indeed, a liberal system of border passes will be essential, for many Arab villagers will be left holding land across the border.

296. There is, however, one matter in regard to entry into the Arab and Jewish States from the Mandated Territories with which we must deal. We refer to persons wishing to travel from one part of the Mandated Territories to another. As the three areas of Mandated Territory have no contact with each other, it will be impossible to pass from one to the other (except by sea) without crossing the territory of either the Arab or the Jewish State or both. We think it essential that provision should be made in the treaties with the new states that the right of free passage across their territories should be granted to persons residing in the Mandated Territories, subject only to the simplest possible form of passport or identity card.

297. It is clear that these arrangements can be applied more readily and be made to work more efficiently if an identity card system can be introduced. It will then be the duty of every person who enters a territory under a different administration to obtain either, prior to his entry, from the proper authority in the territory in which he

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habitually resides, or, immediately after his entry, from the proper authority in the territory which he enters, a temporary card, authorizing him to stay in the country for a limited period only : if he fails to obtain such a card, or if, having obtained it, he exceeds the specified limit without further authority, he renders himself liable to immediate deportation, if not to some fine or other punishment as well. To complete the system, it would seem to follow that persons habitually residing in the new territories should also possess a card ; but it would seem scarcely necessary to insist upon this in the villages, where a stranger can easily be identified ; and it would probably be found sufficient to enforce the condition only in towns such as Jerusalem and Haifa which are frequently visited by strangers.

298. The arguments against free access are—

(*a*) That it will enable Jewish immigrants to enter the Mandated Territories in unlimited numbers, by way of the Jewish State.

(*b*) That it will enable Arabs from the Arab State to enter the Mandated Territories in unlimited numbers and enjoy freely whatever advantages residence in those territories may offer as compared with their own countries : for example, employment in Haifa, better wages, and a share in the benefits of improved cultivation of the land as proposed in the earlier part of this chapter.

(*c*) That such Arab entrants will quickly satisfy all demands for additional labour in such a town as Haifa, and will thereby virtually leave no room in the labour category for Jewish immigrants from outside Palestine.

299. We do not deny the force of these arguments, but we think that they can all be met adequately by our proposal to distinguish between short and casual visits on the one hand, and habitual residence on the other, together with the arrangements we have proposed in chapter XIII for the control of Jewish acquisition of land. With this in mind, we consider the above arguments in order—

(*a*) We see no reason why as many Jews as wish should not enter the Mandated Territories from the Jewish State, so long as they are not allowed to reside habitually there. This means that they are free to enter the territories for pleasure or on a friendly or business visit, or to seek casual and temporary employment ; but that if they attempt to convert a short or casual visit into habitual residence they may at any time be called upon by the police to return to their own state unless they can satisfy the court that they have not overstepped the bounds prescribed by the law. Since the Arabs, whether in the Arab or the Jewish State, will have exactly the same right, neither race can reasonably complain of the other's privilege.

(*b*) The answer to this argument is generally the same as that under (i). As regards claims to participate in the benefits to be made available to Arabs under the proposed land development policy,

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obviously the Government will take steps to satisfy themselves that these are confined to persons habitually resident in the Mandated Territories.

(*c*) This is the most serious objection to our proposals, and we do not deny that the effect will be to reduce the scope for Jewish immigration into the Mandated Territories from foreign countries. On the other hand, there is likely to be a number of openings which are better filled by Jews than Arabs ; there will probably be many employers who will give a voluntary preference to Jewish labour ; and among neutral employers such as the Government and the Municipality it will presumably be a matter of policy to give employment in a recognized proportion* to persons of both races. All these matters will doubtless be taken into account by the Immigration authority in making up its quota. In any case we are satisfied that the balance of argument is decidedly in favour of the system we propose.

300. As regards persons wishing to transfer from the Arab or Jewish State in order to take up habitual residence in the Mandated Territories, we should not expect permission to be given as a rule except for special reasons, and after taking into account the needs of Jews from abroad to enter under the extra-Palestinian quota. An exception, however, should be made in favour of Arabs wishing to transfer from the Jewish State, to whom a preference should be given, in accordance with the policy embodied in paragraph (ii) (i) of our terms of reference, even over extra-Palestinian Jews, since the latter can just as easily enter the Jewish State in place of the transferred Arabs.

301. (vi) With reference to the sixth of the general principles recommended in paragraph 291, we propose, following the suggestion on page 140 of Sir John Hope Simpson's Report of 1930, that the Government should appoint an Immigration Advisory Council, to include representatives of both Arabs and Jews, of commercial authorities outside the Government, and of representatives of the Migration Department of the Government, with a Chairman appointed by Government. This Council should advise the High Commissioner what number of immigrants should in their opinion be permitted to enter the Mandated Territories in each six-monthly period, in each of the categories specified in the Immigration Ordinance ; their report should take the place of the reports of the Jewish Agency. The final decision must, of course, rest with the High Commissioner.

We think that it should be an instruction to the Advisory Council to take into account in preparing their reports (*a*) the

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* The difference in the standard rates of pay demanded by the two races will doubtless make it difficult in the future, no less than in the past, to employ equal numbers of both.

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existence of Arab unemployment, and (*b*) the extent to which the acceptance of fresh immigrants possessed of private capital, or the effect of a liberal immigration policy on the minds of potential Jewish investors or donors of capital, may result in an increased demand for labour which would not be created unless immigration were permitted.

302. It is, of course, out of the question to expect that the Government's immigration policy will always be so nicely calculated that it will never create unemployment. Human foresight being as fallible as it is, immigration policy is certain to result in alternating waves of boom and slump. That is not a sufficient reason for restricting immigration always to a point well below the current labour demand. In these matters statesmanship must be prepared to take certain risks, provided that there is reasonable ground for assuming that the underlying economic condition of the country is sound.

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CHAPTER XV

NAZARETH AND THE SEA OF GALILEE

303. As regards Nazareth and the Sea of Galilee (Lake Tiberias) the Royal Commission stated as follows—

> We think it would accord with Christian sentiment in the world at large if Nazareth and the Sea of Galilee (Lake Tiberias) were also covered by this Mandate. We recommend that the Mandatory should be entrusted with the administration of Nazareth and with full powers to safeguard the sanctity of the waters and shores of Lake Tiberias.

1. Nazareth

304. The boundary which we recommend for the Nazareth Enclave has been described in chapter IV and is shown on map 8. In this chapter we deal with certain matters relating to the administration of this Enclave.

305. Under plans B and C Nazareth falls within an area which it is proposed should be retained under Mandate. Under both these plans, therefore, the creation of an enclave at Nazareth is a matter which will not arise unless and until it has been decided to surrender the Mandate for the area surrounding it. But although this is the position, we have thought it desirable that we should make our recommendations in regard to its administration if the enclave should ultimately be created.

306. On the establishment of the enclave we assume that it would be administered as a detached part of the Jerusalem Enclave. Its small size would, however, necessitate special arrangements in regard to certain matters. For customs purposes it would have to be treated as part of the neighbouring state, an annual payment being made by the Government of that state to the Mandatory Power representing the estimated net amount of customs duties collected on dutiable goods consumed within the enclave. The enclave would be too small to support its own postal, telegraph and telephone services, and it would be desirable that an agreement should be entered into by which these services would be provided by the neighbouring state. In paragraph 295 of chapter XIV, we drew attention to the desirability of preserving as far as possible the freedom of movement which now exists between one part of Palestine and another and to the need of maintaining unimpaired the freedom of access now enjoyed by the inhabitants of Palestine to places sacred to one or more of the three religions. These arguments would apply with special force to the small enclave round Nazareth, and we accordingly suggest that the arrangements we have proposed in that chapter for facilitating movement between the Jewish and Arab States on the one hand and the Mandated Territories on the other under plan C should be adopted for the Nazareth Enclave. We

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should expect that the neighbouring state would be prepared to grant the same freedom of movement between the enclave and its own territory. Finally it would probably be desirable that the currency of the enclave should be that of the neighbouring state.

2. The Sea of Galilee (Lake Tiberias)

307. Under plan C the Sea of Galilee falls within an area which it is proposed should be retained under Mandate, and, as in the case of Nazareth, the question of special arrangements as proposed by the Royal Commission will not arise unless and until it is proposed to surrender the Mandate. Under plan B, however, it falls within the Jewish State. We propose, therefore, to make our recommendations in regard to the Sea of Galilee in case it should become necessary to put them in force, either now or hereafter.

308. The Royal Commission in their recommendations drew a distinction between Nazareth and the Sea of Galilee. In the case of Nazareth they proposed that the Mandatory should be entrusted with the administration of the territory, whereas in the case of the Sea of Galilee they did not recommend that the area should be administered by the Mandatory but proposed that the Mandatory should have full powers to safeguard the sanctity of the waters and shores of the lake. We conclude that the Royal Commission did not contemplate the creation of an enclave covering the Sea of Galilee. Nor do we favour the creation of such an enclave. The lake is about 22 kilometres (14 miles) in length, and an enclave including it would occupy a considerable stretch of country. Moreover, enclaves of foreign territory within a state must of necessity give rise to administrative problems not always easy of solution, and the defence of such enclaves is a matter of particular difficulty. In our view the sanctity of the waters and shores of the lake could be protected by measures which do not involve the creation of an area under Mandate.

309. A matter which has an important bearing on the protection of the sanctity of the waters and shores of the Sea of Galilee is article 8 of the concession granted to the Palestine Electric Corporation. According to this article it is lawful for the corporation to dam up the water in the lake to such a maximum level and to draw off water to such a minimum level as may be agreed upon between the High Commissioner and the corporation, and to conduct the water from the lake by means of a canal to the power house at Jisr al Majami. A dam has been built at the point where the River Jordan flows out of the lake, and in the year 1935, after prolonged discussion between the Government and the corporation, it was provisionally agreed that the maximum level should be fixed at 201 metres and the minimum level at 204·5 metres below sea-level. The effect of fixing these limits is still being studied and in due course the provisional agreement will come up either for confirmation or alteration.

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310. Article 8 of the concession refers to levels to be agreed upon between the High Commissioner and the corporation. If agreement is not reached, article 50 comes into operation. This article provides that in the case of disagreement the matter shall be referred to a board of arbitration consisting of one arbitrator nominated by Government, one nominated by the corporation and a third arbitrator agreed upon by the other two arbitrators or, failing agreement, some impartial person nominated by His Majesty's Principal Secretary of State for the Colonies. Provision is also made that, if the Government or the corporation should so require, the third arbitrator, to be a person not ordinarily resident in Palestine.

Christian opinion attaches importance to the maintenance of suitable levels in the Sea of Galilee, and Christian religious sensibilities would be seriously offended if the maximum level were such as to submerge the sites closely associated with that religion, or if the minimum level were such as seriously to impair the natural beauty of the shores of the lake.

The present Administration in Palestine—a Christian Administration—has not escaped criticism from the Christian communities for its attitude towards and its actions in regard to the level of the waters of the lake. A non-Christian state would be more liable to criticism in these matters and, if the lake were included within the boundaries of such a state, we recommend that that state should be required by treaty to refrain from agreeing, under article 8 of the concession, to any change in the maximum and minimum levels of the waters of the lake except with the prior approval of the League of Nations. Further provision would also be necessary in view of article 50, relating to arbitration. As has been explained, this article provides for a board of arbitration consisting of three arbitrators, one of whom is to be nominated by the government concerned. So long as the lake remains under Mandatory administration it is improbable that the arbitrators would fail to pay due regard to Christian opinion, but, if the lake were to pass under the control of a non-Christian state, there would be the danger that the arbitrators might give their award without sufficient regard for that opinion. To meet this risk it is suggested that the concession should be amended, by agreement or by legislation, so as to provide that the arbitration shall be conducted by a single arbitrator, to be appointed by the League of Nations, with instructions to have regard to Christian opinion in the matter.

311. The risk of desecration is, however, not limited to changes in the levels of the waters of the lake. Changes and developments in other ways might seriously offend against Christian sentiment. To afford protection against such changes, we recommend that the state within the boundaries of which the lake is situated should by treaty be required—

(*a*) to take powers to control changes in the existing amenities of the shores and waters of the Sea of Galilee;

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(*b*) to agree that no substantial change in those amenities shall be permitted without the prior approval of the League of Nations ;

(*c*) to give every facility for the inspection at all times of the shores and waters of the Sea of Galilee by a delegate of the League who, if the League so determine, may be the Mandatory Power, with a view to making recommendations to the State and the League ;

(*d*) to agree that, in the event of a difference of opinion arising between the state and the delegate of the League as to the desirability of any change in the existing amenities, such difference of opinion shall be submitted for the decision of the League, whose decision shall be final and shall be carried into effect.

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CHAPTER XVI

THE PROVISION OF SAFEGUARDS FOR THE RIGHTS OF RELIGIOUS AND RACIAL MINORITIES

312. The Royal Commission, in paragraph 8 of chapter XXII of their Report, stated that the treaties to be entered into by the proposed Arab and Jewish States should include strict guarantees for the protection of minorities in each state, and item (ii) (*j*) of our terms of reference requires us to examine and report on the provision of effective safeguards for the rights of religious and racial minorities in the areas to be allocated to the Arabs and Jews respectively.

313. When 'Iraq was released from Mandatory control, the protection of racial and religious minorities in that country was ensured by means of provisions contained in a declaration made by the 'Iraqi Government before the Council of the League of Nations. This declaration followed the general lines of that made by Albania when that country was admitted to the League, and the Albanian declaration was itself based upon the Polish Minorities Treaty of 1919. In considering the measures which should be taken to secure the welfare of the minorities in the Arab and Jewish States we assume that the League of Nations will require declarations on the lines of that made by 'Iraq. We propose, therefore, to take the 'Iraqi declaration as a basis, and to consider the modifications which appear to be required in order to meet the situation in the proposed states. We have not worked these out in detail as we presume that the drafting of the declarations will be done by a committee of the League, as was done in the case of 'Iraq.

314. The Articles of the declaration made by the Government of 'Iraq (which are set out in full in Appendix 9) may, so far as they relate to minorities, be summarized as follows—

(i) Article 1 provides that the provisions of the declaration shall be recognized as fundamental laws of 'Iraq.

(ii) Article 2 (*a*) guarantees to all inhabitants of 'Iraq protection of life and liberty; (*b*) declares all inhabitants of 'Iraq to be entitled to the free exercise, public or private, of any creed, religion or belief whose practices are not inconsistent with public order or public morals.

(iii) Article 3 deals with nationality.

(iv) Article 4 provides—

(*a*) for the complete legal and political equality of all 'Iraqi nationals;

(*b*) for an electoral system giving equitable representation to minorities;

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(*c*) that difference of race, language, or religion shall not prejudice any 'Iraqi national in matters relating to the enjoyment of civil or political rights ;

(*d*) for the free use by any 'Iraqi national of any language ;

(*e*) for adequate facilities to 'Iraqi nationals, whose mother tongue is not Arabic, for the use of their language before the courts.

(v) Article 5 grants to 'Iraqi nationals belonging to minorities the same rights as are enjoyed by other 'Iraqi nationals, to maintain, manage, control, and establish religious, charitable, social, and educational institutions.

(vi) Article 6 (*a*) ensures to non-Moslem minorities the settlement of questions concerning their family law and personal status in accordance with the customs and usages of the communities to which they belong, and

(*b*) provides for the League of Nations to be informed of the measures taken to give effect to (*a*).

(vii) Article 7 (*a*) guarantees full protection and facilities to the churches, synagogues, cemeteries, and other religious establishments, charitable works and pious foundations of minority religious communities.

(*b*) gives those communities the right to establish local councils, subject to the supervision of Government, competent to administer pious foundations and charitable bequests, and

(*c*) provides for the grant of facilities for the formation of new religious and charitable institutions.

(viii) Article 8 provides that—

(*a*) in areas containing a considerable proportion of 'Iraqi nationals whose mother tongue is not Arabic, provision shall be made in primary schools for instruction to the children of such nationals in their own language, it being understood that this provision does not prevent the 'Iraqi Government from making the teaching of Arabic obligatory in the said schools, and

(*b*) in areas containing a considerable proportion of 'Iraqi nationals belonging to minorities, those minorities shall be assured of an equitable share in the public funds devoted to educational, religious, or charitable purposes.

(ix) Article 9 provides that in certain districts the language of the majority shall be the official language side by side with Arabic.

(x) Article 10 declares that the rights secured to minorities constitute matters of international concern and places them under the guarantee of the League of Nations.

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315. There will be a substantial Arab minority, mainly Moslems and Christians, in the Jewish State under any scheme of partition. Under plan B it numbers about 188,000, and under plan C about 54,000. On the other hand, the minority communities in the Arab State will be small in numbers, consisting almost entirely of Christians and Jews.

316. Before proceeding to examine the various matters arising in connection with the protection of minorities in the Arab and Jewish States, it is right to state that we have received the most emphatic assurances from the Jews that they, who are only too familiar with the tribulations of life as a minority, will spare no effort to ensure the well-being and happiness of the Arab minority within the Jewish State. The following is an extract from a memorandum we received from a Jewish source on the subject—

> The Jewish State cannot rest content with establishing a formal equality of status between Jewish and non-Jewish citizens. At present two different standards of life co-exist in Palestine : that of the bulk of the Arab population and the higher one introduced by Jewish and other European settlers. It will be incumbent on the Jewish State in its own interests, as well as in those of the Arab population, to do what can be done in order gradually to bring about a greater measure of real equality in education and standards of life.

1. Religious Rights and Properties

317. Our terms of reference specifically mention the protection of religious rights and properties. The relevant articles of the 'Iraqi declaration are Articles 2, 5, 7 and 8.

The Royal Commission, in paragraph 15 of chapter XXII of their Report, recommended that the Mandatory should be charged with the protection of religious endowments and of such buildings, monuments and places in the Arab and Jewish States as are sacred to the Jews and Arabs respectively. Although in this regard the Christian communities are not mentioned, we assume that it was not the intention to exclude those communities from the benefit of this recommendation. It appears to us that it would be impossible for the Mandatory to fulfil such an extensive obligation in regard to religious endowments and properties situated in territories under the administration of independent states. Every mosque and grave is sacred to Moslems, every church to Christians, and every synagogue to Jews; and the proposal therefore means that the Mandatory would be responsible, for example in the Jewish State, for the protection not only of all buildings and places sacred by tradition to the Moslem and the Christian communities, but also of all places of worship used at the present time by those communities. In addition, the Mandatory would be responsible for the protection of waqf properties and Christian endowments. In our opinion it would not be proper to place such a burden on the Mandatory Power. To require that Power to undertake an obligation of this nature

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would place not only it but the states, particularly the Jewish State in which the religious minority will be a large one, in a most difficult position. Complaints might be frivolous as well as numerous, yet on every occasion the Mandatory, if it were to fulfil its obligations, would be required to undertake an enquiry, either by the despatch of an officer into the state for the purpose of holding an investigation or otherwise. If it were satisfied of the reasonableness of the complaint, it would then presumably be obliged to take some kind of action to put the matter right. What form of action that could be if the state, in whose territory the claim arose, were to dispute the Mandatory's finding, it is not easy to see. We deprecate the imposition on the Mandatory of administrative responsibilities which it would find difficult to carry out and which would seem to be incompatible with the sovereign rights of the state concerned.

318. We accordingly recommend that the protection of religious rights and properties in the Arab and Jewish States respectively should be assured in the same way as was done in the case of 'Iraq, that is, by inserting provisions in the declarations to be made by the Arab and Jewish States corresponding to those contained in the 'Iraqi declaration. These provisions, subject to certain proposals as regards Moslem waqfs which we make in a later paragraph, adequately cover the ground and appear to be suitable for adoption by the Arab and Jewish States. We have been assured by the Jews that the Jewish State would be prepared to enter into undertakings corresponding to those in the 'Iraqi declaration for the benefit of non-Jewish religious minorities.

2. Nationality

319. The Royal Commission in their Report (chapter XXII, paragraph 32), made the following proposal as regards nationality—

> All persons domiciled in the Mandated Area (including Haifa, Tiberias, Safad, and the enclave on the Gulf of Aqaba, as long as they remain under Mandatory administration) who now possess the status of British protected persons would retain it; but apart from this all Palestinians would become the nationals of the States in which they are domiciled.

320. Under the Royal Commission's proposal a Palestinian habitually resident in the Jewish State would automatically cease to be a Palestinian citizen on the establishment of that state and would *ipso facto* become a citizen of the Jewish State. Similarly, a Palestinian habitually resident in the Arab State would *ipso facto* become a citizen of that state.

321. An alternative to the Royal Commission's proposal would be an arrangement whereby a Palestinian would be allowed a period in which to elect whether he would or would not become a citizen of the state in which he habitually resides, it being made clear that if he elected not to do so, he would not be entitled as of right to remain in the state in question. Under such a scheme, while the option

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period was running, a Palestinian who had not elected one way or the other would be considered to remain a Palestinian citizen, and at the expiry of the time-limit a Palestinian, who had not exercised his option, would be considered to have become a national of the state in which he habitually resides.

322. We see no advantage in this alternative over the Royal Commission's proposal, which is in accordance with recognized principles, and we suggest that the latter be adopted, subject, of course, to the condition that a Palestinian who did not desire to become a citizen of the state in which he habitually resides, would be entitled within a reasonable period to opt for the citizenship of the other state or the Mandated area, it being made clear that on the exercise of the option he would not be entitled, as of right, to remain in the state the nationality of which he had declined.

323. The provision relating to nationality in the 'Iraqi declaration would not be appropriate to the Arab and Jewish States. We suggest that the nationality provision be drafted in accordance with the Royal Commission's proposal.

3. Electoral System

324. Article 4 (2) of the 'Iraqi declaration provides that the electoral system shall guarantee equitable representation to racial, religious, and linguistic minorities. As we have said, under any plan of partition there will be a substantial Arab minority in the Jewish State. We consider it desirable that this minority should be represented in the legislature in proportion to its numbers. We have been informed that this would be in accord with Jewish views on the matter. We suggest, therefore, that Article 4 (2) be amended so as to provide that, in the Jewish State, the electoral system shall be such as to guarantee that the Arab minority is represented in the legislature in proportion to its numbers. Similar provisions should be made for the Christian and Jewish minorities in the Arab State.

We would also desire to see any substantial minority represented in the executive organs of the new states. We have been told that Jewish opinion would be in favour of such a measure in the Jewish State. We doubt, however, whether it would be feasible to insert a provision of this nature in a declaration dealing with the protection of minorities.

4. Employment in the Public Services

325. Article 4 (3) of the 'Iraqi declaration provides that differences of race, language and religion shall not prejudice any 'Iraqi national in matters relating to the enjoyment of civil and political rights, as, for instance, admission to public employment. This question of public employment will be one of considerable importance. The Jews have told us that in their view it will be incumbent on the

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Jewish State to ensure that the Arabs shall be equitably represented in the public services and be given a fair share of the employment available on public works. But the Government of the Jewish State will be subjected to intense pressure to find employment for Jewish immigrants, and there is the danger that this pressure may prevent the Government from giving to the Arab minority its fair share in the available employment. We consider it important that the Arabs should be safeguarded in this matter, and we accordingly suggest that provision should be made in more specific terms than in Article 4 (3) of the 'Iraqi declaration for a guarantee that the Arab minority shall be equitably represented in the public services and be given a fair share of the employment available on public works.

5. Religious Courts

326. Under Article 6 of the 'Iraqi declaration an undertaking is given that as regards non-Moslem minorities, in so far as concerns their family law and personal status, measures shall be taken permitting the settlement of these questions in accordance with the customs and usage of the communities to which these minorities belong.

In Palestine matters of personal status are dealt with by the courts of the respective religious communities, and it is essential that this position should be maintained in regard to the minority communities in the Arab and Jewish States after partition.

The Jews have told us that they contemplate that in the Jewish State the Moslem religious courts and the courts of the several Christian communities shall continue to exercise the same jurisdiction as at present. And we have been assured that it may safely be assumed that the Jewish State would be ready to undertake that no change of any kind should be made in the jurisdiction now exercised by any Moslem or Christian religious court, save at the instance of an overwhelming majority of the community concerned.

We recommend that provision be made, similar to the first paragraph of Article 6 of the 'Iraqi declaration, in regard to the settlement of matters of family law and personal status in the declarations to be made by the Arab and Jewish States.

327. Apart, however, from the general question of the maintenance of religious courts for the minorities in the Arab and Jewish States, there are certain other questions which should be considered—

(i) *Appeals.*—From the Moslem religious courts of first instance an appeal lies at present to the Sharia Court of Appeal at Jerusalem. It is possible that the Jewish State would be reluctant to allow appeals on the part of the members of so large a minority to be heard outside the state. It would be a convenient course, however, if it could be arranged that appeals should continue to be heard, at any rate for some time, by the

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Sharia Court of Appeal at Jerusalem, but if experience showed that this course was unsatisfactory, it would be necessary for an appellate court to be established within the Jewish State. The Arab State would presumably have its own Court of Appeal. In the case of the Christian religious courts in both states the appellate authority for the courts of some of the communities is at Jerusalem, while for others it is outside Palestine. A list of these courts is given in Appendix 10. As regards the Christian appellate courts, we would suggest that the appellate position should remain unchanged. The appellate authority for the Rabbinical Courts is the Rabbinical Council. The number of Jews in the Arab State will be small, and may be expected to decrease. It does not therefore seem necessary to set up a separate Jewish Court of Appeal in the Arab State, and we suggest that the Rabbinical Council in the Jerusalem Enclave should continue to be the appellate authority for the Rabbinical Courts in the Arab area after partition.

(ii) *Financial arrangements in regard to the Sharia Courts (the Moslem Religious Courts).*—The financial arrangements in regard to the Sharia Courts differ from those governing the courts of other religious communities inasmuch as the expenditure in connection with these courts is borne by Government. Provision for this expenditure is included in the Government estimates and the receipts form part of the Government receipts. Further, officials of the Sharia Courts are eligible for pensions and gratuities under practically the same conditions as members of the public services. In fact the Sharia Courts in Palestine are a branch of the Judiciary. It is clearly desirable that partition should not introduce any change in the financial arrangements for the Sharia Courts in the Jewish State. We accordingly recommend that the Jewish State should undertake to provide funds for the maintenance of these courts within its territories. The expenditure on the Sharia Court of Appeal at Jerusalem is also borne by Government. If this court is retained as the Court of Appeal from the Sharia Courts in the Jewish State, that state would presumably make a contribution towards the cost of this appellate court.

(iii) *Appointment of Judges of the Sharia Courts in the Jewish State.*—The position in Palestine is that the Supreme Moslem Council has the power to nominate and, after approval by Government, to appoint the President and Members of the Sharia Court of Appeal, the Qadis of the Sharia Courts and the Inspector of these courts. The Council also exercises disciplinary action, including dismissal, in respect of the staff of these courts, subject to Government being notified of the action taken. Arrangements will have to be made for the appointment of the Judges for the Sharia Courts and for the

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supervision of those courts in the Jewish State. We do not feel ourselves in a position to make any proposal as regards the form these arrangements should take, particularly as we have had no opportunity of learning Moslem views. The arrangements are clearly a matter for discussion between the Jewish State and representative Moslems within that state, and we suggest that they be formulated by a committee composed of an equal number of representatives of the state and of the Moslems within the state. In case of disagreement we propose that the matter be referred to an arbitrator to be appointed by the League of Nations.

(iv) *Christian Religious Courts.*—It is desirable that a court exercising jurisdiction in a state should itself be located within the state. On partition, however, it may not be possible to insist on this in all cases. We suggest that the following arrangements should, if possible, be made—

(*a*) Where in a state there is a substantial body of members of the community but no religious court of that community, the religious authority concerned should be invited to establish a court in that state.

(*b*) Where in a state the number of the members of a community is too small to justify the establishment of a religious court, the members should be treated as being within the jurisdiction of a court of the community to which they belong, situated in Mandated territory.

Apart from this no change should be made in the present position in regard to the Christian religious courts of first instance.

(v) *Rabbinical Courts.*—The arrangements in regard to the Rabbinical Courts of First Instance in the Arab State should be the same as under the present Mandate.

6. Language.

328. Arabic will be the official language of the Arab State and Hebrew of the Jewish State. No language problem will arise in the Arab State, for there will be very few persons whose mother tongue will not be Arabic. In the Jewish State there will, however, be a large minority whose mother tongue will be Arabic and not Hebrew. Article 4 of the 'Iraqi declaration provides for the free use of any language in private intercourse, commerce, etc., and also for adequate facilities for nationals, whose mother tongue is not the official language, for the use of their language before the courts. Article 5 gives the members of linguistic minorities the right to use their own language in their own schools. Article 8 provides that in areas containing a considerable proportion of such nationals, provision

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shall be made in primary schools for instruction to their children in their own language, it being understood that this provision does not prevent the teaching of Arabic being made obligatory in these schools.

As regards schools, we consider it desirable that the Jewish State should be required to provide instruction in Arabic to children whose mother tongue is Arabic, not only in primary schools but also in secondary schools.

We also consider it desirable that the Jewish State should undertake that, in areas where a considerable part of the population is Arab, the officials shall, subject to justifiable exceptions, have a competent knowledge of Arabic. This should offer no difficulty if the Arab minority is equitably represented in the public services.

329. Subject to these changes we consider the provisions of the 'Iraqi declaration suitable for the Arab and Jewish States.

We have been assured by the Jews that they contemplate that (i) Arabic will have full recognition as the language of an important section of the citizens of the Jewish State, (ii) no attempt will be made to force Hebrew upon the Arab public, (iii) Arabs will be entitled to address the Government in Arabic and to receive replies in that language, (iv) official notices will be issued and official business transacted in Arabic in areas in which this is required for the benefit of the Arabic-speaking population, and (v), while a knowledge of Hebrew will ultimately be made a qualification for Government employment, this rule will not be enforced until the expiration of a definite time limit. We are glad to have these assurances.

7. Land

330. In regard to land, the 'Iraqi declaration affords no precedent for the protection of the Arab minority in the Jewish State. Under the Mandate the obligation, on the one hand, to encourage close settlement by Jews on the land and, on the other, to protect the rights and position of the Arabs has rendered the land problem in Palestine one of the most difficult with which the Mandatory has been called upon to deal. The first ordinance for the protection of the cultivators was enacted in 1920, and the law on the subject is at present contained in the Cultivators (Protection) Ordinance. We have been assured by the Jews that, although one of the paramount duties of the Jewish State will be the development of the land in order to find room for new Jewish settlers, existing cultivators will continue to be protected by legislation embodying the principles of the Cultivators (Protection) Ordinance now in force. This represents the best system of protection which the Palestine Government have been able to devise, though it is not suggested that its provisions are effective if a cultivator is willing to accept payment for waiver of his rights. We believe the Jewish State would desire to protect

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the Arab cultivating tenants from being deprived of their holdings in order to find room for Jewish cultivators. But the pressure to provide land for additional Jewish settlers will be very great, and it is clearly desirable that the Jewish State should be placed under an international obligation to safeguard the interests of the cultivating tenants by legislation on the lines of the Cultivators (Protection) Ordinance. We accordingly suggest that a provision to this effect be included in the declaration to be made by the Jewish State.

331. According to the terms of the contract by which land belonging to the Jewish National Fund is leased to Jewish settlers, the lessee is required to execute all works connected with the cultivation of his holding only with Jewish labour. The penalty for the employment of non-Jewish labour is the payment of compensation amounting to £P.10 for each day such labour is employed and, when the lessee has contravened the provision three times, the Fund is entitled to require the surrender of the holding without paying any compensation whatever. The insertion of this clause is bitterly resented by the Arabs, and we consider that the Jewish State should be required to pass legislation providing that any contract or sale or lease forbidding, directly or indirectly, the employment of persons of a particular race or religion shall be null and void.

8. Pious Foundations and Charitable Bequests

332. Article 7 of the 'Iraqi declaration reads as follows—

> 1. The 'Iraqi Government undertakes to grant full protection, facilities and authorization to the churches, synagogues, cemeteries, and other religious establishments, charitable works and pious foundations of minority religious committees existing in 'Iraq.
>
> 2. Each of these communities shall have the right of establishing councils, in important administrative districts, competent to administer pious foundations and charitable bequests. These councils shall be competent to deal with the collection of income derived therefrom and the expenditure thereof in accordance with the wishes of the donor or with the custom in use among the community. These committees shall also undertake the supervision of the property of orphans in accordance with the law. The councils referred to above shall be under the supervision of the Government.

These provisions appear to be suitable for the Arab and Jewish States, subject to one modification. The right of establishing councils should be a general right and should not be limited to important administrative districts.

Moslem waqfs, however, raise certain questions which are discussed in the following paragraphs.

333. Prior to October, 1937, when, in consequence of the disturbances, special arrangements of a temporary nature were made for the control and management of Moslem waqfs, the supreme authority in respect of waqf affairs in Palestine was the Supreme

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Moslem Council, an elected body, whose duties (in addition to those connected with the Sharia Courts) were the administration and control of Moslem waqfs and the approval of the waqf budget. Subordinate to the Council was the General Waqf Committee, the executive authority for the administration of Moslem waqfs. This Committee consisted of the Mufti of Jerusalem, the Director-General of Waqfs, all Mamours of Waqfs and one member from each of the local Waqf Committees.

334. The revenue of the Waqf Administration is about £P.77,000 a year. The chief item of revenue is a sum of £P.30,000 paid annually by the Palestine Government on account of assigned tithes. Another important source of revenue, the collection of which is also in the hands of Government, is the registration fees charged in respect of the transfers of lands, the revenues of which are dedicated as waqfs. The Waqf Administration receives one half of the fees collected by Government under the Land Transfer Ordinance in respect of such lands.

The Waqf Administration, besides being in general administrative control of waqfs, maintains certain mosques and shrines (including the Haram at Jerusalem), and its social activities comprise the management and upkeep of schools, an orphanage, and soup kitchens.

335. We take the view that, after partition, it would be necessary to create in each of the states (Arab and Jewish) separate Waqf Administrations. In the Arab State the management and control of waqfs would, no doubt, be entrusted to a department of the Government. This would not, however, be possible in the Jewish State. In that state a Council would have to be created by the Moslem community of the State as contemplated in paragraph 2 of Article 7 of the 'Iraqi declaration.

336. After partition the sum of £P.30,000 paid annually by the Palestine Government on account of assigned tithes will fall to be apportioned among the areas created by partition. Tithes have been commuted in Palestine, and an arrangement was reached in 1932 whereby the Government pay to the Supreme Moslem Council £P.23,000 annually in lieu of the commuted tithes. This figure is made up of the average waqf tithe collections prior to the commutation, and the apportionment of this sum among the areas will, therefore, offer no difficulty. The balance of £P.7,000 is an additional payment sanctioned as the result of an investigation made by a Committee appointed by Government. This amount cannot be identified with the tithes payable for any specific land and should be apportioned among the different areas in the same proportions as the sum of £P.23,000 is allocated. We recommend that the Jewish State should give an undertaking to pay its share of the sum of £P.30,000 to the Council referred to in the preceding paragraph. The Jewish State should also give an undertaking to

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pay to this Council one half of the fees collected under the Land Transfer Ordinance in respect of the transfers of lands, the revenues of which are dedicated as waqfs.

337. Upon partition, the Waqf Authority in each area will administer its own revenue. But it may be that some contribution may be necessary to the Waqf Authority in the area retained under Mandate in connection with the support of the Haram Esh Sherif in Jerusalem or for other special interests of the Moslem community in Palestine. This is a matter which, we consider, should be settled by agreement among the representatives of the Waqf interests in the different areas in the light of the common interests of the Moslem communities.

9. Freedom of Conscience and the Free Exercise of the Activities of Religious Missions of all Denominations

338. Article 15 of Chapter II of the 'Iraqi declaration reads as follows—

> Subject to such measures as may be essential for the maintenance of public order and morality 'Iraq undertakes to ensure and guarantee throughout its territory freedom of conscience and worship and the free exercise of the religious, educational and medical activities of religious missions of all denominations, whatever the nationality of those missions or of their members.

We recommend that the declarations to be made by the Arab and Jewish States should contain a similar clause.

10. Foreigners

339. Article 8 of the Mandate is as follows—

> The privileges and immunities of foreigners, including the benefits of consular jurisdiction and protection as formerly enjoyed by Capitulation or usage in the Ottoman Empire, shall not be applicable in Palestine.
>
> Unless the Powers whose nationals enjoyed the afore-mentioned privileges and immunities on August 1st, 1914, shall have previously renounced the right to their re-establishment, or shall have agreed to their non-application for a specified period, these privileges and immunities shall at the expiration of the Mandate, be immediately re-established in their entirety or with such modifications as may have been agreed upon between the Powers concerned.

We draw attention to this Article of the Mandate.

11. Orthodox Jewry

340. We have received representations from Orthodox Jewry in which it has been impressed upon us that Orthodox Jews—

(*a*) regard the State and Church as indivisible, and

(*b*) consider it fundamental that the constitution of the Jewish State should contain provisions which will ensure that for all

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time the law of the Torah shall be the law of the state, or, as it was expressed in one representation which we received, "the state shall itself adhere to the cardinal requirements of the Torah."

The anxieties which have led to these representations appear to be lest, unless the constitution ensures that the Jewish State is guided in all its activities by the law of the Torah, it should become an irreligious state in which Orthodox Jews will not be able to remain without serious prejudice to their religious beliefs and convictions. It is feared that, in matters of religion and personal status, the law of the Torah will not prevail and that, in particular, marriages and divorces which are not in accordance with the Torah may be recognized. Anxiety has also been expressed lest the Jewish Sabbath should not be observed in public affairs strictly in accordance with the directions of the Torah, and lest the education imparted in the state schools should not be in accord with the "spirit and tradition" of the Torah.

In one representation which we received it was suggested that in order to safeguard their position, Orthodox Jews, or any section of such Jews, should be guaranteed the right—to be exercised if they were not satisfied with the actions of the state—

(*a*) to set up their own schools,

(*b*) to establish their own religious courts for the settlement of matters relating to religion and personal status, and

(*c*) to adopt their own arrangements for burial and ritual killing.

In another representation it was suggested that the constitution should provide that—

(*a*) the written and oral Torah, as interpreted in the Rabbinical Codes, shall be the actual law of the State, and

(*b*) the religious rights of Jewish minorities, who feel and who can legally prove that the law of the Torah is not duly and generally observed by the organic bodies of the state, shall be safeguarded by the grant of autonomous institutions.

341. Article 2 of the 'Iraqi declaration guarantees to all inhabitants of the state the free exercise, whether public or private, of any creed, religion, or belief, whose practices are not inconsistent with public order or morals, and Article 15 guarantees throughout the state, freedom of conscience and worship. We contemplate that these Articles shall be included in the declaration which the Jewish State will make before the League of Nations. Orthodox Jews will, therefore, be assured of complete freedom of conscience and the free exercise of their religion, subject, of course, to the maintenance of public order, and will be entitled to regulate and control their religious affairs in accordance with their own views and beliefs.

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342. But these guarantees to every group of nationals of complete freedom of conscience and the free exercise of religion, subject only to the maintenance of public order, do not satisfy those Orthodox Jews who have urged their views before us. They desire something more. What they desire is that the constitution shall be so drafted as to ensure, not only that the law of the Torah shall prevail, but also that it shall never not prevail. In fact, what they desire is that, in matters which they consider vital to the Jewish religion, the will of the majority, if it does not coincide with the views of the Orthodox, shall not prevail.

343. We do not propose to express any opinion as regards the matters raised by the Orthodox Jews. If a Jewish State is set up Jewish bodies and organizations will have opportunity to give expression to their views, while the constitution is being framed, and at that time Orthodox Jewry will be able to bring their influence to bear on the form of the constitution of the Jewish State, but it would not be proper for us to intervene in a matter which seems to us to be essentially one for Jews themselves to decide.

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CHAPTER XVII

INTERNAL COMMUNICATIONS, ETC.

1.—Railways

344. The railways administered and operated by the Palestine Railways Administration (a department of the Palestine Government) fall into the following sections—

	Length in kilometres.	*Gauge.*
(*a*) The El Kantara–Rafah Railway ..	203	Standard.
(*b*) The Palestine Railway—		
(i) Rafah–Haifa (including the Beit Nabala siding and dual gauge length east of Haifa)	235	,,
(ii) Jaffa-Jerusalem	91·5	,,
(*c*) The Petah Tiqva Railway	6·5	,,
(*d*) The Hejaz Railway—		
(i) Haifa–Acre	18	105 cm.
(ii) Haifa–Samakh	88	,,
(iii) Affula–Nablus–Tulkarm	98	,,
(iv) Nassib–Amman–Ma'an	323	,,

The El Kantara Railway belongs to His Majesty's Government and is situated in Egyptian territory. It is operated by the Palestine Railways Administration under a lease.

The Nassib-Amman-Ma'an section of the Hejaz Railway is situated in Trans-Jordan but is administered and operated by the Palestine Railways Administration. The Railway connecting Al Hamma, the terminus of the Haifa-Samakh section, with Nassib is in Syria and is administered and operated by the Syrian authorities.

The workshops for all the railways are located at Haifa.

The branch line to Petah Tiqva is owned partly by the Palestine Government and partly by the residents of Petah Tiqva.

345. The capital expenditure on the railways up to the end of March, 1938, by the Palestine Government was as follows—

	From loan funds	*From Revenue*	*Total*
	£P.	£P.	£P.
El Kantara-Rafah Railway	3,000	18,000	21,000
Palestine Railway ..	2,434,000	1,005,000	3,439,000
Petah Tiqva Railway ..	55,000	—	55,000
Hejaz Railway	1,000	—	1,000
Total ..	£P.2,493,000	£P.1,023,000	£P.3,516,000

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346. The receipts and ordinary expenditure for the three years ending 1937/38 were as follows—

	Receipts	*Ordinary working Expenditure*		*Net Receipts*
	£P.	£P.		£P.
El Kantara Railway—				
1935–36	119,000	111,000	Surplus	8,000
1936–37	181,000	145,000	,,	36,000
1937–38	109,000	109,000	—	—
Palestine Railway—				
1935–36	589,000	422,000	Surplus	167,000
1936–37	717,000	456,000	,,	261,000
1937–38	479,000	460,000	,,	19,000
Petah Tiqva Railway—				
1935–36	2,000	1,000	,,	1,000
1936–37	6,000	1,000	,,	5,000
1937–38	4,000	1,000	,,	3,000
Hejaz Railway—				
1935–36	103,000	108,000	Deficit	5,000
1936–37	101,000	113,000	,,	12,000
1937–38	81,000	120,000	,,	39,000

The ordinary working expenditure does not include debt charges or extraordinary expenditure from revenue but it includes contributions to the renewals fund of the Palestine Railway and the Special Fund of the El Kantara-Rafah Railway.

The annual debt charges of the Palestine Railway amount to £P.125,000, excluding contributions to the Sinking Fund*. If these are allowed for the net receipts become—

		Net receipts after allowing for debt charges.
Palestine Railway.		£P.
1935–36	Surplus	42,000
1936–37	,,	136,000
1937–38	Deficit	106,000

347. The railways are suffering severely from road competition. The road from Jaffa and Tel Aviv to Haifa was opened in September, 1937, and this is reported to have caused a considerable loss in revenue to the railway. Failing some measures of control and co-ordination, road competition is likely to increase throughout Palestine.

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* As the Palestine Railway makes provision for renewals through a Renewals Fund, it could not properly be charged in addition with Sinking Fund contributions on the loan.

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348. Under plan C the railways are divided among the Arab and Jewish States and the Mandated Territories as follows—

1. The Palestine Railway—

(*a*) Rafah–Haifa.—This section is divided into six parts—

(i) a short length of about 8 kilometres from Rafah northward, which is situated in the Southern Mandated Territory ;

(ii) a length of about 80 kilometres in the Arab State ;

(iii) a length of about 8 kilometres in that portion of the Jewish State which lies south of the Jerusalem Enclave ;

(iv) a length of about 17 kilometres in the Jerusalem Enclave ;

(v) a length of about 70 kilometres in the Jewish State ;

(vi) the remainder (as far as Haifa) in the Northern Mandated Territory.

(*b*) Jaffa–Jerusalem—This section lies in the Jerusalem Enclave except for a short length, including Tel Aviv Station, in the Jewish State and another short length, including the terminal station at Jaffa, in the Arab State.

2. The Petah–Tiqva Railway is wholly in the Jewish State.

3. The Hejaz Railway—

(i) the Haifa–Acre and the Haifa–Samakh sections are in the Northern Mandated Territory ;

(ii) the Affula–Tulkarm–Nablus section is situated almost entirely in the Arab State ;

(iii) the Nassib–Amman–Ma'an section is in Trans-Jordan.

4. The railway workshops are situated at Haifa in the Northern Mandated Territory.

349. The volume of traffic carried by the various sections of the railways is very unequal—

(*a*) On the Rafah–Haifa section, the northern portion from Lydda to Haifa carries a much heavier traffic than the southern portion from Rafah to Lydda. We have been furnished with a rough calculation distributing receipts and working expenditure for this section for the years 1936–37 and 1937–38 between these two portions. This shows that, for both years, there was for the northern portion an excess of receipts over working expenditure, and for the southern portion an excess of working expenditure over receipts. In fact, the line from a point a short distance south of Lydda northwards to Haifa is the revenue-earning section of the Palestine Railways.

(*b*) The traffic on the Nassib-Amman-Ma'an section is very small : there is a train—goods and passengers—three times a week from Nassib to Amman and once a week from Amman to Ma'an.

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(*c*) The traffic on the section between Haifa and Samakh is light : with one train a day each way. Road competition is increasing with the improvement of the road down the Valley of Jezreel.

(*d*) The line from Affula to El Mas-udiya near Nablus was closed in 1932 owing to the lack of traffic. It is still closed.

(*e*) There is very little traffic on the line from Tulkarm to Nablus. There is an engine and a few wagons at Tulkarm and a train is run when there is a load.

350. Under plan C the administration and operation of the Hejaz Railway presents no difficulty. The sections from Haifa to Acre and from Haifa to Samakh are situated in the Northern Mandated Territory and would be administered by the Mandatory. The Nassib-Amman-Ma'an section lies entirely in Trans-Jordan and the greater part of the Affula-Nablus-Tulkarm section falls in the Arab area. These sections would be administered by the Arab State, which would be free to keep them open or close them as it thought fit. The absence of workshops would not create any serious difficulty, for the state would be able to arrange for repairs being carried out either at the Haifa workshops or at those of the Syrian Railways at Damascus. The provision by the Arab State of the supervisory staff necessary to ensure the efficient working of these lines might, however, be inconvenient, and that state might prefer an arrangement by which the Mandatory administered these sections as its agents.

351. Although short lengths of the Jaffa-Jerusalem section are situated in the Jewish and Arab States, the line should be operated throughout its length by the Mandatory Power, provision being made in the treaties with the Arab and Jewish States for the grant to the Mandatory Power of the necessary facilities for working the line in those states.

352. The southern portion (Rafah to Lydda) of the Rafah-Haifa section runs for the greater part through the Arab State, small lengths lying in the Jewish State and in the Southern Mandated Territory. This portion is an important link in the Mandatory Power's line of communication between the Jerusalem Enclave and the Suez Canal, and connects with the railway line belonging to His Majesty's Government which runs from Rafah to El Kantara on the Canal. It is run at a loss. According to the rough calculation referred to in paragraph 349, working expenses (excluding loan charges and extraordinary expenditure from revenue) exceeded the receipts in the year 1936–37 by about £P.5,000 and in 1937–38 by about £P.22,000. Including extraordinary expenditure from revenue, the estimated loss in the current year may be put at £P.35,000. As will be explained in the chapter on Finance and Budgetary Prospects (chapter XVIII) the Arab State will be faced with a large and continuing deficit and will have to receive substantial assistance in some form or another from His Majesty's Government. The money for

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the upkeep of the line, if it should continue to be run at a loss, must, therefore, in effect be provided by His Majesty's Government. In view of the importance of this portion of the railway as a line of communication for the Mandatory Power, we think that it would be more satisfactory that this portion (Rafah-Lydda), including the small section in the Jewish State, should remain the property of the Mandatory Administration, and that it should be administered and operated directly by that Administration, the Arab State being relieved of all financial responsibility in regard to it. Provision would need to be made in the treaties with the Arab and Jewish States for this purpose. The Mandatory Administration would then continue to administer the line from Rafah to El Kantara.

353. As regards the northern portion, Lydda to Haifa, of the Rafah-Haifa section, we propose that the Mandatory and the Jewish State be charged with the administration and operation of the railway line falling within their respective territories. Some joint working arrangement in regard to locomotives, rolling stock and running staff would, however, be essential, since the distance from Lydda to Haifa is only about 100 kilometres, of which about 70 would be in the Jewish State, and Haifa is the station to and from which the majority, if not the whole, of the goods and passenger trains would run. We have left the working out of such an arrangement to be dealt with by railway experts. Repairs to engines and rolling stock belonging to the Jewish State could be carried out at the railway workshops at Haifa at the expense of the Jewish State. It would also be necessary to provide by agreement for the transit over the line in the Jewish State of engines and rolling stock belonging to the Mandatory and used on the line south of Lydda or on the Jaffa-Jerusalem section, which were being despatched to the Haifa workshops for repairs.

354. The line from Lydda to Haifa, like the section from Lydda to Rafah, is an important line of communication for the Mandatory Power, for it is the line which connects Haifa, the only deep water port, with the Jerusalem Enclave. As we explained in Chapter XI, the military authorities attach the greatest importance to Haifa from the point of view of the obligations of the Mandatory Power to defend the Arab and Jewish States against external aggression and to safeguard the Jerusalem Enclave. The maintenance of the railway connection between Lydda and Haifa is, therefore, a matter of importance to the Mandatory Power, and we suggest that the treaty with the Jewish State should require that state to maintain the line within its territory in good working condition.

2. Ports

355. We do not suggest any special arrangements for the administration of the ports. A port should be administered by the Government of the area in which it is situated.

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356. In paragraph 31 of chapter XXII the Royal Commission wrote as follows—

> We should regard it as highly undesirable that the provision recently made for loading and landing goods at Tel Aviv should be expanded into a substantial harbour quite detached from Jaffa. If the need for a second deep-water port besides Haifa be established, we recommend the adoption of the plan for a joint port for Jaffa and Tel Aviv. In the event of Partition such a port should be controlled by a Joint Harbour Board, composed of representatives of the Arab and Jewish States and presided over by an officer of the Mandatory Government.

We agree that, if the need for a second deep-water port besides Haifa be established, the construction of a joint port for Jaffa and Tel Aviv instead of a separate port at Tel Aviv would in many ways be desirable. The construction of such a joint port must, however, depend upon agreement between the Arab and Jewish States. Failing such agreement it would not be possible to prevent the Jewish State from constructing a separate deep-water port at Tel Aviv.

3. Postal, Telegraph and Telephone Services

357. By far the greater part of the business of the Posts and Telegraphs Department of the Palestine Government has been built up out of current revenue surpluses. Out of a total expenditure on capital account of £P.1,075,055, the amount defrayed from loan funds has been only £P.232,025 (£P.208,372 from the proceeds of the 5 per cent. guaranteed loan, and £P.23,653 from Ottoman Public Debt Administration funds); and the amount of the public debt charges attributable to the Department is only £P.13,140 per annum. Until 1935 the aggregate revenue showed a net cash surplus over aggregate expenditure, including capital as well as recurrent expenditure, of over £P.300,000;* but in the last three years the trend has been reversed, as the following figures show :—

	Revenue.	*Expenditure.*		
		Recurrent.	*Capital.*	*Total.*
	£P.	£P.	£P.	£P.
1935–36 (actual) ..	419,000	311,000	136,000	447,000
1936–37 (actual) ..	477,000	352,000	151,000	503,000
1937–38 (actual) ..	509,000	429,000	265,000	695,000
1938–39 (estimated) ..	516,000	413,000	110,000	523,000

This heavy capital expenditure in recent years has been due, we are informed, almost entirely to the expansion of services needed to meet the needs of a rapidly developing community. The earning capacity of the plant and buildings provided for these services may be expected to last for many years to come.

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* On a cash basis, without taking credit for interest on surplus balances, which are in fact treated by the Treasury as current revenue.

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358. Since 1931 no part of the capital expenditure has been charged to loan funds, and the whole of the current year's expenditure of the Department, whether of a recurrent or a capital nature, has been treated as part of the expenditure of the year in the current budget, under one or other of the following heads—Posts and Telegraphs; Posts and Telegraphs Extraordinary; and Public Works Extraordinary. In each of the three years 1935–37 the net result, as shown above, has been a deficit on the whole account; and as in the two latter years the Palestine budget as a whole has shown a deficit in excess of the Post Office deficit, the effect has been during those years to meet the latter deficit out of the accumulated surplus balances of the Treasury in general. Now that these balances are becoming exhausted, it would seem that, if there is any likelihood of capital expenditure continuing on the recent scale, the policy will have to be reconsidered, for it is plainly impossible for a Government to continue indefinitely to meet from its current revenue relatively large capital outlays on a revenue-producing service such as the Post Office.

359. Meanwhile, however, the service has been treated, for the purpose of the budgetary forecast made in chapter XVIII, as self-supporting over the whole of Palestine, after meeting the charges for public debt attributable to it, as noted above. But this will not be the case with each of the partitioned areas taken separately. Excluding the debt charges (which, as proposed in chapter XX, will be paid like the rest of the financial obligations of the present Government out of a central fund), the effect on each area is estimated to be—

	*Surplus**	*Deficit**
	£P.	£P.
Arab State	—	20,000
Jewish State	18,140	
Jerusalem Enclave	10,000	
Northern Mandated Territory ..	5,000	
Southern Mandated Territory ..	—	

360. The division of the postal administration of Palestine—the Trans-Jordan administration is separate—into three distinct administrations, although it is certain to give rise to many matters of detail requiring adjustment and settlement, would not, we believe, present any insuperable administrative problems. But division into three small units must inevitably be accompanied by some loss in efficiency and by an increase in cost. It would be impossible for three small administrations to be run as efficiently and economically as a single administration. For instance, the introduction of international

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* Resulting in an estimated net surplus of £P.13,140, equal to the public debt charges, on the assumption that the service over the whole of Palestine is self-balancing after meeting all charges.

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boundaries must tend to reduce expedition in the postal, telegraph and telephone services between one place and another, and the creation of three administrative units, instead of one, must inevitably lead to some increase in staff. The public service will, we fear, inevitably suffer some inconvenience ; and this will not be confined to persons resident in Palestine, but will extend to those wishing to communicate with Palestine from abroad.

361. We do not propose to enter on an examination of the adjustments and agreements in regard to postal, telegraph and telephone matters which would be necessary if Palestine were partitioned. We should hope, however, that every endeavour would be made to maintain, as far as possible, charges at their present levels. At present, correspondence posted in any part of Palestine and Trans-Jordan for any other part is treated, as far as rates of postage are concerned, as inland correspondence. The rates of postage in the two countries differ slightly, but could be assimilated without difficulty if Trans-Jordan should be included in the Arab State. We should consider it unfortunate if the rate of postage for a letter from, say, Jerusalem in the Mandated Territory to Tel Aviv in the Jewish State or Jaffa in the Arab State were increased from the inland rate to the international rate.

362. Palestine is at present a party to a number of contracts for the conveyance of mails and of telegraph agreements with other administrations, which it will be necessary for the successor administrations to take over and adhere to so long as they are valid.

363. Our attention has been drawn to the Postal Union which has been established in Malaya. This Union is constituted by the Colony of the Straits Settlements and certain of the Malay States. The main features of this Union are as follows—

(*a*) the constitution of a single postal area styled " Malaya " for the territories of the Colony and the States ;

(*b*) the creation of a Postal Board consisting of the Director General of Posts and Telegraphs, of one representative of each administration and of four representatives appointed by the High Commissioner ;

(*c*) each administration has the right to have its own stamps provided the word " Malaya " appears on postal stamps ;

(*d*) the Director General (appointed by the Secretary of State for the Colonies) is entrusted with the control of the postal departments of the administrations, including revenue and expenditure ;

(*e*) each administration contributes to the cost of the headquarters organization in proportion to the revenue of its Posts and Telegraph Department ;

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(*f*) each administration appoints and is in control of its own postal staff other than the senior staff, but the Director General controls, subject to the advice of the Board, the numbers of the monthly paid staff working in each administration and has power to transfer officers from one administration to another, subject to the approval of the administrations concerned;

(*g*) the Director General deals with changes and transfers in the senior staff, and appointments and promotions in the staff are made by the High Commissioner on the recommendation of the Director General;

(*h*) all purchases and repairs for or on behalf of any administration are made by the central stores and workshops which are under the charge of the Director General.

It would, we think, be conducive to efficiency and economy if the Mandated Territory and the states, on partition, were to form themselves into a similar union.

364. Our attention has also been drawn to the policy of His Majesty's Government in regard to Imperial communications, as set out in the White Paper of April, 1938 (Cmd. **5716**). We understand the position to be, in brief, that since the Imperial Wireless and Cable Conference of 1928 it has been the policy of His Majesty's Government in the United Kingdom to provide for co-operation among all the Governments concerned, in the Dominions, in India, and in the Colonial Empire, for the maintenance and development under British control of the overseas cable and wireless telegraph system of the Empire, operating through Cable and Wireless Limited, a British private enterprise working under quasi-public utility conditions. A settlement was made last spring, with the general assent of the Governments of the Dominions and of India, between His Majesty's Government in the United Kingdom and Cable and Wireless Limited, as a part of which the Governments concerned were asked, in confirmation of the policy agreed in 1928, to accord their fullest support and co-operation to the company's system, thus enabling the company to provide with greater confidence for the future development of its services. His Majesty's Government in the United Kingdom as their special part in the settlement made certain financial concessions to the company, and acquired a substantial share-holding in it. In return Cable and Wireless Limited agreed to reduce ordinary rates within the Empire to a maximum of 1*s.* 3*d.* a word, and this reduction took effect from the 25th April last. Cable and Wireless Limited are the only overseas communications company established in Palestine; and Palestine, in view of its special relationship with His Majesty's Government as the Mandatory Power, has enjoyed the benefit of this concession, and in return has subscribed to the general policy of His Majesty's Government, which may be described as

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one of voluntary preference exercised in support of a common imperial objective. It may be taken for granted that, after partition, the Government of the Mandated Territories will continue to subscribe to the common policy ; but it would be open to the Arab and Jewish States as independent states to enter into different arrangements with other cable or wireless companies if they should choose to do so. Clearly in that event they would lose the benefit of the cheap Empire rate ; but that would not necessarily be an effective deterrent if a rival company were to offer them the same rate as at present, if not over the whole of the Empire routes, at least over those routes on which much the greater part of the present outward traffic of Palestine is carried. That is a possibility which must be taken into account. But the knowledge that they could reasonably anticipate a common policy of support for their services from the whole Empire was, we understand, a governing consideration in the grant of the lower rates by Cable and Wireless Limited last spring. We think that the observance of this common policy must be regarded as one of the obligations of the Palestine Government which it is necessary to preserve by treaty under the new conditions ; and we accordingly recommend that the treaties with the Arab and Jewish States should provide that those states shall continue to follow, in the matter of cable and wireless communications, the policy enunciated in Cmd. 5716 which the Palestine Government have already accepted.

4. Trans-Jordan Posts and Telegraph Department

365. This is a comparatively small service, the gross cost of which, though it has risen by nearly 50 per cent. since 1932, is still only £P.18,500 per annum. As is only to be expected when the undertaking is on so modest a scale, the service is not fully self-supporting. In the six years 1933–38, the total amount by which ordinary expenditure has exceeded, or is estimated to exceed, revenue is £P.2,498 ; while in addition there has been charged against annual revenue as part of the Trans-Jordan budget services, extraordinary expenditure amounting to £P.17,580*. A more favourable picture is presented, however, if account is taken of the estimated value of services rendered by the Posts and Telegraph Department to other Government Departments, for which no payment passes in either direction. In the three years for which records are so far available these resulted in an average credit to the Post Office of about £P.2,200 per annum. We think the position may fairly be summed up by saying that, as at present constituted, the Department provides a service which is reasonably adequate for the needs of a poor country such as Trans-Jordan, and at relatively small cost to the state. But to bring it up

* Including an abnormal item of £P.6,131 in 1935–36, being Trans-Jordan's share of the Haifa–Baghdad telephone circuit.

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to the standard of the Post Office services as now provided in the area of the Arab State in Palestine, would involve considerable expenditure, both capital and recurrent, which it is not likely that the state would be able to recover from the consumer for a long time to come, if at all.

5. Broadcasting

366. The Palestine broadcasting station is situated at Ramallah, and will be included in the Jerusalem Enclave under our recommendations for the boundary of that area. Its capital cost was £P.34,472, made up of—

	£P.
Site	725
Buildings	5,346
Equipment and installation	28,401
Total	£P.34,472

Further expenditure amounting to £P.7,700 on the provision of improved accommodation for the studios in new premises is, we understand, in contemplation.

367. The service is at present run at a loss of £P.11,700, the figures being—

	£P.
Income, including £P.14,932 for wireless licence fees, less cost of collection	15,068
Expenditure, including £P.1,034 for interest on capital outlay and £P.2,300 for renewals	26,784
Excess of expenditure over revenue ..	£P.11,716

The number of licences issued has been steadily increasing. On the 31st May, 1938, the total in issue was 32,547, distributed by races over the whole of Palestine as follows—

	Number.	*Percentage.*
Arabs	6,265	19·3
Jews	24,253	74·5
Others	2,029	6·2
	32,547	100

The number of licence-holders in the Arab State is estimated at about 10 per cent. of the whole. Figures are not available for the distribution of holders between the Jewish State and the Mandated Territories.

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368. It is probable that the Jews will wish to set up their own broadcasting service in the Jewish State; and while the result must be to increase substantially the net cost of running the Ramallah station, we doubt if any satisfactory arrangement could be made for providing a Jewish service from Ramallah on agency terms. The Arab State will certainly not be able to set up its own station, but will probably object to contributing to the cost of that at Ramallah.

369. Now that the Ramallah station has been provided, it is undesirable to close it entirely, notwithstanding the cost. But it is hard to believe that it would have been established at all for the benefit of the comparatively small number of listeners who reside in the proposed Mandated Territories. It does not seem satisfactory that the British taxpayer should be paying, on the one hand, through the deficiency grant-in-aid a considerable sum for the maintenance of this station in Palestine, and on the other hand, through the Parliamentary grant to the British Broadcasting Corporation, a very large sum (so we understand) for the provision of the Arabic broadcast service from Daventry. We suggest that further consideration might be given by His Majesty's Government to the possibility of reducing the total cost by amalgamating these services in some way.

6. Industrial and other Concessions

370. In paragraph 34 of Chapter XXII of their Report the Royal Commission wrote as follows—

> In the event of partition, agreements entered into by the Government of Palestine for the development and security of industries (*e.g.*, the agreement with the Palestine Potash Company) should be taken over and carried out by the Governments of the Arab and Jewish States. Guarantees to that effect should be given in the Treaties. The security of the Electric Power Station at Jisr el Majami should be similarly guaranteed.

And item (ii) (*h*) of our terms of reference directs us to examine and report on the treatment of industrial and other concessions.

371. The following concessions have been granted by the Palestine Government—

(*a*) Concessions which have been validated by Ordinance—

(i) the Dead Sea Concession (the Palestine Potash Company);

(ii) the Palestine Electric Corporation;

(iii) the Jerusalem Electric and Public Service Corporation;

(iv) the Auja Concession (the Palestine Electric Corporation).

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(*b*) Concessions which have not been validated by Ordinance—

(i) the drainage of Lake Huleh and the adjacent marshes (the Palestine Land Development Company) ;

(ii) the Tiberias Hot Baths (the Hamei Tiberia Company) ;

(iii) Lighthouses (Administration Générale de Phares de Palestine) ;

(iv) El Hamma Mineral Springs (Suleiman Bey Nassif) ;

(v) Bonded Warehouses (Levant Bonded Warehouse Company) ;

(vi) the Transit of Mineral Oils through Palestine and the Establishment of an Oil Refinery at Haifa (Anglo-Iranian Oil Company) ;

(vii) the Transit of Mineral Oils through Palestine (the 'Iraq Petroleum Company).

We understand that it is the intention to validate Concessions (vi) and (vii) by Ordinance.

372. The concessions which will fall wholly within one of the states under either plan B or C are—

	Plan B.	*Plan C.*
(*a*) the Auja Concession ..	Jewish State	Jewish State.
(*b*) the drainage of Lake Huleh and the adjacent marshes.	Jewish State	Northern Mandated Territory.
(*c*) the Tiberias Hot Baths	Jewish State	Northern Mandated Territory.
(*d*) the El Hamma Mineral Springs.	Jewish State	Northern Mandated Territory.

373. We consider that it will be necessary to deal with each concession separately, and when necessary to apportion the rights and duties under the concession between the several administrations ; and provision will then have to be made in the treaties that the several administrations will by contract or, if necessary, by legislation, give effect to the terms of the concessions so far as they are concerned.

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CHAPTER XVIII

FINANCE AND BUDGETARY PROSPECTS (PART I)

374. Our terms of reference require us to recommend boundaries for an Arab and a Jewish State, which, when set up, shall be self-supporting, and further to enquire into and report upon the budgetary prospects of the proposed new Administrations. The term "self-supporting" needs to be defined. The Royal Commission realized that the Arab State could not be expected to be self-supporting in the usual sense, for they recommended that that state should be granted assistance in two forms: a subvention of unspecified amount from the Jewish State, and a subvention from the Government of the United Kingdom consisting of a capital grant of £2 million in discharge of the British Government's present financial liabilities in respect of Trans-Jordan, which the Royal Commission proposed should be included in the Arab State. His Majesty's Government, in the Statement of Policy issued in July, 1937 (Cmd. 5513), made it clear that the Arab State would be able to rely on financial assistance on a substantial scale from both the United Kingdom and the Jewish State. We have assumed, therefore, that those facts should be taken into consideration in interpreting the meaning of the term "self-supporting"; and that a plan of partition should not be held to be impracticable merely because the Arab State would be unable to support itself without subventions of the nature contemplated by the Royal Commission.

375. The Royal Commission also realized that the revenue obtainable for the upkeep of the Mandatory Government might prove insufficient for the normal cost of administration, and they expressed the belief that in that event Parliament would in all the circumstances be willing to vote the money needed to make good the deficit.

376. The figures given in this chapter will show that under plan C, and indeed under any other conceivable plan of partition, the Arab State will be far from self-supporting in the strict sense, and further that the Government of the territories to be retained under Mandate will be unable to balance its budget without a very large amount of assistance from the Mandatory Power. In judging whether these deficiencies in plan C are such as to render the plan wholly impracticable, we consider ourselves entitled, for the reason given above, to some latitude in the interpretation of our terms of reference: in particular we shall think it relevant to consider to what extent Palestine is actually or potentially a charge upon the United Kingdom taxpayer under the existing Mandate, and how far that charge is likely to be reduced or increased as a result of partition.

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377. The figures given in this chapter are based on estimates furnished at our request by the Treasurer of Palestine. As far as the budgetary prospects of the new Administrations are concerned, the estimates do not profess to do more than indicate how much of the existing revenue and expenditure of the present Administration, as provided in the estimates for the year 1938–39, adjusted as described in paragraph 380 below, is attributable to each of the several areas. No allowance has been made for the possibility that the Palestine estimates on which these forecasts are based may have to be revised in the course of the year as the result of the continuation of the present disturbances. Nor is any allowance made for any increase of expenditure directly consequent on partition, such as pensions of officers prematurely retired from service, or for such normal increases as pension charges and increments (both growing liabilities in a youthful administration); and, with only a few exceptions, which will be noted hereafter, nothing is allowed for savings in the cost of administration, including police, or for increase in revenue on the assumption that partition will be followed by peace. Nor has any allowance been made for the possibility of changes, either upwards or downwards, in the standard of social services or the scale of public administration generally, or in the rate and scope of taxation. Nor have we included in the budget of the Mandated Territories in particular the additional expenditure from public funds which would have to be incurred in those territories as the result of the development programme recommended in chapter XIII, since, although this is an item which must obviously be taken into account in weighing the cost of partition as a whole, we have recommended that it should be borne by His Majesty's Government as a separate charge. Further, the Treasurer has impressed upon us that even within these limits the estimates are only provisional since, for reasons of secrecy, he was obliged to prepare them himself, with the assistance of only one confidential officer in his own department: it was not possible for him to consult the spending or revenue-collecting departments on matters for which they would be mainly responsible.

378. We draw particular attention to three points which affect the figures of net surplus or deficit for each Administration—

(i) The principle on which the cost of debt service and of pensions has been apportioned between the several Administrations is explained in the chapter on Public Debt and Financial Obligations (chapter XX). The effect is to divide the cost equally between the three areas, the share of the Mandated Territories being divided again equally between the Jerusalem Enclave and the Northern Mandated Territories. Since we propose that those liabilities should be met from a common or central fund, there is no advantage in attempting to apportion the charges in detail, especially as the apportionment might well give rise to dispute, particularly as regards pension charges arising out of partition.

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(ii) No provision has been made in the forecast for the cost of defence, or for the Trans-Jordan Frontier Force, which is regarded as a defence force. The reason for this is that it seems impossible at this stage to foresee how the defence of the two states will be provided, and what will be the cost to each state and to the Mandatory respectively; and rather than insert a token or arbitrary figure it seems better to omit this item altogether, bearing in mind that if each state is to be set up with full sovereign rights, an unspecified amount must be added on this account to its estimate of budgetary expenditure. The defence of the Mandated Territories will naturally be entrusted to the British forces stationed in those territories. The question whether in the circumstances the British Treasury will desire that the budget of the Mandated Territories should include provision for a contribution to the Defence Votes of the United Kingdom on account of the service thus provided, the grant-in-aid of the Mandated Territories being increased by a corresponding amount, or whether they would be content to forgo any such contribution, is a matter of financial technique with which we need not concern ourselves. For the purpose of comparison with the budgets of the Arab and Jewish State, it is sufficient to omit any provision for defence in the forecast for the Mandated Territories, and to assume that the whole cost of the British troops in Palestine after partition, including the cost of the Trans-Jordan Frontier Force, will fall on United Kingdom funds.

(iii) It will be necessary to make provision for expenditure to be incurred in giving effect to partition, of which the principal items we have noted are the cost of the boundary between Jaffa and Tel Aviv (estimated at £P.115,000), and the cost of diverting the railway at Tulkarm (estimated at £P.100,000). We see no alternative but for this to be met out of United Kingdom funds, and we have, therefore, shown £P.250,000 (in round figures) on this account in the estimate of the cost to His Majesty's Government of plan C in paragraph 401 below.

379. The most, therefore, that can be said of these estimates is that they give a picture in broad outline of the probable financial effect of partition on the several new Administrations, based on the existing standard of public administration in Palestine, but without making any provision for defence.

380. As stated above, the existing estimates of revenue and expenditure of the present Administration have been adjusted in certain respects in order to produce figures of revenue and expenditure which may be regarded as "distributable"* between

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* The term "distributable" as used in this chapter is explained in Appendix 11.

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the proposed new Administrations. A full explanation of these adjustments, with a statement showing how the " distributable " figures are reconciled with the figures in the latest revised estimates of revenue and expenditure for the current year, will be found in Appendix 11, which also contains a brief indication of the bases on which the apportionment of the main heads of charge between the several Administrations has been made.

381. The following statement shows the estimated " distributable " revenue and expenditure for Palestine as a whole for 1938–39, together with the estimated distribution of revenue and expenditure between the several proposed Administrations—

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	(1) Estimated Distributable Revenue.	Distribution between— (2) Arab State.	(3) Jewish State.	(4) Jerusalem Enclave.	(5) Northern Mandated Territory.	(6) Southern Mandated Territory.	(7) Total Mandated Territories.
	£P.	£P.	£P.	£P.	£P.	£P.	£P.
Tax-Revenue—							
Customs Duties (*less* Drawbacks and Refunds).	1,815,000	213,000	850,300	340,830	392,870	18,000	751,700
Other Tax Revenue ..	985,000	155,950	396,520	189,860	233,770	8,900	432,530
Other Revenue Receipts—							
Recurrent	865,000	139,550	224,440	194,660	302,600	3,750	501,010
Non-Recurrent	15,000	2,250	6,500	3,000	3,000	250	6,250
Total Revenue	3,680,000 or say 3,680,000	510,750 510,000	1,477,760 1,478,000	728,350 728,000	932,240 933,000	30,900 31,000	1,691,490 1,692,000

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EXPENDITURE

	(1) Estimated Distributable Expenditure	Distribution between— (2) Arab State	(3) Jewish State	(4) Jerusalem Enclave	(5) Northern Mandated Territory.	(6) Southern Mandated Territory.	(7) Total Mandated Territories.
	£P.	£P.	£P.	£P.	£P.	£P.	£P.
A. Departmental Services ..	3,150,000	807,286	653,754	724,087	896,111	68,762	1,688,960
B. Direct Departmental Supervisory Services.							
C. Pensions	72,775	24,258	24,258	12,130	12,129	—	24,259
D. Public Debt and Loan Charges.	(a) 283,660	94,553	94,553	47,277	47,277	—	94,554
E. Railways (net)	86,000	5,000	+ 50,000 (surplus)	91,000	40,000	—	131,000
F. Posts and Telegraphs (net)	+ 13,140 (surplus)	22,000	+ 18,140 (surplus)	+ 10,000 (surplus)	+ 5,000 (surplus)	—	+ 15,000 (surplus)
G. Central Administration	134,000	37,810	27,980	30,770	34,280	3,160	68,210
H. Public Works Extraordinary.	350,000	75,000	150,000	100,000	25,000	—	125,000
Total Expenditure (net)	4,063,295	1,063,907	882,405	995,124	1,050,337	71,922	2,117,383
or say	4,063,000	1,064,000	882,000	995,000	1,050,000	72,000	2,117,000

(a) Including £P.13,140, being the share of debt charges attributable to Posts and Telegraphs. This item is balanced by the net surplus of £P.13,140 shown under head F, the postal service for all Palestine being regarded as self-balancing, after debiting it with its share of the debt charges.

SUMMARY

	All Palestine	Arab State	Jewish State	Jerusalem Enclave	Northern Mandated Territories	Southern Mandated Territories	Total Mandated Territories
	£P.	£P.	£P.	£P.	£P.	£P.	£P.
Revenue	3,680,000	510,000	1,478,000	728,000	933,000	31,000	1,692,000
Expenditure	4,063,000	1,064,000	882,000	995,000	1,050,000	72,000	2,117,000
Estimated Surplus	—	—	596,000	—	—	—	—
or Deficit	383,000	554,000	—	267,000	117,000	41,000	425,000

The estimates of distributable revenue and expenditure for Trans-Jordan for 1938–39 are given below. A statement reconciling these figures with those of the published estimates, will be found in Appendix 11. They exclude both the general and the specific grants-in-aid from the United Kingdom; the expenditure met out of the specific grants, including (for the reasons explained in paragraph 454 in the chapter on Public Debt) the Trans-Jordan share of the Ottoman Public Debt; and the cost of pensions (now £P.12,400)—

Revenue	£P.348,000
Expenditure	404,000
	56,000

If, therefore, Trans-Jordan should be included in the Arab State, account must be taken of these figures. This will mean that there will be included in the budget of the Arab State, besides the figures of revenue and expenditure given above, one third (£P.4,133) of the pension charge of £P.12,400, a corresponding sum being debited to the other two Administrations, for the reasons given in the chapter on Public Dept. In addition, for the reasons explained in the same chapter, the Trans-Jordan share of the Ottoman Public Debt (£P.31,073) will be shown, for convenience, as debited to the Mandated Territories (under the head of the Jerusalem Enclave). The inclusive figures for all three Administrations will then become—

	Arab State	Jewish State	Mandated Territories
	£P.	£P.	£P.
Revenue	858,000	1,478,000	1,692,000
Expenditure	1,472,000	886,000	2,152,000
Surplus	—	592,000	—
or Deficit	614,000	—	460,000

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382. Thus, on the existing standards of public administration in Palestine, and without making any provision for defence, in the sense of the cost of military forces for maintaining internal security and resisting external aggression, the financial effect of partition will be that, in round figures—

(*a*) The Jewish State alone of the new Administrations will be able to balance its budget, and that with the handsome surplus of nearly £P.600,000 per annum, equal to about 66 per cent. of its estimated expenditure on the present basis.

(*b*) The Mandated Territories will be faced with a deficit of about £P.425,000 per annum, or £P.460,000 if Trans-Jordan is included in the Arab State, which will have to be made good by the Mandatory itself, out of United Kingdom Funds.

(*c*) The Arab State, far from being able to balance its budget, will have an annual deficit of about £P.550,000, or £P.610,000 if Trans-Jordan is included, amounting to more than the whole of its estimated revenue, without Trans-Jordan, or 71 per cent. of the revenue if that of Trans-Jordan is included.

383. These figures are not only extremely disquieting, but so startling that they may well provoke doubts of their accuracy, or at least of their relevancy to the present issue. These doubts may be examined under four heads—

(i) First, it may be asked by those who have been aware that until recently Palestine was, with certain recognized exceptions, a fully self-supporting country, how it comes about that a net deficit of over £P.380,000 is shown on the budgets of the three successor administrations, taken together, although no allowance is made for expenditure on defence or for increased expenses due to partition. The explanation is that the financial position of Palestine has now changed for the worse, and that under present conditions it is no longer able to balance its budget. The following table shows the budgetary position for 1938, with the actual outturn for the years 1937 and 1936 and the average revenue and expenditure of the financial years 1933–36—

Palestine : Budgetary Position

	Average actual outturn 1933/4–35/6	*Actual outturn,* 1936–37	*Actual outturn,* 1937–38	*Esti-mates,* 1938–39
	£P.	£P.	£P.	£P.
Revenue	5,069,527	4,640,821	4,897,356	4,520,145
Expenditure ..	3,390,356	6,073,502	7,297,688	5,445,760
Surplus	1,679,171	—	—	—
or				
Deficit	—	1,432,681	2,400,332	925,615

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Included in the above are the following items, to which special attention may be drawn—

	£P.	£P.	£P.	£P.
Customs Duties ..	2,406,738	2,019,479	1,999,697	1,900,010
Defence	133,177	1,297,000	789,738	5,000
Police	506,928	744,619	941,975	1,022,068
Trans-Jordan Frontier Force (gross)	188,938	189,201	188,010	203,954
Public Works Extraordinary	347,427	705,094	1,614,885	755,651

It will be observed that from 1936 onwards the budget has not been balanced. The worsening of the position in the last three years has been due mainly to the increased cost of defence and police owing to the present emergency (the greater part of the extra provision for Public Works Extraordinary in these years is on account of emergency services), and to a lesser extent to the decline in customs revenue consequent on the falling-off in immigration, accompanied by a decline in the importation of immigrants' capital, and the trade depression.

The reduction in the estimated deficit and the apparent reduction in the cost of defence in the current year require explanation. The item " Defence " in previous years covers the excess cost of the Army troops stationed in Palestine and one half of the excess cost of the Royal Air Force stationed in both Palestine and Trans-Jordan, together with the capital cost of works services in Palestine for both Forces. By " excess " cost is meant the excess over the cost of such Forces at their normal stations. Since 1930 the Palestine Government has, by agreement with the Government of the United Kingdom, been liable in principle to repay these items to the Home Government, subject to their ability to pay, leaving the other half of the excess cost of the Royal Air Force, together with the capital cost of works services in Trans-Jordan, to be borne by the United Kingdom. Under this arrangement it has been decided not to call upon the Palestine Government to make any contribution to the United Kingdom on this account in 1938. The amount which would have been provided in the Palestine Estimates on this account in 1938, but for this relief, is £577,000*, but since the beginning of the financial year the number of troops stationed in Palestine has been increased, and considerable expenditure has had to be incurred on military works in order to cope with the disturbances. It can hardly be doubted that the excess cost at the present time is at a rate substantially in excess of £577,000 per annum. If, therefore, in order to compare like with like, account

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* Civil Estimates of the United Kingdom for the year endin 31 March, 1939, Cl. II, 9, Subhead H.1.

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is taken of this item, the hypothetical deficit on the Palestine budget for 1938 must be put at not less than £1,500,000 ; indeed if allowance is made for the additional emergency measures involving expenditure under other heads (Police and Public Works Extraordinary), the figure will more probably be not far short of £2,500,000.

(ii) Secondly, many who had realized that the Jewish State was likely to be better off than the Arab State may be surprised at the vast difference in budgetary prospects between the two, notwithstanding the small size of the Jewish State under plan C. The explanation is that the *per capita* rate of contribution to tax-revenue among the inhabitants of the Jewish State, of which the Jews form the great majority, is very much higher than that among the inhabitants of the Arab State, who are almost entirely Arabs, as the following table shows—

Population.					*Jewish State*			
Arabs.	*Jews.*	*Total.*	*Total Revenue.*	*Revenue per head.*	*Total Tax Revenue.*	*Tax Revenue. per head.*	*Total Expendi-ture.*	*Expendi-ture per head.*
			£P.	£P.	£P.	£P.	£P.	£P.
54,400	226,000	280,400	1,478,000	5·27	1,246,820	4·44	882,000	3·14
					Arab State †			
444,100	8,900	453,000	510,000	1·12	368,950	0·81	1,064,000	2·35
					Mandated Territories			
502,800	157,400	660,200	1,692,000	2·56	1,184,230	1·79	2,117,000	3·20

In other words, the taxable capacity of the proposed Jewish State is about 5½ times as high as that of the proposed Arab State.

(iii) Again, it may be urged that the method of allocation may be open to challenge, since the Treasurer himself admits that his estimates are only provisional and liable to correction. We agree that the estimates are liable to correction on this account. But whatever corrections it may prove necessary to make, we are convinced that they will not be of such magnitude as in the aggregate to modify the general conclusions to be drawn from the provisional figures.

(iv) Lastly, it may be argued that these budgetary forecasts are mere academical exercises, and cannot be used as a ground for estimating the true budgetary prospects of the new Administrations, since they are admittedly based upon existing conditions and make no allowance for the changes which will take place after partition, especially if this leads to a restoration of settled conditions. For example, it may be said, the figure of £P.1,815,000 which is taken as the estimated revenue from customs duties for the purpose of the

† Excluding Trans-Jordan.

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forecasts is based upon a state of trade depression and restriction of immigration which is necessarily accompanied by a curtailment of imports. But the restoration of order will presumably be followed by a revival of trade activities, and the setting up of the Jewish State by a large influx of new immigrants and capital, leading to an increase in the demand for imported goods and an expansion of customs revenue. Again, the provision for police and prisons in the forecast of distributable expenditure is £P.1,022,068, the same as that actually provided in the 1938 Estimates for Palestine to meet the requirements of the present disturbed condition of the country, and twice as much as the average expenditure on these services (£P.506,928) in the three years 1933/4–1935/6, when conditions may be said to have been normal. Surely, it may be said, it is reasonable to assume that, sooner or later, partition will lead to a return to normal conditions in Palestine, and a reduction of the present extraordinary provision under this head. Finally, it may be contended that, if the Arab State once acquires its independence, it will organize its administration on lines which are likely to be simpler and less costly, but not necessarily less satisfactory to the Arab population, than those followed by the Mandatory Government: in this way it should prove possible to reduce the cost of public services so considerably that, if order is restored and trade revives, a balanced budget may not be wholly out of the question.

384. These are weighty arguments, and call for careful examination.

(*a*) For the sake of the present argument, let it be conceded that the establishment of the Jewish State will be followed by a rapid influx of new immigrants, including the same percentage of persons with private capital as in previous years of active immigration; and that we may reckon on a consequential expansion of imports and a restoration of customs revenues for the whole of the successor states to the level of the average for the whole of Palestine of the three years 1933-36, (£P.2,406,738) or say £P.2,400,000 per annum, for the time being. But even if this increase could be relied upon, the benefit of the increase in customs revenue will, under a partition scheme such as our terms of reference contemplate, be limited to those states in which immigration is taking place, that is, the Jewish State in the first place, and the Mandated Territories in so far as immigration into them may be permitted after partition, but will not extend at all to the Arab State, from which it must be assumed that Jewish settlers will be entirely excluded. The only benefit that the Arabs in that state will derive therefrom will be if the assumed prosperity of the Jewish State should result in an increased demand at higher prices for the agricultural produce of the Arab State. But even if this should happen—and it cannot be relied upon with confidence, because it may well be the policy of

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the Jewish State to satisfy this increased demand by an increase, under a protective tariff, in their own agricultural output, to be provided by additional Jewish agricultural settlements in their state—and even if it were assumed that the total customs revenue of the Arab State would increase, in a time of general prosperity, in the same ratio as we have suggested above for Palestine as a whole (that is from £P.1,800,000 to £P.2,400,000 or say by 33⅓ per cent.)—a liberal estimate, considering how little the Arab fellah can afford to devote to the purchase of imported goods in comparison with the average Jew—the resulting gain in the revenue of the Arab State would be only £P.70,000 per annum.

(*b*) It is not unreasonable to expect that the restoration of normal conditions should enable law and order to be maintained without the present high rate of expenditure on police services. But if account is to be taken of savings consequent on partition, account must also be taken of the consequential increase in expenditure. Pension charges are increasing rapidly, as is inevitable in the early years of any young administration ; and in addition to the normal increase, account must also be taken of the abnormal increase which will probably result directly from partition : as we shall see in chapter XX (Public Debt and other Financial Obligations), the Treasurer of Palestine, working on certain assumptions, estimates the average cost of pensions over the first ten years after partition to be, for all Palestine, as much as £P.250,000 per annum, an increase of over £P.175,000 on the provision in the 1938–39 Estimates. If independent Arab and Jewish States are to be set up, they must satisfy the League of Nations that they can provide for their own internal security, and for this purpose they must be able to maintain adequate military forces as well as police. The average cost of defence and police together per head of the population in 'Iraq, Egypt, Syria and Trans-Jordan, compared with the Arab State, is—

	Defence. £P.	*Police.* £P.	*Total.* £P.
'Iraq (1938)	0·387	0·157	0·544
Egypt (1933–37, average) ..	0·137	0·175	0·312
Syria (1933–37, average)‡ ..	0·22	0·14	0·36
Trans-Jordan (1938)	0·1*	0·393	0·493
Arab State	?	0·516	0·516†
Jewish State	?	0·75	0·75†
Mandated Territories	?	0·875	0·875†

* Trans-Jordan Frontier Force. † Police only.

‡ Francs converted at 124 to the £.

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If applied to the population of the Arab and Jewish States and of the Mandated Territories, these capitation rates would produce the following figures of total expenditure on police and defence together—

	Capitation rate. £P.	*Arab State.* £P.	*Jewish State.* P£.	*Mandated territories.* £P.
'Iraq	0·544	246,432	152,537	359,148
Egypt	0·312	141,336	87,484	205,982
Syria	0·36	163,080	100,944	237,672
Trans-Jordan ..	0·493	223,329	138,237	325,478

as against an actual provision in the forecasts on account of police only, of £P.233,771, 210,430, 577,867, respectively.

These figures suggest that, even after making provision for defence, there may be room for considerable saving on the cost of police and defence together in the Jewish State and in the Mandated Territories, but less so in the Arab State. And in each case allowance must be made for the probable extra cost of policing the frontiers.

(*c*) It is one thing to build up an administration with a simple system of public services which will satisfy the needs of a population which has never known anything more elaborate and costly: it is quite another thing to expect that a newly created Government should abandon an existing system to which the public has become accustomed, and ask its citizens to accept instead something which is manifestly inferior, on the ground that it is the best that under the new conditions they can afford. Doubtless certain economies will be effected, under the pressure of circumstances, and it may well be that in certain respects the present standards can be lowered without real hardship to the public, though probably not without some loss of administrative efficiency. But there will be a limit to the possibilities of economies by this means, and at the utmost it could not be expected that the new Arab Government would do more than reduce the amount spent on social services in the Arab State to the rate per head of the population of expenditure on corresponding services in the neighbouring countries. We asked the League of Nations to supply us with information respecting the rate of expenditure on various services per head of population in 'Iraq, Egypt and Syria. In complying with our request they drew our attention to the need of caution in comparing financial data for different states owing to the variations in practice which may be followed in such matters as the division of activities between central and local authorities, the principle of gross and net accounting and the distribution of services between the various departments. The figures given below must be used subject to this reservation, and subject also to the qualification that expenditure on education and health services in particular appears to have doubled in 'Iraq and

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nearly doubled in Egypt in the last five or six years, and to be still rising. Moreover it must not be readily assumed that a given rate of expenditure per head in a state with a population of over 15 millions, such as Egypt, or of nearly 4 millions, such as 'Iraq, can be equalled in one with a population of less than half a million. Yet even so the figures are worth studying.

	'Iraq.	*Egypt.*	*Syria*.*	*Trans-Jordan.*	*Palestine.*	*Arab† State.*
(Estimates for the year)	1938	1937	1936	1938	1938	1938
Cost per head of population of—	£P.	£P.	£P.	£P.	£P.	£P.
Education ..	·177	·258	·07	·087	·23	·243
Health	·087	·193	·022	·063	·176	·189
Other General Civil Administration Services‡ ..	·425	·655	·42	·52	1·278	·76
Total ..	·689	1·106	·512	·67	1·684	1·192

(*) Francs converted at 124 to the £.

(†) Without Trans-Jordan.

(‡) Excluding (besides Health and Education), Defence, Police, Public Works, Public Debt, and Posts and Telegraphs.

It will be seen that the rate per head of expenditure in the forecast for the Arab State in Palestine is high compared with 'Iraq, Egypt or Syria. Yet even if, to take the extreme case, the per capita rate of expenditure on education, health and other peace-time services in the Arab State could be brought down to the same level as in Syria (that is, £P.0·512 per head instead of £P.1·192, a reduction to less than one half of the existing rate of expenditure), the total saving would be only about £P.308,000 per annum, and the budget would still be very far from being balanced. On the equity of an arrangement which would in effect require the Arab State to reduce its standard of social services so drastically, we shall have more to say later in this chapter (paragraph 398). We know of no precedent for a dependency being required to curtail its services permanently on such a scale, however extreme its financial difficulties.

385. Our considered view is that it is not practicable to give a more precise estimate, for the purpose of our task, than the forecast given in the early parts of this chapter of the budgetary prospects of the several Administrations under plan C, excluding provision for defence. The indications are that there are prospects of considerable savings in the cost of police and defence together in the Jewish State and the Mandated Territories, and to a less extent in the Arab State; but against these must be set an uncertain, but substantial, liability for pensions.

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386. Since the majority of us are unable to support plan B, we do not think it necessary to set out in full or to comment in detail on the corresponding figures for that plan. It will be enough here to say that the general picture is very much the same, the financial position of the Arab State being rather worse than under plan C; and our conclusions with regard to its financial aspects would be the same as under plan C.

387. The situation under plan C is, therefore, that as a result of partition, and leaving out of account the cost of defence, while the Jewish State will enjoy a surplus of nearly £P.600,000 per annum, the Arab State will be faced with a deficit of about £P.550,000, or £P.610,000 if Trans-Jordan is united with the Arab area west of Jordan, and that even after making every allowance for a reduction of expenditure by the substitution of simpler standards of government it is impossible to look forward to a time when the Arab State will be able to balance its budget. The Royal Commission foresaw this possibility (though it must be remembered that they had not before them the forecasts which have been prepared for us, nor any estimate of the budgetary prospects of the new administrations), and made certain proposals to deal with the situation. We will now proceed to consider whether these can be regarded as furnishing a satisfactory solution of the problem before us. The Royal Commission proposed that financial assistance should be given to the Arab State in two forms—(*a*) by a subvention from the Jewish State, and (*b*) by a capital grant of £2,000,000 from United Kingdom funds which Parliament should be asked to vote.

(*a*) *The Proposed Subvention from the Jewish State.*

388. The arguments by which the Royal Commission justified this proposal were that (i) the Jews would acquire a new right of sovereignty in the Jewish area; (ii) that area, as the Royal Commission defined it, would be larger than the existing area of Jewish land and settlement; (iii) the Jews would be freed from their present liability for helping to promote the welfare of Arabs outside that area. We find it difficult to subscribe to the first of these arguments since the Jews would be entitled to retort that they are already paying for the right of sovereignty in the Jewish area by surrendering their claims under the Balfour Declaration and the Mandate in respect of the rest of Palestine; and that under the Royal Commission's proposal, therefore, they would be required to pay twice over. The second argument will have lost all its force under plan C, since under it the area of the Jewish State, though far larger than the land in Jewish ownership in that area, is no larger than the amount of land in Jewish ownership in the whole of Palestine. The case for a subvention, therefore, rests entirely on the third argument; and we cannot say that we find it convincing. That a minority class or section of a nation should contribute to the national revenues far more largely than the rest of the community is by no means unusual; but while the Jews

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would have no good ground of complaint of this process so long as they remain citizens of a united Palestine, it seems to us that they cannot reasonably be asked to continue to make the same contribution after partition, unless partition gives them some uncovenanted benefit for which they may fairly be asked to pay. In this form the argument seems to us merely to repeat the first argument, which we have already felt obliged to reject. It is, of course, true that from the budgetary point of view the Jews in the Jewish State will be better off by being enabled, as a result of partition, to devote the whole of their tax-contribution to the benefit of their own citizens. But that seems to us to be simply one of the incidental advantages of partition : apart from the first argument we can see no reason why the Jews should be required to surrender that advantage for the benefit of the Arabs.

389. Neither the Arabs nor the Jews have welcomed the Royal Commission's suggestion. The Arab press has rejected with scorn what they describe as a bribe to induce them to assent to partition. The Jews told us in evidence that they would be willing to assist the Arab State in any constructive arrangement which is consistent with the dignity of both races, but they object to being required to pay an annual tribute simply as the price of partition. We understand that the kind of constructive arrangement which they have in mind is the payment of the annual charges on a loan to be devoted to the development of an area in the Arab State for the resettlement of Arabs from the Jewish State whose transfer would make room for more Jewish immigrants. We think that it would be unwise to require the Jewish State to make a direct subvention to the Arab State. The payment of the money would be likely to provoke resentment and humiliation on both sides, while experience shows that such arrangements seldom endure for long, and cannot prudently be made the foundation of a permanent settlement. And in any case the deficit is far too large to be made good by any subvention which the Jewish State could reasonably be asked to make.

390. Our conclusion, therefore, is that the Royal Commission's idea of bridging the gap between the income and expenditure of the Arab State by means of a direct subvention from the Jewish State must be set aside as impracticable. The possibility that Jewish assistance may be provided in another and more constructive form will receive further consideration later in our report ; meanwhile, it will be enough to say that in the form which the Jews themselves suggested to us—that is, the development of land in the Arab State in order ultimately to facilitate Jewish immigration—we think that the possibilities are limited by the considerations indicated in chapter VIII of our report (The Possibility of Exchanges and Transfer of Population). In any case it cannot be expected that the increase in the taxable capacity of the Arab State which would follow therefrom would be so great as to make any appreciable reduction in the budgetary deficit of the Arab State.

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(*b*) *The Proposed Capital Grant from United Kingdom Funds.*

391. In making their second recommendation the Royal Commission had in mind the proposal that Trans-Jordan should be united with the Arab area west of the Jordan to form the Arab State, and that in consequence the United Kingdom would be relieved of its present liability to assist the Trans-Jordan Government with annual grants-in-aid from United Kingdom funds, amounting on the average of the years 1921 to 1937 to £78,000 per annum excluding the Trans-Jordan share of the cost of the Trans-Jordan Frontier Force.* The capital grant of £2,000,000 to the Arab State which the Royal Commission proposed that Parliament should be asked to make in discharge of this liability would, if invested in trustee securities, produce an annual income approaching this amount. The Statement of Policy issued by His Majesty's Government in July, 1937 (Cmd. 5513) confirmed the intention that the Arab State should receive financial assistance "on a substantial scale" from His Majesty's Government; and we feel justified, therefore, in assuming for the purpose of our plan, that if Trans-Jordan should be included

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* The actual amount provided in United Kingdom Votes of Parliament for 1938–39 in respect of Trans-Jordan is considerably higher, as will be seen from the following statement: the provision for normal services is—

	£
(*a*) Grants-in-aid of expenses of local administration ..	90,000
(*b*) Loan to enable the Trans-Jordan Government to meet their liability in respect of the Ottoman Public Debt settlement	31,009
(*c*) Contribution towards the cost of the Trans-Jordan Frontier Force (shown as part of a total grant, under Subhead H.3 of the Colonial and Middle Eastern Services Vote of £145,000)	33,397
(*d*) Salaries and expenses of British Resident and Staff ..	8,040
	162,446

In addition provision is made for the following special services—

(*e*) Grant towards cost of improvement of roads	200,000
(*f*) Grant-in-aid of the cost of hydrographic surveys in Trans-Jordan	21,000
(*g*) Joint survey of the Trans-Jordan–Nejd Frontier	20,000
	241,000

Under a standing arrangement the net liability of the Palestine Government for the Trans-Jordan Frontier Force is limited to one-quarter of the recurrent cost and the whole of the non-recurrent expenditure in Palestine, the United Kingdom being responsible for the rest: the net liability of the Trans-Jordan Government is nil, as its gross share (one-sixth of the recurrent cost) is wholly covered by the credit to it of an equivalent sum out of the United Kingdom contribution.

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in the Arab State, assistance will be forthcoming from the United Kingdom Government to this extent, though not necessarily in the form proposed by the Royal Commission, which appears to us to be open to objection on more than one ground. This, however, will at best only make good the additional deficit in the budget of the Arab State created by the inclusion of Trans-Jordan: the main deficit will still remain.

392. We may now sum up the position as far as we have gone. Even after allowing for assistance from the United Kingdom Government to the extent recommended by the Royal Commission, the budget of the Arab State as forecasted under plan C will show a deficit of over £P.550,000 per annum. To balance the budget it is not possible, in our opinion, to look to a direct subvention from the Jewish State. We are forced, therefore, to the conclusion that it is not possible, under our terms of reference, to recommend boundaries which will afford a reasonable prospect of the eventual establishment of a self-supporting Arab State.

393. This conclusion is, in our opinion, equally valid under plan C, plan B, and any other plan of partition which does not involve the inclusion in the Arab State of an area containing a large number of Jews, whose contributions to tax-revenue would alone enable that state to balance its budget.

394. At the beginning of this chapter we observed that, in judging whether this deficiency in plan C was such as to render the plan wholly impracticable, it would be relevant to consider to what extent Palestine is actually or potentially a charge upon the United Kingdom taxpayer under the existing Mandate, and how far that charge is likely to be reduced or increased as a result of partition.

395. We have already pointed out, in paragraph 383, that, including the cost of defence, the hypothetical deficit on the Palestine budget in 1938 is not less than £P.1½ millions, and probably nearer to £P.2½ millions. Towards this the United Kingdom Government is already contributing the whole cost of defence, and we understand that it is proposed, in addition, to ask Parliament to approve a substantial contribution towards the abnormal cost of police and of other emergency services. We understand that present indications are that the total cost in 1938 to the United Kingdom taxpayer of the emergency in Palestine is likely to be of the order of £2½ millions, in addition to the normal provision for the Trans-Jordan Frontier Force, and for the various grants-in-aid of local revenue and other services in Trans-Jordan as mentioned in the

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footnote to paragraph 391 above. It is worth while to compare these figures with the average corresponding cost for the three years 1933–35—

Cost of Palestine and Trans-Jordan to the United Kingdom

	Average 1933–35.	1938.
	£	£
Defence and emergency measures	28,166	?2,500,000
Trans-Jordan Frontier Force, grant-in-aid ..	138,416	145,000
Trans-Jordan, grants-in-aid of local revenue	53,461	121,009
Trans-Jordan, other services	8,165	249,040
Total	228,208	3,015,049

396. It is, of course, quite impossible to foresee how long these liabilities will continue to fall upon the United Kingdom Exchequer : everything depends upon the duration of the emergency and the form which it may take before order is restored. It is clear, however, that a settlement which involved a very considerable charge, of a continuing nature, upon United Kingdom funds might be worth while from the financial point of view alone if it were accompanied by the restoration of peace.

397. We realize that at a time when the charges on the United Kingdom Exchequer are already exceptionally heavy, the Treasury may naturally be most reluctant to accept an additional liability which is not only burdensome in itself, but may be held to constitute a precedent of serious import for claims by other colonial administrations which may find themselves in financial distress hereafter. We submit, however, that there is a fundamental difference between Palestine and the Colonial Empire in general. When a colony is in financial difficulty, the Treasury is free to call upon it to reduce its standard of expenditure before it can be given assistance by the Mother Country. The process may be painful, but but it accords with accepted ideas of what is equitable between the head of a family and a dependant. Subject to this obligation to put its own house in order if required to do so, every colonial dependency or mandated territory has a well-recognized right to apply to the Government of the United Kingdom for assistance in time of financial stress. In Palestine alone of all our dependencies there exists the special relationship with the United Kingdom arising out of the Balfour Declaration, which we feel bound to take into account in considering whether we should be justified in recommending a plan of partition of which an essential feature is a heavy and continuing charge upon the United Kingdom Exchequer.

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398. Further, it may be asked whether His Majesty's Government or the League of Nations would be content with an arrangement which would in effect compel the Arab State, as the result of partition, to carry out a drastic reduction in the existing standard of social services in Palestine. We can see no ground for imposing such a condition upon the Arabs unless it could be shown that the Arabs themselves had demanded their independence in the area which is offered to them, and were prepared to pay this price for it, with full knowledge of the consequences. But that, of course, is not the position. The Arabs demand the independence of Palestine, it is true, but not the independence of a separate Arab area in a partitioned Palestine: on the contrary, all the indications point to their vehement opposition to independence limited to such an area; and their opposition will not be decreased if independence is to be accompanied by a severe contraction of expenditure on such matters as health, education and other forms of public service. In this connexion we have not overlooked the questions put to your predecessor by the Permanent Mandates Commission (Minutes of Fifth Meeting of the Thirty-second (Extraordinary) Session, pp. 44–5) and his answers, which showed clearly that he himself had every hope that the existing standard of social and educational services in the Arab as well as the Jewish State would be maintained after partition. It is also relevant to point out that in dealing with the position of Trans-Jordan the Royal Commission observed that " the Mandate for Trans-Jordan ought not, in our opinion, to be relinquished without securing, as far as possible, that the standard of administration should not fall too low through lack of funds to maintain it." (chapter XXII, paragraph 26). They made no explicit reference to this question in relation to the Arab area in Palestine, but the fact that they contemplated the payment of a subvention to the Arab State by the Jewish State suggests that they assumed that here also partition should not be allowed to bring with it an inevitable lowering of the standards of public service.

399. If this argument is sound, and if we were right in holding, as we have done in paragraph 388, that the Jews cannot fairly be asked to come to the relief of the Arab State simply as the price of receiving sovereignty in their own state, then only one conclusion is possible. In the long run it is necessary to face boldly the question whether it is worth while for His Majesty's Government to bear the full cost, whatever it may be, of making good the deficits of both the Mandated Territories and the Arab State after partition, rather than to abandon the idea of partition as impracticable on this ground. In considering how this question should be answered, it is relevant, we think, to take into account the argument in the preceding paragraph as indicating that a part at least of the aggregate deficit represents a charge for which His Majesty's Government cannot easily escape a certain responsibility. But we do not put the case higher than this; and the

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real issue is clearly whether an annual charge on United Kingdom funds, which may at the outset be put in the neighbourhood of £1,250,000* (apart from the cost of defence), is in itself sufficient to render plan C (and, indeed, any other conceivable plan of partition) impracticable. The answer to this question can only be given after taking into account not only the present cost of Palestine to the British taxpayer, which we have indicated above, but also the consequences, political as well as financial, of the rejection of partition. The former it is neither within our terms of reference nor within our power to estimate, and we do not feel, therefore, that we can usefully express an opinion on the question of the practicability of plan C from this aspect. But as regards the latter, we offer the following observations.

400. It is, we think, impossible to make any estimate of the cost of any alternative to partition without knowing exactly what form the alternative is to take, and in particular what restrictions, if any, it is likely to impose on Jewish immigration. The whole of the financial and economic system of Palestine is so closely interwoven with the expectation of continued Jewish immigration, that any drastic interference with its flow must be expected to have far-reaching budgetary and other consequences, the gravity of which is likely, generally speaking, to be in proportion to the degree and duration of the interference. It would certainly not be prudent to assume that the cost of non-partition can be measured simply by the figures of distributable revenue and expenditure for all Palestine, on which our forecasts of the financial effect of partition are based, that is a deficit of £P.383,000, apart from the cost of defence.

401. For this reason we feel that the only comparison that we can usefully make is with the cost of Palestine to the British taxpayer to-day, and this we have done in paragraph **395** above. It may, however, be relevant also to compare what the cost to the United Kingdom Exchequer is likely to be under plan C with what we calculate that it would probably have been under the Royal Commission's plan, if that could have been carried out in its entirety,

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* Made up as follows—

	£
Arab State (including Trans-Jordan) deficit	614,000
Mandated Territories, normal deficit	460,000
Mandated Territories, cost of special development programme, etc. (paragraph 288) including capital expenditure at the rate of, say, £100,000 per annum for 10 years	175,000
	1,249,000
or, say,	1,250,000

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although the most important item in the latter calculation is highly speculative as no detailed estimates were worked out at the time. This may be shown in tabular form as follows—

	Royal Commission's Plan.		*Plan C.*	
	Capital	*Recurrent*	*Capital*	*Recurrent*
	£	£	£	£
i. Capital grant-in-aid of Arab State (on account of Trans-Jordan).	2,000,000	—	—	—
ii. Capital grants on account of development in Arab State to provide for transfer of Arab minorities, say	4/5,000,000‖	—	—	—
iii. Capital grants on account of development in Mandated Territories.	—	—	1,000,000	—
iv. Annual grants on account of development in Mandated Territories and of cost of settlement survey.	—	—	—	75,000*
v. Annual grants on account of deficit in Mandated Territories‡.	—	267,000†	—	460,000
vi. Annual grants on account of deficit in Arab State‡ (including Trans-Jordan)	—	—	—	614,000
vii. Expenses of partition (say)	250,000¶	—	250,000¶	—
Total—Capital ..	6/7,250,000	—	1,250,000	—
Recurrent ..	—	267,000	—	1,149,000

* For 10 years (*see* chapter XIII, paragraph 288).

† In respect of the Jerusalem Enclave only.

‡ Excluding cost of defence.

‖ *See* footnote to chapter XIII, paragraph 281. In order not to exaggerate, we have assumed that the gross estimated cost would be reduced by half from the proceeds of the sale of land by transferee owner-cultivators.

¶ Including the cost of diverting the railway at Tulkarm, and the cost of the boundary between Jaffa and Tel Aviv.

402. On the assumption that His Majesty's Government will decide not to reject partition as impracticable on financial grounds alone, if it should be desired to proceed with the policy on other grounds, we offer the following observations on the consequences of the grant of financial assistance by the United Kingdom to the Arab State after partition—

(i) First, we take it for granted that Parliament would in no circumstances be prepared to vote a fixed annual grant in perpetuity to a state which is completely independent and over which it has no financial control. The natural procedure in such a case would be to insist upon the exercise of Treasury control through the appointment

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of a Financial Adviser to the Government of the state, whose approval would be required for (*a*) the annual budget, including the detailed estimates of the several Departments and proposals for the raising of revenue, (*b*) any services involving substantial expenditure which it may be desired to undertake in the course of the financial year and for which no provision was made in the approved estimates, and (*c*) the amount of the grant which Parliament would be asked to make in aid of the local revenue of the state. The Financial Adviser would in turn seek authority from the Colonial Office and Treasury, who in their turn would be responsible for submitting the necessary estimate to Parliament. The annual grant, to such amount as Parliament might approve, would then be paid to the account of the local Government in the form which is technically known as a grant-in-aid, the distinctive feature of which is that the expenditure therefrom is not accounted for in detail to the Comptroller and Auditor-General of the United Kingdom, though the latter is furnished by the Colonial Office with the audited accounts and with any report of the Director of Colonial Audit thereon, and that any balance of the sum issued which may remain unexpended at the end of the financial year is not liable to surrender to the United Kingdom Exchequer, though account would naturally be taken of it in estimating the next year's requirements. Such in brief is the present form of financial control in Trans-Jordan, which, as already stated, is in receipt of regular assistance from United Kingdom Parliamentary Votes (*cf.* Civil Estimates for 1938, Class II, 9, Sub-Head H.4), and in grant-aided colonies and territories in the Colonial Empire generally.

(ii) It is obvious that such control is not consistent with independent sovereignty, and we have, therefore, given some thought to the possibility of an alternative arrangement. We have been unable, however, to find any which would be likely to satisfy the requirements of the Treasury and of Parliament, if the assistance were to be given in the form of a direct subsidy. At a later stage in our report (chapter XXI), we shall examine the possibility of giving such assistance in an indirect form, so that, while Parliamentary authority would be necessary for the amount to be provided in each year, the credit to be granted to the Arab State would be determined automatically as part of the constitutional relations between the new areas after partition.

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CHAPTER XIX

CUSTOMS

403. Among the matters which we are directed to examine and report on are customs administration and tariffs. We shall consider these from two aspects, the economic and the administrative.

1. The Economic Aspect

404. The Royal Commission contemplated that " the Arab and Jewish States, being sovereign independent States, would determine their own tariffs " (chapter XXII, paragraph 28). They added that " it would greatly ease the position and it would promote the interests of both the Arab and Jewish States if they could agree to impose identical customs duties on as many articles as possible, and if the Mandatory Government, likewise, could assimilate its customs duties as far as might be with those of one or both of the two States. We regard it as an essential part of the proposed Treaty System that a commercial convention should be concluded with a view to establishing a common tariff over the widest possible range of imported articles and to facilitating the freest possible interchange of goods between the three territories concerned " (ibid. paragraph 29).

405. With the general principles stated by the Royal Commission we fully agree ; but their application raises a number of questions which call for careful consideration. It will simplify discussion if we examine the position of each of the three areas separately.

(i) *The Jewish State*

406. The development of the Jewish State will be principally in the form of industrialisation, and accordingly this state may be expected to pursue a policy of high tariffs, with adequate protection for its nascent industries. As regards agricultural products, especially intensively grown farm produce such as fresh milk and butter, vegetables and fruit, the Jews will have a difficult choice to make between protection, in the interests of their agricultural settlers, and low prices, in the interests of their industrial population ; but wheat, of which the Jewish farmer in the coastal plain grows little, they will doubtless wish to buy as cheaply as possible. On the other hand, it will be of the utmost importance to them to have an assured domestic market, without which as a basis for an export trade they cannot hope to provide employment for additional immigrants in the numbers at which they are aiming. In a memorandum submitted to us on the general question of the economic future of the Jewish State, Jewish witnesses said that what they " believe to be a practical possibility is that the Jewish State will supply the Middle Eastern market with a part of its general industrial requirements and the world market

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with certain specialities. . . . It is anticipated that the industrial development already noticeable will gain momentum with the growth of the home market for manufactured goods. . . . The expansion of the home market for local manufactures will, it is thought, create a broader base for the gradual development of an export trade in certain lines. But while it is anticipated that the production of manufactures for export will come in course of time to provide a fair amount of employment, industrial employment is not necessarily employment in industries catering for and dependent upon the foreign market. The Jewish Agency believes that there is, and will be for some time to come, ample scope for the replacement in the home market of imported goods by locally produced manufactures, protected, where necessary, by tariffs." In the memorandum quoted by us in the chapter dealing with the Jewish proposals for the Jewish State (paragraph 237). responsible Jewish witnesses spoke of " the imperative need . . . . of comprising within its borders " (that is the borders of the Jewish State) " a population large enough to serve as a home market for its industries." That memorandum was written with the object of proving to us that the area comprised in the Jewish State under the Royal Commission's plan, containing a population of about 600,000 persons already, was far too small for this purpose ; *a fortiori*, the Jews would regard the Jewish State under plan C, with its population of less than 300,000 and its area of about one-quarter the size of the Jewish State proposed by the Royal Commission, as altogether inadequate. It does not follow that plan C must be regarded as impracticable on this ground ; but it does follow that the Jewish State cannot hope to expand economically, and possibly cannot even survive, without a larger home market than can be provided by the population of the state alone.

407. A responsible Jewish witness, whose opinion we had invited on the possibility of a customs union between the proposed Arab and Jewish States, told us that an examination of the economic structure of the Jewish and Arab areas respectively, as proposed by the Royal Commission, establishes that even under the present conditions of complete free trade the Arab area offers a relatively small market for the products, whether agricultural or industrial, of the Jewish area. He doubted whether, after political separation, trade between the two areas was likely to expand ; and he concluded that the possibility of an increase in such trade ought not to be a determining factor in considering this particular suggestion. On the other hand, he expressed himself as having no fundamental reluctance to further the closest possible commercial relations between the Jewish State and the adjacent countries, including the Arab State. The question put to him related to the two states as proposed under the Royal Commission's plan, and he was not asked to consider the possibility of close commercial relations between the Jewish State and the Mandated Territories, on the assumption that a much larger and more important area might be retained under mandate as in plan C.

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We do not, therefore, feel that his answer excluded the possibility that, if he had had plan C before him at the time, he would have recognised the advantage of a commercial agreement in some form between the Jewish State and the Mandated Territories, in view of the size and importance of the market offered by them to manufacturers in that state.

408. As regards the Jewish State, therefore, the position may be stated thus. The creation of the Mandated Territories as a separate political area has been found to be essential to any scheme of partition which we can recommend, upon grounds which in our opinion take precedence of all others. But the creation of those territories, with their prosperous and increasing Jewish population, as a separate tariff area, will be a severe blow to the economic prospects of the Jewish State. It is not, however, a blow which need be regarded as fatal to plan C, because it is possible to avert it by a customs agreement between the two areas. Such an agreement is, in our opinion, essential to the economic welfare of the Jewish State, if it is to provide room for large numbers of additional immigrants.

Whether the need of the Mandated Territories for a customs agreement with the Jewish State is equally great, we shall consider in paragraphs 411–412 below.

(ii) *The Arab State*

409. Left to itself, the Arab State, with its predominantly agricultural population, may be expected to prefer a moderately low tariff, designed mainly for revenue purposes, but with at least as much protection as at present for its wheat, barley, olive oil, and perhaps one or two other agricultural products.* The Arab State, including Trans-Jordan, will have a large exportable surplus of wheat, and unless it can find a market for that surplus outside its territories, its economic situation will be serious, for the domestic consumers alone cannot absorb the quantity now produced. It may occasionally happen, as in 1937, that the Syrian wheat harvest fails while that in Trans-Jordan and Palestine is plentiful, and in such a year the Arab farmer would be able to sell his wheat at a good price in the Syrian market. But that would be exceptional. As a rule, he must find his market in the rest of Palestine. The produce is taken mostly to Haifa for marketing, but its ultimate destination we were not able to learn exactly, nor how its consumption would be distributed between the Jewish State and the Mandated Territories under plan C. Similarly, as regards the other surplus agricultural produce, the Arab farmer must find a market in the rest of Palestine.

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* At present, the price of home-grown wheat in both Palestine and Trans-Jordan is maintained by a sliding-scale duty at a fixed price of £P.9 per ton. The prices of rye, and of wheat and rye flour, are similarly fixed by sliding-scale duties. Barley, tomatoes and potatoes are also protected.

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410. We are satisfied, therefore, that to the Arab State under plan C, economic survival depends upon finding a market outside its borders. We do not go so far as to say that this market must necessarily include the area of the proposed Jewish State, with its population of 280,000 ; but we are satisfied that it must include the Mandated Territories, with their population of 660,000, and their important urban markets in Haifa and Jerusalem. A customs agreement of some kind between the Arab State and the Mandated Territories is, therefore, essential ; but we cannot say that such an agreement between the Arab State and the Jewish State is essential to the Arabs, though it may be an advantage to them.

(iii) *The Mandated Territories*

411. The interests of the Mandated Territories will be mainly agricultural, but Haifa is already an important industrial centre, and its industries are likely to expand, as we have seen (chapter X). In the matter of tariffs, the needs of the Mandated Territories would seem to be a compromise between those of the Arab State and of the Jewish State. They will wish to protect their agriculturalists in the same way as the former ; but they will also be pressed by the Haifa manufacturers to afford a considerable measure of protection for industry, and they will probably find it possible to grant such protection for a number of articles without raising the cost of living appreciably for the fellah, who is too poor to buy many imported goods.

412. Without more exact information than is available as to the distribution of markets it is not easy to speak with confidence ; but we are inclined to think that the Mandated Territories could, if need be, stand alone inside a customs frontier. As a matter of economic prudence, the Mandated Territories should find it to their advantage to have their trade with their neighbours hampered as little as possible by tariff barriers ; but their need of a customs agreement with either the Jewish State or the Arab State is almost certainly less insistent than the need of either of those states for an agreement with them.

2. The Administrative Aspect

413. We turn now to the administrative aspect of the question. We take it as axiomatic that in a country like Palestine, where the state boundaries would follow no natural frontier and would run mostly across difficult hill country, offering golden opportunities to the smuggler, it will be to the interest of all three areas to eliminate customs control as far as possible, not only with a view to facilitating trade, but also in order to reduce the cost of administration and the loss of revenue from smuggling. Here again, however, the needs of the three states will be different : the prevention of smuggling, for example, will be of most importance to the Jewish State, with

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its presumably high tariff, and will hardly concern at all the Arab State whose duties are not likely to exceed those of its neighbours except, possibly, on cereals, a commodity not easily smuggled. Nor is the cost of administration likely to trouble the Arabs as much as the Jews, although the frontiers of their state are much more lengthy and difficult to control than those of the Jewish State. Here also the Mandated Territories are likely to find themselves in an intermediate position, being less likely to be troubled with inter-area smuggling than the Jewish State, but having long and difficult frontiers which it will be necessary, but costly, to control for revenue purposes.

414. Assuming that some kind of customs agreement is desirable between each of the three areas, there are three forms on which it might be modelled: the Palestine-Syrian Agreement; the Indo-Burma Agreement; and the Belgium-Luxemburg Agreement.

(*a*) *The Palestine-Syrian Agreement*

415. Under this agreement, there is (save for certain commodities subject to local excise, and certain other articles mutually agreed upon) complete free trade between the two countries for goods manufactured in either country entering the other, whether or not the primary material used in the industry had been imported from a foreign country. The two countries are, however, free to fix their own tariffs on foreign goods; so that the agreement can only benefit that country which is able to sell its products to the other more cheaply than the other can produce itself or buy elsewhere. The agreement also provides that imports into Syria of foreign goods on which the Syrian duty is lower than the Palestinian duty shall, on re-export from Syria into Palestine, be liable to the difference in duty between the Syrian and the Palestinian duties, and that the duty collected in Syria shall, on a certificate that the goods have been received in Palestine, be paid over to Palestine. A reciprocal arrangement is made by Palestine, and accounts between the two countries are balanced by monthly payments. It was hoped when the agreement was made that the provision for the entry into either country free of duty of goods manufactured locally in whole or in part from foreign material would be of considerable benefit to Palestine's young industries, but these hopes have not been fulfilled, and the agreement has proved to be of far greater benefit to Syria than to Palestine.

(*b*) *The Indo-Burma Agreement*

416. This agreement, made under the India and Burma Trade Regulation Order in Council, 1937, was designed to prevent the dislocation of trade which, if, after the separation of Burma from India, both countries were left free from the outset to fix their own tariffs, might be caused in the trade of the two countries which had hitherto passed freely from one to the other. It was recognized

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that, notwithstanding the disturbance of their domestic economy, which might follow from the imposition of barriers on trade and immigration between the two countries, revenue requirements might be so strong as to induce them to impose duties on goods imported from each other.

Accordingly it was decided, by agreement, to recommend that, for an initial period of three years, free trade between Burma and India should be continued, and the preferential position of India in the Burmese market and of Burma in the Indian market should be maintained. So the Order in Council which gives effect to the agreement maintains, during the currency of the agreement, free trade between India and Burma, and provides that, during this period, neither country can, without the consent of the other, be deprived of the preferential position which each now enjoys for its produce or manufactures in the market of the other. But either country is free, as regards goods which are not produced or manufactured in the other country, to reduce or abolish its duties on foreign imports, after two months' notice. And either country is free to raise its duties against such imports if it wishes to do so. There is, of course, nothing to prevent the agreement from being renewed after the three years have elapsed, but that would only be possible by agreement between the two countries.

(c) *The Belgium-Luxemburg Agreement*

417. This agreement provides not only for complete freedom of trade, but for complete identity of tariffs, between the two countries.

418. How then can the tariff needs of the three areas, as described in the earlier parts of this chapter, best be satisfied ? It is obvious in the first place that, assuming the states to be sovereign and independent, with the right to determine their own tariffs, this can only be done by agreements freely entered into on both sides, and subject to determination on specified terms. It would no doubt be possible, as in the case of the Indo-Burma Agreement, to provide in advance of the establishment of the new states that certain arrangements shall remain in force for a limited period, with the object of preventing immediate dislocation of trade and of giving the new administrations a lead in a desired direction. But such a period should preferably be short, and certainly could not be continued indefinitely without depriving the states of one of the chief characteristics of sovereignty, the right of fiscal self-determination.

419. Secondly, if our analysis of the economic position of the Jewish State was correct, two things are necessary to satisfy its tariff needs : first, freedom of trade within as large an area as possible ; and secondly, an assured market within as large an area as possible. Neither condition alone will satisfy its requirements for the economic expansion at which it aims, it needs both.

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420. That means that agreements between the Jewish State and the Mandated Territories on the lines of the Palestine-Syrian or the Indo-Burma models are not enough to provide for the economic expansion of the Jewish State. Under the former, the Jewish State could not hope to obtain protection for its own industries except as regards such articles as the Mandated Territories also produced or wished to produce; while the latter would only be satisfactory if each of the areas concerned were content with the margin of preference already enjoyed by its manufacturers in the other area under the pre-separation tariff: it is not appropriate to the needs of a state, such as the Jewish State, which intends to introduce immediately after partition a much larger degree of protection for its industries, and wishes that protection to extend over a larger area than its own state. And neither of these forms of agreement could give more than a temporary protection. Indeed nothing short of the Belgium-Luxemburg agreement, with complete free trade and with the assurance of a tariff that will give it an adequate measure of protection over the whole area covered by the agreement can really satisfy the needs of the Jewish State.

421. The Arab State, as we have already seen, does not require any trade agreement with the Jewish State in order to preserve it from economic difficulties, but it does require an agreement with the Mandated Territories. Its special needs would probably be satisfied by an agreement on the Palestine-Syrian model; but on general grounds it would be better served by an agreement which got rid entirely of all customs barriers.

422. The Mandated Territories on their part have no special need of a trade agreement with either of the states, although on general grounds it would be to their advantage to eliminate any causes of interference with trade and to escape the cost of a customs barrier. But the economic position of this area does not seem to be such that it would be justified, in the interests of its own inhabitants, in making any tariff sacrifice for the sake of agreement with either of the other areas.

423. So far as the Arab State is concerned, however, it would seem that the Mandated Territories would be making no sacrifice if they were to enter into a trade agreement with that state, and that, on general grounds, it would be to the advantage of both areas that such an agreement should be one which ensured complete freedom of trade and eliminated customs barriers. That can only be provided by an agreement on the Belgium-Luxemburg model, with complete identity of tariffs by agreement between the Arab State and the Mandated Territories. If tariffs are to be fixed by agreement, one side must obviously be prepared on occasion to give way to the other; and it is probable that the Arab State will not be in a position to insist on its views prevailing over those of the Mandated Territories in a matter of this kind. But so long as provision is made in the

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agreement for its being determined under certain conditions by either party, we do not think that this fact should be regarded as inconsistent with the fiscal independence of the Arab State.

424. It would seem necessary, therefore, that it should be a provision of the Treaty with the Arab State that there shall be (i) identity of tariffs, and (ii) complete freedom of trade between the Mandated Territories and the Arab State, to continue indefinitely, subject to the right of the Arab State to give notice of termination, if it thinks fit, after not less than, say, ten years.

425. This would dispose of the awkward question, whether Jaffa ought not to be treated for tariff purposes as part of the Jerusalem Enclave, notwithstanding that the tariffs for the enclave and the Arab State generally might not be identical (Royal Commission, chapter XXII, paragraph 29). If the suggested arrangement were carried out the question will not arise.

426. Under this arrangement there would be no need of any customs control between the Mandated Territories and the Arab State, except for the purpose of statistical record with a view to the allocation of duty between the two areas. Even this, moreover, will not be necessary if it should be decided to allocate customs revenue in accordance with an automatic formula as suggested below.

427. It remains to consider how the Jewish State should be provided for. We have said that the Government of the Mandated Territories would not be justified, against the interests of their own inhabitants, in making any sacrifice for the benefit of either the Jewish or the Arab State ; and the case against doing so will be still stronger if the Arab State is included with the Mandated Territories in a single customs union. On the other hand the value to the Jewish State of the market afforded by the two areas together will be *pro tanto* greater ; for, notwithstanding the remarks of the Jewish witness quoted earlier in this chapter, we think that the right of access to the Arab market after partition may be considered as potentially of some value.

428. Such being the case, it seems only reasonable that the Jews should be asked to make some contribution in return for the advantages they will secure by joining the union formed by the other two areas. That contribution should, we think, be arranged in the following way. The whole of the customs duties of Palestine and Trans-Jordan should be collected by a single customs service, responsible to a central authority consisting of representatives of all three areas, and should be paid into a central fund under the control of that authority. Out of the fund would be paid the expenses of the central authority itself and of the customs service, and any other charges which it might be decided to meet from that source (as to which we shall have further proposals to make) ; and the residue should be apportioned between the several areas in accordance with an agreed formula designed to produce the desired result.

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429. On this hypothesis, it would follow that, as with the Arab State, the Treaty with the Jewish State should provide for a customs union between the Jewish State and the Mandated Territories and (so long as the Arab State forms a customs union with the latter) with the Arab State, to continue indefinitely subject to the right of the Jewish State to give notice of termination after not less than ten years ; and that the fiscal policy of the union should be settled by a tariff board on which all three areas should be represented in equal numbers, the chairman being the High Commissioner himself or his nominee. Each of the areas would be bound by the treaty to give effect to the decisions of the board.

430. At this point several objections may be raised on behalf of the Jews.

First, it may be asked—if this agreement is as much in the interests of the Jews as is contended, why not leave it to them to press for it instead of forcing it upon them by treaty ? If they do so, that will be the test of their willingness to pay the price, whatever it may be, for the privilege of joining the proposed union.

Secondly, it may be pointed out that the Jewish State representatives on the tariff board will always be liable to be outvoted, so that even within the area of this larger market, they will not be able to study their own interests. They will have to compromise with the other areas, and in the result the tariff policy of the proposed union cannot be expected to possess that flexibility and forcefulness which are essential to the rapid industrial expansion of the Jewish State.

431. These objections cannot be answered without reference to the financial situation as we have described it in chapter XVIII. In that chapter we saw that it was impossible, whatever boundaries we might recommend, to set up an Arab State which should be self-supporting. In round figures, and without making any provision for the cost of defence, the Arab State would be faced with a deficit of about £P.610,000 per annum, which would have to be made good by the United Kingdom, while the Jewish State would be in receipt of a surplus of about £P.600,000. In addition, the United Kingdom Government would be obliged, in accordance with recognized practice, to vote grants of £P.460,000 in order to enable the Government of the Mandated Territories to balance its budget. It is impossible to regard such a situation as satisfactory from the standpoint of the British taxpayer ; and we could not be content to omit from our plan any proposal which offered a reasonable opportunity for adjusting a financial balance so unfavourable to the United Kingdom. In chapter XVIII we gave our reasons for thinking that it was not possible to require the Jewish State to make a direct subvention to the Arab State, and we adhere to that conclusion. But those arguments do not hold good against a business arrangement such as we now propose, in which the contribution which the Jews would be asked

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to make would be in consideration of value received, in the shape of the right of free entry to the market afforded by the Mandated Territories and the Arab State—a market in which they would otherwise be treated in the same way as any other foreign state.

432. As regards the second objection, it would seem that from the tariff standpoint the development of Jewish industry is not likely to be seriously hampered by a customs union, for the following reasons—(*a*) In the interests of the Haifa industrial zone, the Mandated Territories might not be opposed in principle to a protective tariff. (*b*) The fellaheen, who form the great majority of the population of the Arab State, are too poor to buy any but a very few imported articles, and would not be likely to suffer if a protective duty were imposed on many articles which the Jewish State would like to manufacture under protection. (*c*) The Arab State under a formula such as we have in mind for the allocation of revenue would have a direct interest in the prosperity of the Jewish State, and might be not unwilling to support Jewish policy designed to that end. (*d*) A protective tariff would be of little use to the Jewish manufacturers so long as they have only a small domestic market and must rely mainly on exports. It is the large and assured home market that is essential to them if they are to expand their output.

433. The objections which we have supposed to be put to us may also be answered in general terms. The Jews cannot, of course, be forced to enter a customs union against their will, any more than they can, presumably, be forced to set up an independent Jewish State against their will. But they can be told the terms on which His Majesty's Government are willing to introduce a plan of partition. In our opinion, one of those terms should be the provision in the treaty for a customs union between the three areas, subject to an apportionment of net surplus customs revenue in accordance with a formula to be agreed. The exact nature of the formula would, we suggest, be a matter for negotiation between His Majesty's Government and representatives of the Jews and Arabs; but in chapter XXI below we have set out in detail the results of the particular formula which we worked out for our own guidance, and which seemed to us equitable.

434. As will be shown in that chapter, we do not claim that, even with this formula, plan C is entirely satisfactory from either the financial or the economic standpoint. We can only say that in drawing the boundaries we have thought it right to give priority to political considerations, and that it is better that the Jews should suffer certain financial and economic restrictions than that large numbers of Arabs should be subjected to alien domination in a Jewish State.

435. There remain, however, two important constitutional points which must be taken into consideration before the arrangements suggested in this chapter can be regarded as satisfactory. The first is

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mainly a matter for the League of Nations. Article 18 of the present Mandate lays down the principle that there shall be no discrimination in Palestine against the nationals, companies, ships, aircraft, or goods of states-members of the League. If that Article were included in the new Mandate for the Mandated territories, it would be impossible for those territories to be included in the suggested customs union without the same restriction being applied to the whole area. The Royal Commission, however, took the view that the provisions of Article 18 are out of date; and it is certain that the Jews, who have long pressed for an alteration of that Article, would hold that their industrial development in the new state was being unfairly hampered if they are given no greater measure of freedom under the new conditions than the Palestine Government now possesses under the Mandate. It would therefore seem to be a necessary condition of the formation of a customs union including the Mandated Territories that under the new Mandate those territories should be given the same freedom as other countries to make their own commercial bargains with the rest of the world.

436. The second point concerns His Majesty's Government only. If a customs union is to be formed between the Mandated Territories and the Arab and Jewish States under conditions which are to be consistent with the sovereign independence of those states, the Mandatory Government will be liable to have its fiscal policy dictated by a combination of the Arab and Jewish representatives, who will form a majority on the tariff board. In this respect the Mandatory Government could not claim greater privileges than the other members of the union if these are to be sovereign states: it could not be given a majority voting power without infringing the fiscal independence of those states; and it could not claim the right to reject, for its own territory, a decision of the majority without conceding the same right to the others and thereby rendering impossible the operation of the common tariff scheme. Such an arrangement between a mandated territory and an independent foreign state or states would be, so far as we know, unique, and would give rise to constitutional difficulties which might be regarded as insuperable. In particular it would leave the financial position of the Mandated Territories precarious, since the policy of the tariff board might be in conflict with the revenue needs of the Mandatory Government, and the latter might therefore be obliged to ask the United Kingdom Government for a larger measure of financial assistance than would be necessary if the Mandatory Government were free to determine its own fiscal policy.

We shall return to this difficult question in chapter XXI, when we examine the financial consequences of the whole scheme.

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CHAPTER XX

PUBLIC DEBT AND OTHER FINANCIAL OBLIGATIONS

437. Our terms of reference require us to examine and report upon the economic and financial questions involved in partition, including—

(ii) (*a*) the allocation so far as may be necessary between the various areas of the public assets and public debt of Palestine, and other "financial obligations legitimately incurred by the Administration of Palestine during the period of the Mandate" referred to in Article 28 thereof ; and

(*b*) means to ensure that the financial obligations referred to above will be fully honoured in accordance with Article 28 of the Mandate.

438. In this chapter we deal only with the public debt and other financial obligations of Palestine, leaving the allocation of public assets to be considered on a later occasion.

439. Apart from certain minor items which we do not think it necessary to deal with now, the financial obligations with which we are concerned consist of four items only—

(i) the Palestine Government 5 per cent. Guaranteed Loan, 1942–47, of which the amount issued and outstanding is £4,475,000 ;

(ii) the liability of the Trans-Jordan Government under a settlement reached with the Ottoman Public Debt Council, for its share of the Ottoman Public Debt and certain sums outstanding on this account under Article 55 of the Treaty of Lausanne ;

(iii) the rights of public servants to pensions or gratuities, of which mention is expressly made in Article 28 of the Mandate ; and

(iv) the liability of the Palestine Government for a contribution towards the cost of the Empire Air Mail Scheme.

440. The wording of our terms of reference implies that it was your predecessor's intention that both the public assets and the public liabilities of the Palestine Government should, in general, be taken over by the successor Administrations as a matter of principle, and that all that is required of us is to recommend an

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equitable basis of apportionment, as far as apportionment may be necessary. That appears to us to be the right principle to apply in such a case, and to be in conformity with precedent (for example, the apportionment between the Governments of the Irish Free State and of Northern Ireland of public assets and liabilities relating to Ireland.) It has been suggested to us, however, as an alternative, that instead of regarding the existing Government as being taken over by the successor Administrations as a going concern, we should regard it as a concern to be wound up, the present Administration retaining full responsibility for the liabilities as well as full rights of proprietorship in the assets, which it will then sell to the incoming Administrations at an agreed valuation. We are not aware of any precedent for this procedure, which is, moreover, open to two obvious objections. First, the present Administration, the Government of Palestine, will cease to exist, and will, therefore, have no resources out of which to discharge the liabilities which it would be supposed to take over. In effect, the arrangement would result in transferring the liability to His Majesty's Government in the United Kingdom ; but we see no good reason for this, and considerable objections to it. And secondly, the valuation of the assets would be likely to give rise to dispute between the parties, the one contending that the basis of valuation should be the present earning capacity or value as a going concern, and the other that it should be the original cost. Anything short of the original cost of any item provided out of borrowed monies would obviously mean a free gift by His Majesty's Government to the new Administrations, for which we can see no justification ; while if the original cost basis is accepted, there is little advantage in the " winding-up " procedure over that of the " going concern." We, therefore, recommend that the principle to be adopted should be that of the transfer to the new Administrations, in general, of the assets and liabilities of the existing Palestine Government.

441. As regards the basis of allocation between the new Administrations, the natural principle would be to relate the liabilities as far as possible to the physical assets acquired thereby, and to apportion both liabilities and assets between the several areas according to the distribution of the physical assets. The whole of the proceeds of the loan of 1927, with the exception of the cost of raising the loan itself, was devoted to the acquisition or provision of physical assets which can be identified, and as far as these liabilities are concerned, therefore, an apportionment in accordance with the aforesaid principle should not be difficult. But an apportionment of pension charges, particularly of charges arising directly out of partition, is a different matter, and is likely to give rise to disputes, which we should prefer to avoid if possible. We shall return to the question of apportionment of liability later in this chapter (paragraph 450), when we have considered how to provide means for ensuring that these financial obligations shall be duly honoured.

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1. The Palestine Government 5 per cent. Guaranteed Loan, 1942–67

442. This consists of £4,475,000 of 5 per cent. stock, of which the principal and interest are guaranteed by the Treasury under the Palestine and East Africa Loans Act, 1926 (16 and 17 Geo. V, chapter 62). The issue was made in London in November, 1927, at an issue price of £100 10*s*. 0*d*. per cent. The prospectus stated that the stock would be paid off, at par, on the 1st November, 1967, but that the Palestine Government reserved to themselves the right to repay the loan at par on any half-yearly interest date on and after the 1st November, 1942, on giving three months' notice. The Palestine Government undertook to provide a sinking fund approved by the British Treasury as sufficient to provide for the repayment of the loan on the due date. The approved amount is at present £58,548 per annum; and the amount accumulated, with interest to the 5th July, 1938, is in round figures £522,000.

443. The object of the loan was to raise a sum not exceeding £4,500,000 of which part was to be spent on the construction of a harbour at Haifa, on the improvement of the port of Jaffa and on railway capital improvements and public works. Of the remainder, £1,000,000 was to be paid to His Majesty's Government for railway and other capital assets taken over by the Palestine Government and the balance was to be used partly to defray the cost of raising the loan and partly to repay money temporarily advanced and spent on railway equipment and improvement, on other public works, and on the acquisition of the Jaffa–Jerusalem railway. The following table shows the amounts authorized to be spent on these services by Parliament under the Palestine and East Africa Loans Act, and the actual expenditure in accordance with a revised allocation as approved by the Treasury and the Secretary of State—

Service.	*Allocation authorised by the Act of* 1926.	*Actual expenditure to* 31/3/1938.
	£P.	£P.
1. Railways	1,640,000	1,639,021
2. Purchase of Railway and other Capital Assets from His Majesty's Government	1,000,000	1,000,000
3. Harbour Construction and Port Improvements	1,115,000	1,489,032
4. Public Buildings, Telegraphs and Telephones, surveys, minor works of development, and the raising of the loan	745,000	369,071
	£P.4,500,000	£P.4,497,124

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The allocation of items 3 and 4, as finally approved by the Treasury and Secretary of State, was—

		£P.
Item 3.	Haifa Harbour Construction	1,210,412
	Jaffa Port Improvements	278,870
		1,489,282
,, 4.	Telegraph and Telephones	188,127
	Government Offices and Construction and Equipment of Printing Press ..	60,642
	Cost of raising loan	120,303
		£P.369,072

444. The prospectus stated that the principal and interest and the sinking fund payments were secured upon the general revenues and assets of the Government of Palestine with priority over any charges thereon not existing at the date of the passing of the Palestine and East Africa Loans Act, 1926, namely the 15th December, 1926. The prospectus went on to give the figures for the revenue and expenditure of the Palestine Government for the five previous years.

445. It is necessary to consider (*a*) the position of those who lent the money to the Palestine Government ; (*b*) the position of the British Treasury as guarantors of the loan ; and (*c*) the question of finding means to ensure that the financial obligations thus legitimately incurred by the Palestine Government shall be fully honoured after partition.

(a) *The Position of the Lenders*

446. Those who subscribed their money for the loan did so on a two-fold security : the security of all the revenues and assets of the Palestine Government ; and the security of the Consolidated Fund of the United Kingdom under the guarantee of the British Treasury. It is true that the prospectus lays stress upon the nature and reality of the former ; but so far as the lender is concerned, it is difficult to deny that in this case the greater comprehends the less, and that few of the lenders are likely to have troubled themselves to consider what was the value of the former security, knowing that, whether it was good or bad, they were completely protected by the latter.* We do not think therefore, that the lenders of the money

* We understand that the arrangements made by the Treasury and the Bank of England in the case of a loan guaranteed by the Treasury are such that, whatever happens to the borrower, there can be no default, even momentarily, so far as the lender is concerned : the Treasury guarantee operates automatically and instantly.

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would have any equitable ground of complaint if the liability for the principal and interest of the loan were apportioned among the three Administrations, and in place of the security afforded by the revenues and assets of the whole of Palestine, there were substituted, for each portion of the loan, the security of the revenues and assets of one of the three Administrations. Nevertheless it may be said that technically there has been an alteration of the contract, which may necessitate legislation. We think that we may properly leave the question to His Majesty's Government.

(b) *The Position of the British Treasury*

447. On the other hand it is clear that the substitution for the original prior security for the loan of the several revenues and assets of the successor Administrations would substantially affect the position of the Treasury as guarantor. The security afforded by the revenues and assets of the Jewish State may be ample cover for the portion of the loan which is allocated to that state ; but it is obvious from the forecasts of the budgetary position of the Arab State and the Mandated Territories that neither of those Administrations would be able to meet, out of their own resources, any part of their liabilities in respect of the portions of the loan allocated to them, and that the whole cost, both of interest and sinking fund, would, therefore, fall on the United Kingdom Exchequer. In this respect, however, there would be no real difference between this particular liability and the other budgetary expenses which create deficits for both those Administrations ; and the effect of this particular transaction would become merged in the general question of the financial effects of partition, which we discussed in chapter XVIII. If, however, it should be found possible to substitute for these separate charges some arrangement for the payment of the whole of the existing public obligations of Palestine out of a single central fund with priority over all other charges, that would obviously be preferable. Here again, however, the legal position would seem to require careful consideration by His Majesty's Government : since the suggested arrangement would involve the substitution of a new security for that upon which the Treasury were authorised to give their guarantee.

(c) *Means to ensure that the financial obligations of each Administration shall be duly honoured*

448. Fortunately the machinery for such an arrangement could be readily provided as a part of the scheme for a customs union which we have described in chapter XIX (Customs) ; and this arrangement would automatically provide the means to ensure that all the financial obligations legitimately incurred by the Palestine Government shall be duly honoured. The details of the arrangement are described more particularly in chapter XXI (Finance, Part II).

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449. But while it would be possible in this way to ensure that all the obligations in question are fully and promptly met, without calling upon the Consolidated Fund of the United Kingdom to meet any part of them under the Treasury guarantee, the arrangement for paying these charges out of a central fund does not in itself dispose of the question of apportioning the liability between the several new Administrations. There are two ways in which that question might be settled. One would be to make an exact apportionment of the several liabilities, on whatever basis might seem most appropriate (e.g., in the case of public debt, on the basis of the situation of the physical assets acquired or provided out of the proceeds of the loan), and to take those liabilities into account in apportioning to each Administration its share of the net surplus of the central fund. The other would be to make no attempt to apportion the liabilities in detail, but to apportion the whole of the net surplus of the fund in accordance with whatever formula is decided upon for that purpose : in other words, to apportion the financial obligations in accordance with that same formula.

450. The latter is simple and convenient, and gets rid of the difficult task of apportioning the various financial obligations in detail. We recommend that it should be adopted for all those obligations, with one exception. That exception is the liability for the Trans-Jordan Government's share of the Ottoman Public Debt, which, for the reasons given in paragraph 454, we think should be dealt with separately.

451. To anticipate the arrangement described in chapter XXI, we may state here that the effect of that arrangement is to apportion all the liabilities in question, excluding the Trans-Jordan debt, in equal shares between the three Administrations ; and it is on this basis that the budgetary forecasts in chapter XVIII have been prepared.

452. The Treasury have power, under section 25 of the Finance Act, 1934 (24 and 25 Geo. V, cap. 32), to guarantee the interest and sinking fund of a new loan to be raised for the purpose of redeeming before maturity a loan already guaranteed by them, provided that the amount required to pay the interest on the new, or conversion, loan is less than the amount payable for interest on the old loan, and that the Treasury are satisfied that the substitution of the guarantee of the conversion loan for that of the old loan will benefit the Exchequer. Inasmuch as the liability for the shares in the loan charges allocated to the Arab State and the Mandated Territories will fall, directly or indirectly, on the Treasury, it would seem that this is a case in which the Treasury would be empowered to guarantee a conversion loan, and would no doubt decide to do so if market conditions should permit. It is, of course, impossible to foresee what reduction in the Treasury's liability may be brought about in this way.

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2. The Liability of the Trans-Jordan Government for their Share of the Ottoman Public Debt

453. This liability consists of an undertaking by the Trans-Jordan Government under an agreement dated the 29th July, 1936, between that Government and the Ottoman Debt Council for the settlement of the liability of the Government of Trans-Jordan for its share of the Ottoman Public Debt under the Treaty of Lausanne. The agreement provides for the payment to the Ottoman Public Debt Council of twenty half-yearly instalments of £15,504 6*s*. 9*d*., payable at the end of May and November in each year beginning with 1936. Thus by the 31st March, 1939, six instalments will have been met. The balance outstanding after that date will be £217,061, and will be fully paid off by the 31st March, 1946. In order to enable the Government of Trans-Jordan to meet this agreed liability, it has been necessary to ask Parliament in each year to provide equivalent amounts, at the rate of £31,008 13*s*. 6*d*. per annum, by way of a loan-in-aid to Trans-Jordan. As stated on the face of the estimates,* the loan is to be upon terms to be prescribed by the Treasury, but we understand that so long as Trans-Jordan is in receipt of a grant-in-aid for ordinary purposes the question of prescribing terms is likely to remain in abeyance.

454. If Trans-Jordan is included in the Arab State, it would be necessary, in the absence of any special provision to the contrary, for arrangements to be made to treat this liability in the same way as the other financial obligations of the Palestine Government, that is for payment to be made through the proposed central fund, the effect being, as explained above, that the liability would be shared equally between the three Administrations. But we think that it would be difficult to justify the imposition of any share in this liability upon the areas which formerly comprised the territory of the Palestine Government, since that Government has already discharged its liability for its own share of the Ottoman Public Debt, and the effect of such an arrangement would, therefore, be to make the taxpayer in those areas make a second contribution to the Ottoman Debt Council. We, therefore, think that as a matter of equity this item must be treated separately. It would be possible to arrange for it to be paid out of the central fund notwithstanding, but debited wholly to the Arab State. But this would merely introduce an awkward complication into the formula which we propose in the following chapter for the allocation of the net surplus revenue of the central fund ; and the British Treasury would gain nothing thereby, since they would be obliged, under the same formula, to take account of this debit in estimating the amount of assistance to be given to the Arab State. We recommend, therefore, that this liability should be taken over directly by the British

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* Civil Estimates of the United Kingdom, 1938, Cl. II. 9. Subhead H.4. (Colonial and Middle Eastern Services.)

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Treasury, and either discharged by a lump sum payment, suitably discounted ; or met by direct payment of the outstanding instalments to the Ottoman Debt Council out of moneys which Parliament should be asked to provide for the purpose as required. In effect, no new liability will be imposed on the Treasury under this arrangement, since we can see no prospect whatever of the present Government of Trans-Jordan ever being in a position to repay the so-called loan now being made to them by the Treasury for this purpose : for all practical purposes it may be regarded as a free gift.

3. The Rights of Public Servants to Pensions or Gratuities

455. Article 28 of the Mandate reads as follows—

> In the event of the termination of the Mandate hereby conferred upon the Mandatory, the Council of the League of Nations shall make such arrangements as may be deemed necessary for safeguarding in perpetuity, under guarantee of the League, the rights secured by Articles 13 and 14, and shall use its influence for securing, under the guarantee of the League, that the Government of Palestine will fully honour the financial obligations legitimately incurred by the Administration of Palestine during the period of the mandate, including the rights of public servants to pensions or gratuities.

456. The article does not define further the " rights of public servants to pensions or gratuities " ; but, following recent precedents, we conceive the term to mean (*a*) the right of public servants to be paid, fully and punctually, the pensions or gratuities earned by them, under their existing conditions of service, in respect of service in Palestine prior to partition ; and (*b*) the right to such additional payments, if any, as may be deemed fair and reasonable in compensation for their premature retirement from service by reason of partition or for any radical change in their conditions of service caused by partition.

457. We do not propose at this stage to make detailed recommendations regarding the rights to be given to Palestine civil servants under head (*b*). In the meantime it will be enough to estimate the liability of the new Administration under both (*a*) and (*b*), and to recommend how means may be provided for meeting this estimated liability.

458. The Treasurer of Palestine has furnished us with such an estimate, based on certain assumptions as regards (i) the average ages, salaries and length of service of the existing staff ; (ii) the proportion of such staff who will retire on partition ; and (iii) the rates of special compensation which will be payable to officers whose service in an Administration under the Mandatory Power is terminated or whose conditions of service in future are radically changed. We have not at this stage examined critically any of these assumptions,

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and must not be understood to have accepted any of them, particularly the third. For our present purpose it is enough to accept the Treasurer's estimate as a rough indication of what the liability may be expected to be at its highest. The estimate is for a total average liability, on an annuity basis, over the first ten years after partition, of about £P.250,000 per annum, including the £P.72,800 now in course of payment. Under the arrangements which we have proposed already in this chapter, any part of this liability as it falls due will be met from the proposed central fund, and the net effect will be that each Administration will contribute one-third of the cost. In our opinion it is neither necessary nor desirable to attempt to apportion the liability upon any other basis.

4. The Liability of the Palestine Government under the Empire Air Mail Scheme

459. The Governments of Palestine and Trans-Jordan have agreed to participate in the Empire Air Mail scheme, under which all first class mail exchanged between participating countries is carried by air without surcharge. The scheme came into force in so far as Palestine and Trans-Jordan are concerned at the beginning of March, 1938, when the non-surcharge system was extended to the England–India–Malaya air route, and will continue in force for a period of 15 years from the 28th July, 1938, when the scheme was extended to Australia and came into full operation.

460. Under the scheme, His Majesty's Government in the United Kingdom have contracted to pay, under the authority of the Air Navigation Act, 1936, certain subsidies to Imperial Airways Limited in consideration of their undertaking to provide improved, accelerated, and more frequent services for the carriage of all first-class air mail as required by the scheme; and in addition the company will receive, as remuneration for the carriage of mails, a minimum payment of £900,000 per annum during the period of the agreement. The general effect is that this payment, representing the postal contributions of the United Kingdom and the other participating countries, will be made by His Majesty's Postmaster-General from the Post Office Vote, the amounts of the postal contributions received by him from participating countries being brought to account as an appropriation-in-aid of that Vote.

461. The Government of Palestine and Trans-Jordan have agreed to make a joint postal contribution of £P.12,000 per annum for the whole period of the scheme, the Trans-Jordan share being assessed at £P.50 per annum. In addition, Palestine has agreed to make a special additional payment of £P.1,928 per annum in lieu of the privilege of exemption from landing and housing charges at aerodromes in Palestine, which other countries have been required to grant to the operating company as a condition of participating in the scheme.

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462. The total liability of the two Governments under the scheme is therefore £P.13,928 per annum, and we are informed that, as far as can be foreseen at present, this will continue unchanged for the whole period of 15 years from the 28th July, 1938.

463. In our opinion this is a financial obligation legitimately incurred by the Administration of Palestine during the period of the Mandate, which must continue to be honoured after the surrender of the Mandate; and we consider that the best means of ensuring that this shall be done is to provide for the payment of this amount from the central fund, as proposed in this chapter.

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CHAPTER XXI

FINANCE AND BUDGETARY PROSPECTS (PART II).

464. In chapter XIX (Customs) we considered the possibility of a customs union between the Arab and Jewish States and the Mandated Territories, to be entered into by treaty for an initial period of ten years. The object of this union would be twofold: first, it seemed to us that without the assured market for their produce which the Mandated Territories would afford, the economic situation of the Arab state, and the prospect of economic expansion in the Jewish state, would be precarious; and, secondly, we felt that the financial effects of partition, as disclosed in chapter XVIII, were so unsatisfactory that we ought to take advantage of any proposal which seemed to offer a prospect of improving the financial position of the Arab State, and therewith of reducing the liability of the British Treasury. The idea of a customs union seemed to offer such an opportunity, for it seemed to us that it would be fair and reasonable to require the Jewish State, in return for the advantages of an assured market in the whole of Palestine and Trans-Jordan which the scheme would offer them, to sacrifice some portion of the customs revenue contributed by the taxpayers in the Jewish State, with a view to rectifying, at least partially, the disparity between the budgetary prospects of the Arab and the Jewish States, and to agree to a formula for allocating the net surplus customs revenue between the three areas so as to produce this result. At the same time we observed that, whatever the exact formula might be, the financial situation might still be unsatisfactory, and in the last paragraph of the chapter we noted one particular factor in the scheme as outlined which, besides giving rise to possible constitutional difficulties, might jeopardize the financial position of the Mandated Territories.

465. We will now consider the operation of a possible formula and then, in the light of the financial results and of the possible consequences of the factor referred to above, estimate whether the proposed customs union can be regarded as affording a satisfactory solution of the financial difficulties of partition.

466. We desire again to make it clear that the formula which we have tentatively considered should be regarded rather as a working hypothesis, intended to illustrate the financial effects of the customs union proposal, than as a considered recommendation. We presume that before any final arrangements are made, negotiations will take place with both Arabs and Jews.

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1. Formula A

467. The formula (A) then is as follows—

(i) It would be provided by treaty, as an essential condition of the surrender of the present Mandate, that the area now comprising Palestine and Trans-Jordan should, for a period of at least ten years, form a single customs union, within which there should be complete and unfettered free trade.

(ii) The tariff policy of the three areas forming the union would be determined by a central authority consisting of an equal number of representatives from each area, under the chairmanship of the High Commissioner or his nominee.

(iii) Each of the areas would be bound by the treaty to give effect to the decisions of the central authority.

(iv) The customs revenues of the whole union would be collected by a single customs service, responsible to the central authority, and paid into a central fund under the control of that authority.

(v) Out of this fund there would be paid, by the central authority—

(*a*) the expenses of the central authority itself ;

(*b*) the expenses of the customs service ; and

(*c*) the whole of the financial obligations of the Palestine Government, consisting of (1) the service of the public debt of Palestine, (2) the whole cost of any superannuation benefits, now being paid or falling due in future, attributable to pre-partition service in Palestine, and (3) the contribution of the Palestine Government, under its current agreement with His Majesty's Government in the United Kingdom, towards the Empire Air Mail service.

(vi) After these charges have been met in full, the net surplus revenue would be paid over by the central authority to the three Administrations in equal shares.

(vii) Except as provided below, these arrangements would remain in force for ten years at least, and thereafter would continue subject to notice of termination by any of the three Administrations. But the principle of division of the net surplus revenue into three equal shares would be subject to review after not less than five years, and would thereafter take such form as might be agreed.

468. The initial financial effects of this formula, using the figures given in the Treasurer's budgetary forecasts as shown in chapter XVIII, and assuming that Trans-Jordan will form part of the Arab State, are as follows—

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(1) The Revenue of the central authority, based on the 1938–39 Estimates, would be—

	£P.
(i) Customs Duties—	
(*a*) Palestine (after allowing for drawbacks)	1,815,000
(*b*) Trans-Jordan	136,000
(ii) Total Revenue	1,951,000

(2) The Expenditure of the central authority would be—

(iii) Expenses of Customs Service—	
(*a*) Palestine	100,472
(*b*) Trans-Jordan	27,984
(iv) Charges for Public Debt—	
Palestine*	283,660
(v) Pension Charges (payable in 1938)—	
(*a*) Palestine	72,775
(*b*) Trans-Jordan	12,400
(vi) Empire Air Mail Service	14,000
(vii) Total Expenditure	511,291
(viii) Net Surplus Revenue	1,439,709
of which one-third is	479,903.

469. Each Administration would therefore receive £P.479,903, or say £P.480,000, as its share of the customs revenue of the union, in place of the share attributed to it in the forecast given in chapter XVIII. In addition it would be relieved of the cost of customs collection, public debt and other financial obligations included in the forecast.

470. The consequential adjustments to be made in the budgetary forecast of each Administration would then be as follows—

ARAB STATE

Revenue.	*Shown in forecast of Plan C.*	*Formula A.*	*Gain (+) or Loss(—)*
	£P.	£P.	£P.
(i) Customs—			
(*a*) Palestine	213,000		
(*b*) Trans-Jordan	136,000		
(ii) Total Revenue	349,000	480,000	+131,000
Expenditure.			
(iii) Customs Collection—			
(*a*) Palestine	12,188		
(*b*) Trans-Jordan	13,265		
(iv) Public Debt Charges—			
Palestine	94,553		
(v) Pension Charges—			
(*a*) Palestine	24,258		
(*b*) Trans-Jordan	4,133		
(vi) Total expenditure	148,397	—	+148,397
Total bettering of budgetary position			+279,397

* Including £P.13,140 for Post Office share of charges.

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JEWISH STATE

	Shown in forecast of Plan C.	Formula A.	Gain (+) or Loss (−).
Revenue.	£P.	£P.	£P.
(i) Customs	850,000	480,000	−370,000
Expenditure.			
(ii) Customs Collection	43,380		
(iii) Public Debt Charges	94,553		
(iv) Pension Charges			
(*a*) Palestine	24,258		
(*b*) Trans-Jordan	4,133		
(v) Total Expenditure	166,324	—	+166,324
Net worsening of budgetary position			−203,676

MANDATED TERRITORIES

Revenue.			
(i) Customs	752,000	480,000	−272,000
Expenditure.			
(ii) Customs Collection	44,904		
(iii) Public Debt Charges			
(*a*) Palestine	94,554		
(*b*) Trans-Jordan	31,073*	31,073	
(iv) Pension Charges			
(*a*) Palestine	24,259		
(*b*) Trans-Jordan	4,133		
(v) Total Expenditure	198,923	31,073	+167,850
Net worsening of budgetary position			−104,150

471. The budgetary forecast for the several areas would then become :—

Arab State—	£P.
Net deficit as shown in Chapter XVIII	614,000
Deduct total bettering of position as shown in paragraph 470	279,397
Revised deficit	334,603
Jewish State—	£P.
Net surplus as shown in Chapter XVIII	592,000
Deduct net worsening of position as shown in paragraph 470	203,676
Revised surplus	388,324
Mandated Territories—	£P.
Net deficit as shown in Chapter XVIII	460,000
Add net worsening of position as shown in paragraph 470 ..	104,150
Revised deficit	564,150

* The intention is, as stated in the chapter on Public Debt, that this item shall in future be debited to the United Kingdom Exchequer. But for convenience it is here shown as an item in the budget of the Mandated Territories, where it will, of course, go to swell the deficiency grant-in-aid.

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472. But, though the position of the Arab State would thus have been substantially improved, its budget would still show a deficit of nearly £P.340,000 ; and before we could regard the proposed customs union as opening a way to a satisfactory solution of the financial difficulties of partition, it is necessary to consider whether any further means might be devised for balancing the budget without falling back on a direct grant-in-aid from United Kingdom funds, which, as we pointed out in paragraph 402, would necessitate Treasury control. The relief so far provided has been partly at the expense of the Mandated Territories, whose deficit (to be made good by the British Exchequer) has been increased by over £P.100,000, but mainly at the expense of the Jewish State. The arguments in favour of this have been discussed in chapter XIX (Customs) ; and we do not think that they would justify an attempt to obtain a larger contribution from the Jewish State than is provided by the principle of dividing the net customs revenue into three equal shares, as suggested in the formula set out in paragraph 467 above. Any further relief to the Arab State must therefore be provided at the expense of the British Exchequer ; and the question is whether it will be possible to devise means of doing so which will be consistent, as a direct grant from the British Exchequer could not be, with the natural desire of the Arabs to be free from financial control and to be able to look forward to some improvement in their public services.

2. Formula B

473. We must admit that there is no really satisfactory solution of this problem. Nothing can wholly disguise the fact that now and so far as can be seen in the future, the Arab State will be unable to support itself out of its own resources. The best that we can hope to do is to suggest an arrangement which, assuming that it is desired to pursue the task of settlement along these lines, will fulfil the conditions indicated above in the manner least open to constitutional objection. With this object in view we would tentatively suggest that, while the Jewish share of the net customs revenue should remain at one-third, the other two-thirds should be treated as the joint shares of the Arab State and the Mandated Territories, and as such should be pooled and re-allocated between those two Administrations on the principle that, in addition to the Arab State's fixed share of one-third, there should be credited to that state a supplementary share calculated on a formula (B) which would be designed broadly so as—

(i) to make good, up to an amount to be approved, the estimated initial deficit in the Arab State's budget in the first year after partition ;

(ii) to provide for the abatement of the supplementary share by regular annual reductions until a point has been reached when it may be assumed that the budget has received the full

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benefit of such economies in administration and such increase, if any, of revenue, as the Arab State may reasonably be expected to make after partition ;

(iii) to provide for the additional abatement of the supplementary share by one-half of any amount by which the Arab State's one-third share of the net customs revenue in any subsequent year exceeds that share in the first year after partition.

(iv) to provide for the increase of the supplementary share in any year by an amount equal to the excess of (*a*) one-third of the amount actually charged in that year to the central fund in respect of pension payments over (*b*) the amount which was taken into account, as representing the Arab State's share of such charges in the first year after partition, in estimating the initial deficit of the Arab State under sub-paragraph (i) above.

474. Under this formula the Arab State would be given a revenue which, subject to the obligation to bring about as quickly as possible such reduction of expenditure and increase of revenue as it may reasonably be asked to make, should enable it to balance its budget so long as the net customs revenue for the union remains at its present level. If that level falls, the Arab State will of course be worse off, but it cannot expect to be guaranteed against all contingencies ; and it may be noted that the level of customs revenue which has been used for the purpose of these budgetary forecasts is abnormally low. If, however, the net customs revenue of the union increases, owing to an expansion of trade and prosperity in the rest of Palestine, the Arab State would be able to look forward to a share in that increase, whereas without a customs union its prospect of any considerable increase in revenue and prosperity within its own borders is, as we have seen, very remote. While the state would still be unable to balance its budget from its own resources and would have to rely upon outside assistance, that assistance would be given in accordance with a definite formula and under conditions which, we should hope, would free it from the necessity of submitting to financial control by a foreign state. Since the various accounting adjustments to be made between the Mandated Territories and the Arab State under formula B would be purely automatic, it would not seem to be necessary that the Arab State should be required under this arrangement to submit to any form of financial control by the Treasury, whether by the appointment of a Financial Adviser or otherwise.

475. In addition, the machinery proposed will enable the central authority to meet all the financial obligations of the Palestine Government out of the central fund, as recommended in chapter XX (Public Debt). Special provision will, however, have to be made to make good to the Arab State the loss of revenue from which it would otherwise suffer as the result of charging to the central fund the

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cost of any further pension charges which may become payable on account of pre-partition service with the Palestine Government, in excess of the amount of such charges of which account will have been taken in estimating the initial deficit in the Arab State's budget under sub-paragraph (i) of formula B. Since the effect of this will be to throw upon the Arab State a charge which it is not within its power to control or avoid, it is only fair that account should be taken of it in determining the amount of the supplementary share. Sub-paragraph (iv) of the formula is designed to give effect to this.

476. So long as it is necessary for His Majesty's Government to ask Parliament to vote a grant-in-aid of the Mandated Territories for the purpose, *inter alia*, of enabling the Government of those territories to pay over to the Arab State the appropriate share of customs revenue under the formula, the arrangement will come under the notice of Parliament each year, and Parliamentary authority for each year's payment to the Arab State will be required, no less than if Parliament were asked to vote a grant direct to that state. We understand, however, that an arrangement of this kind, involving a financial commitment extending over a series of years, would require in addition the authority of a specific statute.

477. The effect of formulas A and B together may be stated concisely thus. In the initial year, the liability of the British Exchequer will be reduced from about £1,250,000 to £1,075,000*, that is, by about £175,000 per annum. In the future, other things remaining equal, then under formula B for each increase of £P.100,000 in the net surplus revenue of the central authority due to expansion of revenue from the customs union, so long as the Arab State is in receipt of any supplementary share—

the *Arab State* will retain

$$£P.\frac{100,000}{6} = £P.16,666$$

the *Jewish State* will retain

$$£P.\frac{100,000}{3} = £P.33,333$$

the *Mandated Territories* will retain

$$(\tfrac{1}{3} + \tfrac{1}{6}) \times £P.100,000 = £P.50,000.$$

478. To the Arab State and the Mandatory Power, therefore, the formula offers substantial attractions. The former may look forward to some expansion of revenue, beyond that attributable

* Made up of (i) grant-in-aid of Mandated Territories (*a*) to meet their own normal deficit under formula A, £564,000, and (*b*) for the supplementary share of the Arab State under formula B, £334,000, total £898,000, or, say, £900,000; and (ii) grants for development in the Mandated Territories, £175,000.

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to the modest resources of its own territory, proportionate to and dependent upon an increase in the prosperity of the whole of Palestine. The latter, besides the saving of £175,000 per annum dating from the initial year, will have a similar interest in the general growth of prosperity in Palestine, and in addition may look forward to some relief, from the same source, in the burden of supplementary assistance which under formula B it will provide for the Arab State. Too much importance must not be attached, however, to the figures we have given. It must be remembered that the formula A is put forward as a working hypothesis ; and while we think that it represents the utmost that the Jewish State could fairly be asked to contribute in return for the right of joining the proposed union, we fully realize that in the course of negotiation some other basis of contribution may be agreed upon, the financial results of which would differ from those that we have indicated in this chapter.

479. On the other side of the account there must be set the following drawbacks—

(i) The future advantages offered to the Arab State and the Mandatory Power are likely to be provided chiefly at the expense of the Jewish State, by which the greater part of the assumed increase in customs revenue is likely to be contributed ; and it is not possible to foresee how long the formulas will continue to operate equitably as between the Jewish State and the rest of Palestine, after making due allowance for the benefit to the former of an assured market in the territories of the latter.

(ii) The financial position of the Arab State therefore will still remain precarious. After five years it may be necessary to modify formula A to the advantage of the Jewish State ; and after ten years the Jewish State may give notice to put an end to the customs union altogether. In either event it is likely that the British Treasury will be asked to come to the rescue, and to make good the consequential loss to the Arab State ; and allowance must be made for this risk in estimating the value of the formula to the Treasury.

480. But a more serious difficulty lies in the fact that, as was noted at the end of chapter XIX, the scheme of a customs union is open to constitutional objections. If each of the states-members of the union was financially self-supporting, we are inclined to think that these need not be regarded as insurmountable, although we know of no precedent for an association of this kind between a mandated territory and a foreign state. But the fact that one of the members will be financially dependent upon the United Kingdom Government is, we fear, a fatal objection ; for we cannot suppose that His Majesty's Government would acquiesce in a scheme which would deprive them of the right to insist on any changes in that

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member's fiscal policy which they may think necessary on revenue grounds as a condition of their continuing to vote a grant-in-aid to make good the member's budgetary deficit.

481. Our conclusion on the matters discussed in this chapter and in chapter XIX is, therefore, as follows—We find that a contribution such as might under formula A be made by the Jewish State in return for the advantage of joining a customs union with the Mandated Territories and the Arab State, will be of considerable benefit while it lasts to both the Arab State and consequently to the British Exchequer ; but the exact amount of this benefit will depend upon the formula ; and it cannot be assumed that formula A will necessarily be adopted. Moreover, the benefit is liable to be modified after five years, and to be withdrawn entirely after ten. And finally, while the Arab State cannot hope for economic survival, nor the Jewish State hope for economic expansion, as independent states without an assured market in the Mandated Territories, there are constitutional objections to a customs union between them and the Mandated Territories, which in view of the financial dependence of those territories on His Majesty's Government appear to us to be decisive.

482. We find ourselves unable, therefore, to recommend a customs union under these conditions between the Mandated Territories and the Arab and Jewish States, which will leave unimpaired the sovereign rights of those states in the matter of fiscal policy. If partition is carried out, a customs union in some form between the Arab and Jewish States and the Mandated Territories would seem to be necessary to preserve the economic stability of the former and to provide the latter with scope for economic expansion ; but the form of union would have to be one in which the will of the Mandatory was enabled to prevail on questions of fiscal policy ; and that would not be consistent with the proposed grant of independence to the two states.

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CHAPTER XXII

SUMMARY AND CONCLUSION

483. In order to explain the form in which we shall present our conclusions, we find it necessary to say what, in our view, was intended by our terms of reference. Those terms of reference require us first to recommend boundaries for the proposed Arab and Jewish States and Mandated areas which will comply with certain specified conditions; and secondly to examine and report on the economic and financial questions involved in partition. In your predecessor's despatch of the 23rd December, 1937, to the High Commissioner, covering our terms of reference, it is expressly said that our functions will be "to act as a technical Commission, that is to say (they) will be confined to ascertaining facts and to considering in detail the practical possibilities of a scheme of partition;" and again "to submit to His Majesty's Government . . . proposals for a detailed scheme of partition." After setting out our terms of reference the despatch goes on to indicate that it will be for His Majesty's Government to decide whether, as a result of our investigations, a scheme of partition is equitable and practicable. We ourselves are nowhere directed to report upon the equity or practicability of partition in general. The majority of us have interpreted these directions to mean—

(i) that His Majesty's Government desire us in any case to produce the best scheme of partition that we can; but in so far as it may fail to satisfy any of the specified conditions, or may seem to be impracticable, to say so and give our reasons;

(ii) that we are not directed, or entitled, to call in question the equity or morality of partition as a general principle. We were appointed as a technical body, and we conceive that we shall best assist His Majesty's Government if we are careful not to let our views on technical matters be coloured by any views that we may have formed as individuals on the question of principle involved.

Further, we wish to emphasize that the question of practicability is one of degree, on which it is not possible to express a final opinion without taking into consideration other matters, such as the consequences of rejecting partition and the equity and practicability of any alternative solution, which were left outside our terms of reference.

484. In chapters XI, XIII and XIV, we have described, under the title of plan C, the best plan of partition which we have been able to devise. We will now summarize, under different heads, the chief points which in our opinion His Majesty's Government will have to take into account in deciding whether this plan can be regarded as equitable and practicable or not, and will indicate our views on each.

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1. The Size of the Proposed Jewish State

485. The Permanent Mandates Commission in their Report to the Council of the League on the work of their Thirty-second (Extraordinary) Session expressed the opinion that—

> Any solution to prove acceptable should therefore deprive the Arabs of as small a number as possible of the places to which they attach particular value, either because they are their present homes or for reasons of religion. And, further, the areas allotted to the Jews should be sufficiently extensive, fertile and well situated from the point of view of communications by sea and land to be capable of intensive economic development, and consequently of dense and rapid settlement . . . .

The facts adduced in our report show that these objectives are irreconcilable. If the Arabs are to be deprived of the smallest possible number of their homes, and if the fewest possible Arabs are to be included in the Jewish State, as our terms of reference direct, the Jewish State cannot be a large one, nor can it contain areas capable of development and settlement in the sense which the Permanent Mandates Commission evidently had in mind. Does this fact alone render the plan impracticable? We think not, so long as provision can be made for the continued immigration of Jews, subject to control, into the greater part of those areas which we propose should be retained under British Mandate, and for the development of those areas with a view to Jewish settlement therein, also under control. But this will necessitate heavy expenditure from public funds on development and other services in the Mandated Territories, and this expenditure (which we suggest should be limited to sums not exceeding £1 million on non-recurrent services, and not exceeding £75,000 per annum for 10 years on recurrent services) can only be provided by the United Kingdom Government, since the Government of the Mandated Territories will be unable anyhow to balance its budget. The effect of this will be considered below as part of the general problem of finance under partition.

The size of the proposed state as a factor limiting the domestic market open to Jewish manufacturers will be considered separately in paragraph 494.

2. The Attitude of the Arabs and the Jews

486. We have said that in our opinion there is a deep-seated hostility to partition in any form among the Arab population of Palestine, and that we are convinced that the plan recommended by the Royal Commission would lead to an outbreak of general rebellion which could only be put down by stern and perhaps prolonged military measures. But what will be the Arabs' reaction to plan C we do not know. Of the official witnesses whose opinions we sought on plan C shortly before we left Palestine at the beginning of August, one took the view that, no matter what plan was adopted, it would be resisted by the Arabs with violence. None was prepared to say

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that the Arabs would acquiesce willingly in the plan. Their evidence was given *in camera* and in such a form that it would be undesirable to attempt to convey their views by brief selected quotations ; but the general impression that we received from the evidence of those whom we examined on plan C was that, while none of the witnesses was optimistic, some at least would not exclude the possibility of a settlement on these lines. We realise, however, that if they were consulted again to-day, they might take a more pessimistic view. Unfortunately, no Arab came before us to state the Arab view, and although plan C demands of the Arabs much less sacrifice than the other plans which we have considered, we think the only prudent conclusion is that, until plan C is published, it is impossible to say what the Arabs' attitude towards it will be.

487. The resolutions of the Twentieth Zionist Congress at Zurich in August, 1937, include the following passages—

> The Congress rejects the assertion of the Palestine Royal Commission that the Mandate has proved unworkable, and demands its fulfilment. The Congress directs the Executive to resist any infringement of the rights of the Jewish people internationally guaranteed by the Balfour Declaration and the Mandate.
>
> The Congress declares that the scheme of partition put forward by the Royal Commission is unacceptable.
>
> The Congress empowers the Executive to enter into negotiations with a view to ascertaining the precise terms of His Majesty's Government for the proposed establishment of a Jewish State.
>
> In such negotiations the Executive shall not commit either itself or the Zionist Organisation, but in the event of the emergence of a definite scheme for the establishment of a Jewish State, such scheme shall be brought before a newly elected Congress for decision.

The Jewish Agency more than once urged that we should take them into our confidence in order to ensure that any plan which we might put forward should be such as they would be able to recommend for acceptance by the Zionist Congress, and they contended that the wording in your predecessor's despatch "after consultation with the local communities" implied that this was the intention of His Majesty's Government. We were unable to accept this view. If it had been possible to consult representatives of Arabs as well as of Jews, in the hope of producing a scheme which was likely to be acceptable to both parties, such consultation in some form might have been thought desirable. But as matters stood, that was impossible, and we felt that in the circumstances consultation as desired by the Jewish Agency would do more harm than good. We, therefore, confined our consultations with the Jewish Agency to asking, both orally and in written questionnaires, for their opinion on any matter on which we felt that it would be of assistance to us. These matters did not include the detailed proposals under either plan B or plan C, either as regards the boundaries of the several areas or the development, with a view to Jewish settlement therein,

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of the areas to be retained under Mandate. In evidence we were told that the Jews would not be prepared to accept a plan which gave them a state inadequate for their needs, and in particular none that did not include Haifa, Galilee, and part of Jerusalem. It would seem, however, that their final decision must depend upon what alternative His Majesty's Government may be prepared to offer them in the event of their declining partition ; and until that is known it seems to the majority of us premature to advise you what that decision is in our opinion likely to be. It is not easy to see, however, how the establishment of a self-supporting state in either the Arab or the Jewish area can be regarded as practicable, whether from the administrative or the political standpoint, if the community concerned should refuse to accept the offer of independence under such conditions.

3. The Arab Minority in the Jewish State

488. The Royal Commission assumed that provision would be made for the transfer of the greater part of the Arab population in the Jewish State, if necessary by compulsion under a scheme to be agreed between both states. But in his despatch of the 23rd December, 1937, your predecessor made it clear that His Majesty's Government have not accepted the proposal for compulsory transfer ; and we have found it impossible to assume that the minority problem will be solved by a voluntary transfer of population. It is largely because of the gravity of the situation that would thus be created that we have felt obliged to reject the Royal Commission's plan, under which at the outset the number of Arabs in the Jewish State would be almost equal to the number of Jews. But, it may be said, if it is wrong in principle to put nearly 300,000 Arabs against their will under the political domination of the Jews under the Royal Commission's plan, how can it be right to do the same with 50,000 Arabs under plan C? The ethics of this question are certainly very difficult to determine. Pushed to its logical extreme, the argument would obviously rule out all possibility of partition, since it is impossible to draw boundaries in such a way as to include no Arabs at all in the Jewish State. But it is inconceivable that either the Royal Commission in advocating partition, or His Majesty's Government in accepting it as the best and most hopeful solution of the problem, regarded this fact as in itself a fatal objection to any partition scheme ; and indeed our terms of reference imply that His Majesty's Government were prepared for the inclusion of Arabs in the Jewish State, and vice versa, albeit the fewest possible. It would seem to be recognized, therefore, that the question is one of degree, rather than of principle ; and from that standpoint we feel that we should not be justified in rejecting plan C solely on the ground that it necessitates the inclusion of some 50,000 Arabs in the Jewish State.

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4. Defence

489. The Jewish State under plan C, though small, is compact, and is as easily defensible as any state could be into which Palestine might be partitioned. But the military authorities have impressed upon us that no boundary can be found west of the Jordan which affords a satisfactory strategic line, judged by the conditions of modern warfare. The most that can be done under any partition scheme is to find a line which is tactically defensible against rifle and machine-gun fire ; and it is only from this point of view that the boundary under plan C can be regarded as providing adequate security for the proposed areas. The only real security for any partitioned area in Palestine is to live at peace and in friendship with its neighbour. At the outset of our enquiry we felt reasonably hopeful that it might be possible to provide a plan of partition which would bring about this result ; but the events of recent months must clearly be taken into account in considering what the result is likely to be of putting any scheme of partition into actual operation.

5. Administration

490. It may be taken for granted that services which can be wholly partitioned, such as education, will give less value for the money spent than before ; and that services which provide communication between or through the partitioned areas, such as railways, posts and telegraphs, will, taken as a whole, be less efficient as well as more costly. As regards personal freedom of movement between the several areas, even under the conditions which we recommend in chapter XIV, some restriction on those who are now Palestinian citizens will be inevitable ; and the inconvenience and expense, both to the individual and the state, of any system of control will be considerable. Finally, the separation of the Jerusalem Enclave from the other two areas of Mandated Territory by the Arab and Jewish States will give rise to administrative inconvenience. These difficulties are not, however, insuperable, and cannot be said to be sufficient in themselves to make plan C impracticable.

6. Finance

491. This is a major difficulty. In chapter XVIII we found that it was impossible, whatever boundaries we might recommend, to set up an Arab State which should be self-supporting. The forecast made for us by the Treasurer of Palestine, which we accept, with certain adjustments, as the nearest approach that it is feasible to make to an estimate of the budgetary prospects of the several Administrations under plan C, shows, in round figures, and without making any provision for the cost of defence, deficits of £P.610,000 per annum for the Arab State (including Trans-Jordan) and of £P.460,000 per annum for the Mandated Territories, but a surplus of £P.600,000 per annum for the

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Jewish State. We have found that it is not possible to call upon the Jewish State for a direct subvention to the Arab State, and neither practicable nor equitable to set up an Arab State with a budget so very far from being balanced. We conclude that, if partition is to be carried out, there is no alternative but that Parliament should be asked to provide, in some form, sufficient assistance to enable the Arab State to balance its budget.

492. In addition, of course, the United Kingdom Government would be obliged, in accordance with recognized practice, to assist the Government of the Mandated Territories to balance its budget, including say £175,000 per annum for the cost of the development services in those territories referred to in paragraph 288. Altogether this would mean that partition would cost the United Kingdom taxpayer say £1,250,000 per annum without including any provision for defence. On the other hand, the Jewish State would be able to look forward to an annual surplus of say £P.600,000 apart from the cost of defence. Broadly speaking, the result would be much the same under any conceivable plan of partition.

493. Manifestly, such a position would be highly unsatisfactory to the British Treasury. But before deciding that this conclusion renders partition wholly impracticable, it is necessary to take into account the cost of Palestine to the British taxpayer under existing conditions. In the judgment of the majority of us, the cost of partition cannot rightly be compared with an estimate of what the financial position of an undivided Palestine might be, assuming the restoration of peace and normal conditions. Doubtless it would be possible to obtain peace in Palestine to-morrow under certain conditions ; but whether those conditions are such as would not involve a complete change in the financial and economic structure of Palestine, necessitating a drastic curtailment in the present standard of public services, if the budget is to be balanced, is quite another matter. The only valid comparison, therefore, is with the cost to the United Kingdom under existing conditions. This may be taken to be in the neighbourhood of £2½ to £3 millions in 1938 ; and while it is impossible to foresee how long our liabilities will continue at this rate, it is clear that the substitution for the present position of a plan which involves, apart from the cost of defence, a continuing annual payment from the British Exchequer of sums amounting even to as much as £1,250,000, should not necessarily be ruled out on financial grounds, if in other respects the plan should appear to be practicable. If, however, this were voted subject to the usual conditions of financial control applicable to a grant-aided dependency, the Arab State could not be called independent, and we have been unable to devise any means of overcoming this difficulty if the assistance is given in the form of a direct subsidy.

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7. Economic Interests

(i) *Tariffs and Customs Administration*

494. In considering the boundaries of the proposed areas under our terms of reference we have found the creation of the Mandated Territories as a separate political area to be essential to any scheme of partition which we could recommend. But the creation of those territories as a separate tariff area will be a severe blow to the economic welfare of the Jewish State, which, if it is to provide work for additional migrants in large numbers, must expand industrially, and cannot hope to do so without an assured market larger than can be provided by the population of that state alone. The economic survival of the Arab State also depends upon its finding a market outside its territory for its agricultural products, in particular wheat, of which it has a large exportable surplus. We conclude that a customs agreement of some kind between either state and the Mandated Territories is essential, and that as far as the Jewish State is concerned, nothing short of a complete customs union, with both free trade and identity of tariffs, will really satisfy their requirements, while between the Arab State and the Mandated Territories a similar arrangement, though not essential, is very desirable. It is true that the tariff requirements of the Arab and Jewish States are likely to be fundamentally different, the Arab State, with its predominantly agricultural population, being likely to prefer a moderately low tariff for revenue purposes, with at least as much protection as at present for its cereals and other agricultural produce, while the Jews may be expected to pursue a policy of high tariffs for the protection of their industries, and to wish to keep the price of wheat, if not of agricultural produce generally, as low as possible. Nevertheless, we feel that there is sufficient common ground between the two states and the Mandated Territories to make the operation of a common tariff practicable; and that in any case the needs of both states in this respect are so urgent that there is no other way by which the economic survival of the one or the economic expansion of the other under plan C can be assured.

495. Further it seems to us that a customs union would give an opportunity to relieve, if only partially, the financial strain which would be imposed on His Majesty's Government as the result of partition. We consider that the provision of an assured market for the Jews in the rest of Palestine would justify the payment by them in return of some special revenue contribution to be credited to the Arab State, thus reducing the call by that state on the British taxpayer. Working on a formula which we have described in chapter XXI, and using the figures given us by the Treasurer for the budgetary forecasts shown in chapter XVIII, we find that this arrangement might be expected to reduce the net charge on the United Kingdom taxpayer by about £175,000 in the first year, that is,

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from about £1,250,000 to about £1,075,000. This credit would be provided partly at the expense of the Mandated Territories, whose deficit (to be met from the British Exchequer) would be increased by over £P.100,000, but mainly at the expense of the Jewish State, which, however, would still be left with a surplus of about £P400,000, apart from the cost of defence.

496. The Arab State's position would be improved by a corresponding amount, but it would still show a deficit of £334,000; and the only way in which we can suggest that this might be met is by an arbitrary redistribution of the customs revenue representing the joint shares of the Arab State and the Mandated Territories in such a way as to make good the deficit at the expense of the latter. This would, of course, mean a corresponding increase in the grant-in-aid to be made by the United Kingdom to the Mandated Territories, but the formula which we have suggested in chapter XXI (formula B, paragraph 473) provides for the possibility of gradual reductions in this supplementary charge as the net surplus revenue from the customs union increase.

497. The same formula provides also for the possibility of the Arab State sharing, to some extent, in any increase of customs revenue arising from an expansion of trade and prosperity in the rest of Palestine. One of the main arguments against partition is, we think, the fact that, under any plan of partition which is based on the inclusion in the Arab State of the fewest possible Jews and Jewish enterprises and on the creation of a Jerusalem Enclave and Corridor, the greater part of the Arab wealth of Palestine is necessarily left outside the Arab State (whether in the Jewish State or the Mandated Territories); that state is therefore found to be singularly lacking both in natural resources, in created assets, and in inherited wealth, and is likely to remain a very poor country. Its relative backwardness will become still further marked if as a result of the development proposals in plan C the material conditions of the Arabs in the Mandated Territories should be substantially improved. Any arrangement, therefore, which holds out to it the possibility of some increase of revenue which it will not have to receive in the form of a subsidy from a foreign Power, with its necessary accompaniment of financial control, is to be welcomed. Under this arrangement there would seem to be no need for any such control: the settlement of accounts with the Arab State under formula B, as set out in chapter XXI, would be automatic. It seems to us, therefore, that an arrangement of this kind would go a considerable way towards solving the financial difficulties inherent in partition, while at the same time providing the necessary economic stability for both the Arab and Jewish States.

498. Unfortunately, however, we have found ourselves unable, on constitutional grounds, to recommend a customs union except under conditions which would ensure that in tariff policy the wishes of the Mandatory should prevail; and as this would be inconsistent

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with the grant of fiscal independence to the Arab and Jewish States, we have been obliged to abandon the idea of a customs union between independent states as a solution of the financial and economic problems of partition.

(ii) *Reactions on the rest of Palestine of the Immigration policy of the Jewish State*

499. This is an aspect of partition under plan C to which we think it necessary to draw special attention, both for its economic and financial consequences. The economic future of the Jewish State, depending as it will upon a unique combination of economic, political, racial, and emotional factors, is exceptionally difficult to foresee. Jewish witnesses have agreed with the suggestion that, if the Jewish State should adopt an active immigration policy, it must expect to encounter set-backs and to pass through periods of depression, but our impression is that they were inclined to under-estimate the violence of the economic fluctuations to which the Jewish State is likely to be exposed when as an independent state it takes over full responsibility for immigration. The same witnesses, anxious to explain to us the future policy of the Jewish State on this subject, assured us that "the volume of immigration to be admitted at any given time will, so far as immigrant workers are concerned, fall to be determined by reference to the openings for employment that are in sight and to the resources available for financing such employment." We do not doubt that such will be the intention of the leaders; but we feel considerable doubt whether they will be able to maintain so rigid a line in the face of the urgent pressure that will be brought to bear upon the newly-formed state to receive the hundreds of thousands of distressed Jews who will be demanding a refuge in the Jewish State as a national right.

500. It is true that, once the Jewish State has been set up, these matters will become a Jewish responsibility entirely; indeed, it is one of the special attractions of partition that this controversial but crucially important subject will henceforth be dealt with by the Jews themselves. But this argument assumes that the Jewish State alone will stand the risks, as it will be entitled to the benefits, associated with an active immigration policy. Under whatever conditions a Jewish State might be set up, it is doubtful whether experience would prove this assumption to be well-founded. But under plan C, in which a customs union between the three areas is essential, with all the financial and economic associations which that involves, it is certain that the Administrations of the Arab State and the Mandated Territories could not view with indifference the possibility of an economic collapse in the Jewish State, and that if such an event were to happen, both the economic systems and the budgets of those areas could not fail to suffer gravely from the consequences.

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501. The case then is this. If a Jewish State is set up, with full responsibility for immigration policy, the risk of an economic depression in Palestine of exceptional gravity must, in our opinion, be acknowledged. The same Jewish witnesses argued that, even so, depressions do not last for ever and that it is reasonable to expect that the Jewish State will ultimately recover its prosperity, as other countries have done; and in any case the Jewish community would, no doubt, consider that the political advantages will outweigh the risks, however great. From the point of view of His Majesty's Government, however, the question is whether the risks to the Arab population, to the Administration of the Mandated Territories, and to the British Government in the background, are so great as to render it inadvisable to proceed with partition. As far as the Arabs are concerned, the answer would seem to be that, if they are likely to suffer from a depression in the Jewish State, they are likely also to benefit when that state is prosperous; indeed, that is a part of the case for the formulas proposed in chapter XXI. And if it is thought probable that the general economic trend of the Jewish State will be towards greater wealth and prosperity as time goes on, the Arabs are likely to gain rather than lose in the long run by close economic association with the Jewish State. Much the same argument applies to the Government of the Mandated Territories and to the British Government. Neither can expect to enjoy the benefits which the proposed formulas would bring without being prepared to accept the attendant risks. But the risk does not depend wholly upon the acceptance of those formulas, though its consequences would be intensified if they are accepted. The risk is, in our opinion, inherent, to a greater or less degree, in any form of partition. Before deciding whether plan C or any other plan of partition is practicable, His Majesty's Government must ask themselves whether they are prepared to enter into an arrangement under which communities, for one of which they must accept full, and for the other a partial, financial responsibility, are liable to have their economic and financial systems injuriously affected, at any rate temporarily, by a policy pursued by a neighbouring state, for reasons which are primarily racial, and over which His Majesty's Government will have no control.

(iii) *The need of Part-time employment to supplement agricultural earnings in the Arab State*

502. In chapter X, we noted the importance of Haifa as providing a source of supplementary employment for fellaheen, whether normally resident in the Mandated Territories or the Arab or Jewish States, who were either landless or unable to earn an adequate livelihood from their lands. But Haifa is not the only source of such employment at present. All along the coastal plain, the demand for extra labour in the citrus-groves during the picking season from October to April attracts casual labour from many Arab villages.

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Even now, notwithstanding partisan attempts to banish all but Jewish labour from the Jewish plantations, the relative cheapness of Arab wages* leads to a considerable demand by Jewish employers for Arab labour ; and it must be remembered that of the total amount of citrus land in the proposed Jewish State, about 56,000 dunums are owned by Arabs. Jewish witnesses have told us that immigration of casual Arab labour will not be permitted into the Jewish State. How many of the Arabs who find casual employment in the orange-groves are residents of villages which will fall outside the Jewish State we cannot say ; no statistics are available. But we think that it is not an exaggeration to say that many Arab villagers outside that state will after partition find themselves and their families deprived of an important subsidiary means of livelihood, the loss of which will have a serious effect on their economic position.

(iv) *The Growth of Population*

503. We have seen in chapter III that, owing to the abnormally high rate at which natural increase has been taking place in the Arab population under the Mandatory administration, it can already be said that the economic position of that population will be menaced in the future unless one or other of the following developments should take place : an increase in the standard of cultivation, enabling a larger population to be maintained on the land ; an increase in industrial activity, providing opportunities for secondary employment ; a limitation of the size of the family ; or migration. Under partition, the economic situation of the Arab State will continue to be subject to the same threatening conditions ; and the possibility of relief from either of the first two quarters mentioned will be reduced. The opportunity of finding secondary employment in the Jewish State will be denied to them ; and the chances of improvement in the standard of cultivation will be remote, for the funds that would be needed to bring about such improvement will no longer be available. Nor is it likely that the size of the family will be limited, or that the rate of natural increase in the population of the Arab State will be reduced by any marked rise in the death-rate due to a material lowering of the standard of administrative services. If, indeed, the Arab State were obliged to rely entirely upon its own resources, and no migration were to take place, a rise in the death-rate might be expected to occur in due course owing to pressure on the means of subsistence. But before that happens it is probable that increasing pressure will drive the surplus population to rely more and more upon the neighbouring Mandated Territories to provide relief in the form of supplementary employment, the amount of which from time to time will in turn depend,

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* In March, 1937, according to the Government Wage-rate Statistical Bulletin No. 3/1937, the wages of permanent Jewish workers in orange groves were 200–300 mils per day, as against 150–200 mils per day for Arabs.

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first upon the amount of capital introduced by Jewish immigrants into those territories, and secondly, upon the fluctuations between prosperity and depression brought about by Jewish immigration policy in general (see paragraph 499.)

504. From these observations the following conclusions emerge—

(*a*) There is no reason to suppose that the present high rate of natural increase of the Moslem population will diminish in the Arab State after partition, unless a rise in the death-rate should be brought about by positive starvation.

(*b*) Owing to this continued increase in the population, the economic situation of the Arab State, if left entirely to its own resources, would become increasingly serious as time goes on.

(*c*) This makes it all the more necessary to provide opportunities for supplementary employment for the surplus Arab population in the Mandated Territories.

(*d*) But such employment can only be provided in sufficient quantity through the importation of Jewish capital, brought by Jewish immigrants into the Mandated Territories. It is a matter of urgent interest, therefore, to the Arabs themselves that such immigration should be permitted, and even encouraged, subject to control as proposed in chapters XIII and XIV. It seems safe to say that the Arabs outside the Jewish State would be faced with the prospect of greater economic hardship, if the development of the Mandated Territories were to be checked by a closing down of immigration, than if immigration should be allowed to continue, subject to the conditions proposed in those chapters.

(*e*) As pointed out in paragraph 501, the economic interdependence of the Arab State and Mandated Territories with the Jewish State, which will inevitably continue under partition, is liable to cause painful reactions in those areas when the inevitable periodic set-backs occur in the economic cycle of the Jewish State. The greater the economic dependence of the Arab State on the Mandated Territories, the more serious the effect of such set-backs is likely to be for the Government of the latter, and through them for the United Kingdom Government itself.

505. Taking all these matters into account, we should, if we were to adhere strictly to our terms of reference, have no alternative but to report that we are unable to recommend boundaries for the proposed areas which will give a reasonable prospect of the eventual establishment of self-supporting Arab and Jewish States. But we do not believe that it would be in accordance with your wishes, or with the public interest, that we should end our enquiry with a merely negative conclusion. We propose, therefore, to carry the matter a step further, even though by doing so we exceed in one respect our terms of reference.

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506. We, therefore, now suggest that, rather than abandon the idea of partition altogether as impracticable, His Majesty's Government might think it well that, as a condition of the surrender of the existing Mandate, not to be altered hereafter without the approval of the League of Nations, the proposed Arab and Jewish States should be required to enter into a customs union with the Mandated Territories, on the following terms—

(i) The customs service for the whole of Palestine should be administered by the Mandatory Government.

(ii) The fiscal policy of the customs union should be determined by the Mandatory as he thinks fit, after consultation with representatives both of the Arab and the Jewish States, and after taking into account the interests (*a*) of all the areas comprised in the union, and (*b*) so long as any deficiency grant continues to be made by the United Kingdom Government to the Administration of any part of Palestine, of the United Kingdom Exchequer. It would be implicit in this arrangement that the Mandatory should not direct the fiscal policy of the union so as to give preferential treatment to British trade.

(iii) In other respects the financial arrangements between the several areas should be as proposed under formulas A and B in chapter XXI, subject to such modifications, if any, as may be decided upon in the course of negotiations between His Majesty's Government and the Arab and Jewish representatives.

507. States established under these conditions, deprived of the right to settle their own fiscal policy, would certainly not be sovereign independent states, in the sense contemplated by the Royal Commission. Nor could we regard even an arrangement on these lines as wholly satisfactory to His Majesty's Treasury, for the calculations we have made are in any case speculative; the duration of any formula which may be agreed upon must be regarded as uncertain; and in any case the amount which Parliament would have to be asked to vote as a deficiency grant to the Mandated Territories (including what we have called the "supplementary share" of the Arab State) would be in excess of £1,000,000 to begin with. The best that we can hope for is, as pointed out in chapter XXI, to find an arrangement which will enable these deficiency grants to be provided in the manner least open to constitutional objections. Such an arrangement will undoubtedly intensify the risk, described in paragraph 500, that an economic depression in the Jewish State, caused by Jewish immigration policy, may spread to the Arab State and Mandated Territories, with serious results to their financial and economic systems. But that risk, to a greater or less degree, must be accepted if partition is to be proceeded with at all: it cannot be eliminated entirely. Subject to these reservations, however, we think that the financial and economic needs of the Arab and Jewish States may now be said to have been provided for satisfactorily;

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and we should be prepared with the aforesaid reservations to report that the boundaries which we have recommended under plan C will give a reasonable prospect of the eventual establishment of self-supporting Arab and Jewish States. It would then remain for His Majesty's Government to consider whether, if the plan of partition which we have put forward should in other respects appear to them equitable and practicable, it is better to accept the financial liability involved than to reject partition entirely in favour of some other alternative.

508. We add two brief comments before concluding this part of our report—

(i) If His Majesty's Government should decide that an arrangement of this kind offers a satisfactory means of overcoming the financial and economic difficulties of partition, it is tempting to go further and provide a similar solution for certain of the administrative difficulties which we have noted in the course of our enquiry. If inter-area communications—railways, posts and telegraphs (including telephones)—were reserved for administration by the Mandatory, at any rate for a period of say five years in the first place, there is no doubt, we think, that the public would be better served than if they were split up among the three Administrations. We realise, however, that, for political reasons, broadcasting could not be made a reserved service, except by agreement between the States concerned.

(ii) If any term were needed to describe the constitutional procedure which we have suggested, it might be " economic federalism " ; and that, in fact, was the term used of a somewhat similar scheme by a Jewish witness who had made a special study of this subject. The same witness, when asked why he was not content that the states should be set up under partition and then left to form an economic federation if they wished, replied : " I am convinced . . . that that would be a policy of suicide. The first thing that would inevitably happen would be the pull of the Arab State towards Damascus and Baghdad instead of towards Jerusalem and Haifa. It is inevitable." That is a pregnant comment. We are far from wishing to hinder a movement in the direction of closer union between the Arab State and the other Arab countries ; but we are convinced that if that should come about it will be to the interest of the Jewish State that room should be made for them to be included in the same political and economic circle. It seems to us to be one of the advantages of the plan we have just proposed that, if the political outlook for such a development should be favourable, but it should be thought prudent to move tentatively in the matter and to encourage the parties to enter as a first step into an economic agreement, such an arrangement

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will be far easier to bring about if the areas comprising Palestine and Trans-Jordan are already grouped together in a customs union than if they had been economically isolated. There is force in the criticism that has often been made against partition that, considered merely as an abstract policy, it is retrogressive. Whether economic federalism will lead ultimately to political federation we cannot venture to prophesy; but that it should do so would not be altogether surprising; and we think that meanwhile both Jews and Arabs may be disposed, after the weary and bitter struggle of the past year, to look with some favour on a plan which provides that in one respect at least, if only in the form of a customs union and a common system of communications, Palestine shall still remain whole and undivided.

CONCLUSION

509. We can now sum up the position. The question whether partition is practicable involves considerations of two kinds: practical and political. The former concern chiefly finance and economics; the administrative difficulties are great, but they cannot be called insuperable, if the will to find a solution is present. But the financial and economic difficulties, as described in this chapter, are of such a nature that we can find no possible way to overcome them within our terms of reference. Rather than report that we have failed to devise any practicable plan, we have proposed, in paragraph 506, a modification of partition which, while it withholds fiscal autonomy from the Arab and Jewish States, seems to us, subject to certain reservations, to form a satisfactory basis of settlement, if His Majesty's Government are prepared to accept the very considerable financial liability involved.

There remain the political difficulties. We cannot ignore the possibility that one or both of the parties may refuse to operate partition under any conditions. It is not our duty, as a fact-finding Commission, to advise what should be done in that event. But there is still the possibility that both sides may be willing to accept a reasonable compromise. We cannot feel confident that this will happen, but we put forward the proposals in this chapter in the hope that they may form the basis of a settlement by negotiation.

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511. We are very grateful to the police and military authorities for the measures which they took for our protection, and without which it would not have been possible for us to have toured the Districts with safety. Our police escort, which was in constant attendance, rendered excellent service.

512. We desire to make specific mention of those officers who were attached to us during our visit: Mr. D. G. Harris, Commissioner on Special Duty, whose constant help and advice were of the utmost value to us; Mr. H. Player, who was responsible for the arrangement of our tours and who most efficiently discharged his duties as a member of our staff; and Mr. M. G. Ionides, Director of Development in the Trans-Jordan Government, who accompanied us throughout our tour in Trans-Jordan.

513. Our two reporters, Mr. C. W. Dawson and Mr. F. E. Dawson, had to work at high pressure and their speed and accuracy greatly assisted us in our work.

514. We are very grateful for the assistance rendered to us by Mr. W. W. Clark and Miss I. G. Campbell, the members of our office staff who accompanied us from England. They discharged their duties, which throughout entailed working very long hours, with great efficiency and to our entire satisfaction. Miss M. Ruthven, who joined our office staff on our return to London, was of great assistance in dealing with the large amount of typing which had to be done.

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515. Finally, we desire to place on record our appreciation of the services of Mr. S. E. V. Luke of the Colonial Office, who acted as Secretary to the Commission. He had to bear an exceptionally heavy burden, and our special thanks are due to him. Knowledge, tact and devotion to duty are to be expected of a Secretary, and Mr. Luke possesses all these in abundance; but in him we found also an ability and judgment which have been of the greatest value to us throughout our enquiry.

J. A. WOODHEAD (Chairman),

ALISON RUSSELL (Subject to the reservations in the Note below),

A. P. WATERFIELD,

T. REID (Subject to the reservations in the Note below)

S. E. V. LUKE,
Secretary

19*th October*, 1938.

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NOTE OF RESERVATIONS BY SIR ALISON RUSSELL

1. For the following reasons it seems to me that plan B is to be preferred to plan C. By the terms of our reference we are required to take into account the plan of partition outlined by the Royal Commission, but with full liberty to suggest modifications of that plan; and it is submitted that plan B is more in accord with the plan of the Royal Commission; that it makes much less complete changes; that it is more likely to secure peace; and that it is more equitable and practicable than is plan C.

2. Our terms of reference commence as follows—

> Taking into account the plan of partition outlined in Part III of the Report of the Royal Commission, but with full liberty to suggest modifications of that plan, including variation of the areas recommended for retention under British Mandate,
>
> * * * * * * *
>
> (i) to recommend boundaries for the proposed Arab and Jewish areas and the enclaves to be retained permanently or temporarily under British Mandate which will—
>
> (*a*) afford a reasonable prospect of the eventual establishment, with adequate security, of self-supporting Arab and Jewish States;
>
> (*b*) necessitate the inclusion of the fewest possible Arabs and Arab enterprises in the Jewish area and vice versa.

3. The Report of the Permanent Mandates Commission to the Council of the League contained the following conclusion—

> Any solution to prove acceptable should therefore deprive the Arabs of as small a number as possible of the places to which they attach particular value, either because they are their present homes or for reasons of religion. And, further, the areas allotted to the Jews should be sufficiently extensive, fertile and well situated from the point of view of communications by sea and land to be capable of intensive economic development, and consequently of dense and rapid settlement . . . . (*a*).

4. The Secretary of State for the Colonies (Mr. Ormsby Gore, now Lord Harlech) stated before the Permanent Mandates Commission that—

> . . . . the basic principle of any partition scheme would be to leave as few Jews as possible in the Arab State; indeed, even under the proposals of the Royal Commission, that seems to be the main basis upon which it has acted, and would, I believe, be the only possible basis on which a frontier could be drawn. But, however you draw that frontier, it is inevitable that there will be a large Arab minority in the Jewish State. . . .*

(*a*) Policy in Palestine, January, 1938 (Cmd. 5634), Appendix 1.
* id., Appendix 1.

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5. The Royal Commission stated—

> The natural principle for the partition of Palestine is to separate the areas in which the Jews have acquired land and settled from those which are wholly or mainly occupied by Arabs.*

The Royal Commission drew their map so as to include the areas in which the Jews have acquired land and settled. (Map 3.) It will be observed that this map did, in fact, include areas which are mainly or wholly occupied by Arabs.

6. As regards the establishment of the Jewish State, there are two principles to be considered, and these principles often conflict—

(*a*) that the Jewish State should contain such areas as afford a reasonable prospect of the eventual establishment, with adequate security, of a Jewish State ;

(*b*) that the fewest possible Arabs and Arab enterprises should be included in the Jewish State.

The problem is this—

(*a*) if the areas allotted to the Jews are to afford a reasonable prospect of the eventual establishment of a Jewish State, then those areas must of necessity include areas which are wholly or mainly occupied by Arabs ;

(*b*) if areas which are wholly or mainly occupied by Arabs are not to be included in the Jewish State, then no Jewish State can, in my opinion, be established.

It is a question of degree and whether in each case :—

(*a*) the establishment of a Jewish State, or

(*b*) the exclusion from the Jewish State of areas wholly or mainly occupied by Arabs,

is to be the governing factor in deciding whether an area is or is not to be included in the Jewish State.

7. It is not possible to understand the position in Palestine without a knowledge of the historical events which have led to that position. Those events have been finally recounted in the Report of the Royal Commission. It is essential to bear in mind the Jewish support which was given to the Allies in the Great War, and that the Jews have expressly been declared to be in Palestine " as of right and not on sufferance."† There are 400,000 Jews in Palestine, one third of the total population.

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* Report of the Royal Commission, page 382.

† June, 1922. Cmd. 1700, page 19.

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8. As regards the Arabs, the Royal Commission wrote—

Their co-operation was unquestionably a factor in the success of the campaign which culminated in the capture of Jerusalem on the 9th December, 1917, and in the final expulsion of the Turkish forces from Palestine in the following autumn. The open revolt of the Sherif, moreover, had a marked effect on the wavering sympathies of other Arab tribes than those of the Hedjaz. It was the Sherif's own people, however, who bore the brunt of the actual fighting. The Arabs of Palestine did not rise against the Turks, and, while some Palestinian conscripts deserted, others continued fighting in the Turkish army. But it must be remembered that to revolt in the desert was far easier than to revolt in a country still in Turkish hands and subject as the British invasion proceeded to increasingly rigorous treatment. As it was, the Turks were seriously embarrassed by their inability to count on the loyalty of the population ; and within their lines the Syrian nationalists were engaged in active sedition for which some of them paid the price on the gallows.*

As regards the Jews, the Royal Commission wrote—

The fact that the Balfour Declaration was issued in 1917 in order to enlist Jewish support for the Allies and the fact that this support was forthcoming are not sufficiently appreciated in Palestine. The Arabs do not appear to realize in the first place that the present position of the Arab world as a whole is mainly due to the great sacrifices made by the Allied and Associated Powers in the War and, secondly that, in so far as the Balfour Declaration helped to bring about the Allies' victory, it helped to bring about the emancipation of all the Arab countries from Turkish rule. If the Turks and their German allies had won the War, it is improbable that all the Arab countries, except Palestine, would now have become or be about to become independent States.†

9. Partition is an attempt to do justice between the conflicting claims of different nationalities ; and under our terms of reference it was clear from the first that any plan of partition must necessarily involve the inclusion of minorities in the states to be created. It does not seem, therefore, that it is admissible for the Commission to consider whether, as an abstract principle, it is or is not just in any circumstances to subject any minority to any majority without the consent of that minority.

10. The Commission have been appointed to gather "the necessary materials on which, when the best possible scheme has been formulated, to judge of its equity and practicability."‡

11. (*a*) As regards plan A, I agree that that plan cannot be adopted.

(*b*) As regards plan C—

(i) Instead of the partition of Palestine into an Arab State, a Jewish State, and an Enclave safeguarding the Holy Places,

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* Report of the Royal Commission, page 21.

† Report of the Royal Commission, page 24.

‡ Policy in Palestine, January, 1938, (Cmd. 5634), Appendix 1.

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the figures of population and land for the areas under plan C are as follows—

	Population.	*Land in dunums.*
Jewish State	280,400	1,257,800*
Arab State	453,000	7,393,500*
Three Mandated Territories ..	660,200	6,971,700*†

(ii) The Arabs decline to discuss partition in any form.

(iii) In my opinion, an offer to the Jews of a state of the size proposed in plan C does not comply with the obligations to them.

(iv) Our terms of reference instruct us to take " into account the plan of partition outlined in the Report of the Royal Commission, but with full liberty to suggest modifications of that plan." It is not suggested that these modifications must be confined to no more than matters of detail; but to cut out three-fourths of the entire Jewish State, as that state was proposed in the Royal Commission's plan, cannot, in my opinion, be held to be a " modification " of that plan within our terms of reference. I do not feel that it is necessary for me to criticise plan C in detail.

(*c*) As regards plan B—

Having regard to our terms of reference and to all the circumstances which we have to take into account, it is considered that plan B is, for the reasons hereafter appearing, much more in accord with the plan proposed by the Royal Commission, and also that it may be held by some of the authorities concerned in the matter to be a more equitable and practicable plan of partition than is plan C.

12. The figures of population and land in the Jewish State under plan B are as follows—

	Arabs.	*Jews.*	*Total.*
Population	188,400	300,400	488,800
Land (in dunums)—			
Citrus land	56,000	129,400	185,400
Other cultivable land ..	1,391,400	694,600	2,086,000
Uncultivable land ..	813,100	253,500	1,066,600
*Total land ..	2,260,500	1,077,500	3,338,000

* Excluding roads, railways, rivers and lakes.

† This estimate does not include 10,577,000 dunums of desert land in the Southern Mandated Territory.

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13. The differences between plan B and plan C can be seen on comparing maps 9A and **10.** They may be summarized as follows—

(*a*) Under plan C, the Galilee highlands, the Huleh Basin, the Beisan area, the Plain of Jezreel, the Plain of Esdraelon, and Haifa and the surrounding areas, are excised from the Jewish State as proposed by the Royal Commission, and are to be a Mandated area until such time as the Arab and Jewish inhabitants agree to some other form of government. All the evidence in our possession points to the conclusion that it will be some time before such an agreement can be arrived at, and the Mandate may be considered as a continuing Mandate.

(*b*) Under plan B, those areas, with the exception of the Galilee highlands, are to remain in the Jewish State. The Galilee highlands only are to be constituted a Mandated area.

(*c*) The Sharon Plain area of the Jewish State is the same in plan B and plan C, save that, as maps 9A and 10 show, a small triangular area in the north-east is included in plan B and excluded from plan C. This small triangular area in plan B has the better military boundary : it would have the effect in plan C of making an awkward salient.

(*d*) The area of the Jewish State south of the Jerusalem Enclave is the same in both plans.

(*e*) Apart from the Southern Mandated Territory, and apart from the small triangular area mentioned in (*c*), the Arab State is the same in both plans.

(*f*) The Jerusalem Enclave is the same in both plans.

(*g*) As regards the Negeb.

This has been divided into two areas : the Unoccupied area and the Occupied area. I agree with what is proposed for the Unoccupied area ; but, for reasons given in paragraph **18** I consider that the Occupied area should form part of the Arab State.

14. Plan B is now to be considered. It is shown on map **9A.**

15. As regards the Galilee highlands.

(*a*) It will be observed that the whole of the Galilee highlands are cut out from the Jewish State as proposed by the Royal Commission, and constituted a Mandated area. I have great doubt whether the cutting out of more than one-third of the entire Jewish State as proposed by the Royal Commission's plan, without substituting any other substantial area in compensation, can properly be considered a " modification " of that plan ; but here what has been called the second principle is encountered. In the Galilee highlands so excised there are 88,200 Arabs and 2,900 Jews ; and of these 2,900 Jews, 2,000 live in the town of Safad, and 250 in the town

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of Acre*. I feel driven to the conclusion that this area cannot properly be included in the Jewish State, and should form a Mandated area. This mandate would no doubt be a continuing mandate in the same way as the mandate dealing with this area under plan C. It is not desired to write anything which may be deemed to encourage resistance on the part of the Arabs, but it is considered that in these mountainous regions the Jewish State would find it difficult to enforce order without employing means which could not be approved.

(*b*) Palestine has been searched for areas which, if allotted to the Jewish State, might in some measure replace the Galilee highlands, but, save in the empty desert, every area is inhabited by Arabs, with few Jews or none ; and such areas could not properly be included in the Jewish State. I regret it, but the facts are so.

16. As regards the Huleh Basin, the Beisan area, the plain of Jezreel, the plain of Esdraelon, and Haifa and the areas surrounding it (in this paragraph for convenience called " these areas ")—

(*a*) as shown on map 9A, these areas are to form part of the Jewish State in plan B. These areas are substantially as proposed by the Royal Commission, except that they are slightly increased by including an area to the east of Lake Tiberias, and an area to the south of the Hejaz Railway.

(*b*) The figures of population and land for these areas are as follows—

	Arabs.	*Jews.*	*Total.*
Population	132,900	74,300	207,200
Land (in dunums)—			
Citrus land	500	3,600	4,100
Other cultivable land ..	835,900	485,200	1,321,100
Uncultivable land ..	584,300	154,500	738,800
†Total land ..	1,420,700	643,300	2,064,000

It is clear that, while there is a preponderance of Jews over Arabs in the whole Jewish State as proposed by plan B (300,400 Jews and 188,400 Arabs) there is at present a considerable preponderance of Arabs over Jews in these areas. We are informed, however, that the Jews are ready and waiting to bring in very great numbers of immigrants into these areas. These immigrants will be employed on military and police duties, in making roads, in reclaiming land, in afforestation, and the like, pending their settlement on the land or their employment in urban occupations.

* These figures do not include the population and land of the suggested Nazareth Enclave (*see* chapter IV).

† Excluding roads, railways, rivers and lakes.

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(*c*) In plan C, as shown on map 10, in addition to the Galilee highlands, the whole of these areas has been cut out of the Jewish State as proposed by the Royal Commission. Here the two principles are clearly shown in conflict, and it is to be decided whether—

(*a*) the establishment of a Jewish State, or

(*b*) the exclusion from the Jewish State of areas wholly or mainly occupied by Arabs,

is to be the governing factor in deciding whether these areas are or are not to be included in the Jewish State. If these areas, in addition to the Galilee highlands, are to be excluded from the Jewish State, then about three-fourths of the entire Jewish State as proposed by the Royal Commission's plan are to be cut out of that state. To reduce the area of the Jewish State as proposed by the Royal Commission's plan to one-fourth of its original area cannot, it is submitted, be considered as a "modification of that plan," however widely our terms of reference may be construed.

(*d*) The Royal Commission's plan was based, as they themselves state in chapter XXII of the Report, upon what they called the natural principle for the partition of Palestine, namely, the separation of the areas in which the Jews have acquired land and settled from those which are wholly or mainly occupied by Arabs. Map 9A shows how this principle applies in plan B.

(*e*) It is to be observed—

(i) In these areas 643,300 dunums are owned by Jews: a much greater area than the area, 436,100 dunums, owned by Jews in the whole of the proposed Jewish State under plan C, though, of course, the latter contains a large area of citrus land. It is not, in my opinion, conceivable that the Jews will agree that these considerable areas of land actually owned by them should be excluded from the Jewish State.

(ii) These areas contain in all 2,064,000 dunums,* of which 643,300 dunums are actually owned by Jews; and the total area of the Jewish State under plan C is 1,257,800 dunums,* of which 436,100 dunums are actually owned by Jews; the proportion in each case is thus nearly the same, namely, one-third.

(iii) The total area of the proposed Jewish State under plan C, 1,257,000 dunums* (including both Arab and Jewish land), is very little greater than the area of the land actually owned by the Jews in the Jewish State under plan B, 1,077,500 dunums.*

(*f*) As regards the possibilities of additional agricultural settlement in these areas. As has been stated in paragraph 286, according to estimates given to us by Jewish witnesses, the absorptive capacity of the Huleh Plain, including the area to be developed under the

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* Excluding roads, railways, rivers and lakes.

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Huleh drainage scheme is, in terms of agricultural population only, 39,000, and that of the Plains of Esdraelon, Jezreel and Beisan (North) 22,100 over and above the total present population of those areas. Besides these, allowance must be made for additional settlement in Haifa Bay area and in the hills and upland country to the south and east of Galilee for which separate estimates are not available, but which must amount to a considerable number. We do not take such a favourable view of the possibilities as do the Jewish witnesses, and it is a matter which is beyond my knowledge, but I agree with the Director of Agriculture when he writes—

> I do not think too much importance should be attached to any estimates at the present time as they doubtless depend largely on the interpretation by individuals as to what is or may be cultivable, and these figures may be subject to considerable modification when proper soil surveys of the land have been undertaken.

The Jews take a sanguine view, and we have seen ourselves the work which has been done by them in Palestine. Jerusalem developed ; Haifa developed ; Tel Aviv created on a piece of sand, a feat which the Royal Commission rightly describe as startling ; the maritime plain, which was only sparsely populated and only thinly cultivated, now turned into a rich province, thickly populated, green, and flourishing ; Esdraelon, stated by the Royal Commission to have been for the most part marshy and malarious, now drained and supporting healthy agricultural communities ; and the settlements showing irrigated plantations, hillsides cleared of rocks and planted with vines, and the uncultivable hilltops planted with trees. It has been alleged that the Jews have acquired the best land in Palestine. It does not appear to me a fair statement. That much of the land now in possession of the Jews has become the best land is a truer statement. The Royal Commission described the position at the end of the War as follows—

> The population, still overwhelmingly Arab in character, eked out a precarious existence mainly in the hills. On the plains, where life and property were less secure, such irrigation works as had existed in ancient times had long disappeared. Oranges were grown round Jaffa, but most of the maritime belt was only sparsely populated and only thinly cultivated. Esdraelon for the most part was marshy and malarious.*

It was impossible not to be impressed when inspecting some of the bare rocky places where Jewish settlements have been or are in course of being made. Such remarkable efforts may well disturb statistics.

(*g*) As regards the question of Jewish settlers replacing Arabs in these areas. In the despatch dated the 23rd December, 1937, from the Secretary of State for the Colonies to the High Commissioner for Palestine (published in Cmd. 5634)† it was announced that His Majesty's Government had not accepted the Royal Commission's proposal for the compulsory transfer in the last resort of Arabs

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* Royal Commission Report, page 6. † Appendix 1.

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from the Jewish to the Arab area. On behalf of the Jews it was also made clear to us that Jewish opinion would be opposed to the exercise of any degree of compulsion. No large scale voluntary transfer appears to us to be possible. But it seems to me that a movement, considerable if slow, of Arabs who possess capital would take place from these areas into the Galilee highlands, into Arab Palestine, and into the great areas of the other Arab States. An experienced official who came before us stated that the effect of offering Arabs high prices for their land would be that they would take the money and would emigrate and buy land in Trans-Jordan, and that this would be done gradually. I cannot share the view that it is always necessary to treat the Arab as if he were a person unable to look after his own interests. As has been said in paragraph 179 the Arab has a deep attachment to his ancestral lands, and so far as I can judge, he is not less shrewd than a peasant in any other country; and the peasant, as a rule, has a very lively sense of his own advantage. It does not appear to me that to permit an Arab to sell his land for three or four times its value, and to go with the money to a different part of the Arab world where land is cheap, can be said to " prejudice " his rights and position within the meaning of Article 6 of the Mandate for Palestine. Indeed, the attempts that have been made to prevent the sale of land by Arabs have been resisted. It is right, however, that the greatest care should be taken to ensure that, on a sale of Arab land, Arab tenants should be provided with sufficient land on which to live, as prescribed by such legislation as the Cultivators (Protection) Ordinance.

(*h*) It is urged in paragraph 205 that the inclusion of these areas in the Jewish State would be opposed by the Arabs and that it would not lead to peace. But as has rightly been said, paragraph 220, uncertainty as to the political future of Palestine has undoubtedly been from the outset one of the principal causes of the present unhappy relations between Arabs and Jews; and what is needed is a clear statement of policy which shall enable both races to know as precisely as possible under what form of Government the citizens of the new states will live. It seems to me that it is of the utmost importance to get the maximum certainty over the maximum area as rapidly as possible. In the Jerusalem Enclave different considerations as to immigration of Jews and Arabs arise, and as regards the Jerusalem Enclave I agree with what has been proposed. But in these areas it is essential that decisions should be clean cut. Any scheme for " facilitating Jewish settlement " in the Northern Mandated Territory (within which territory these areas are proposed to be included under plan C), no matter what provisions are made for safeguarding the Arabs; or for the acquisition of land by the Jews for the consolidation of existing holdings; or for purchasing or leasing land with the permission of the Mandatory Power; or for reviewing the position after ten years, or the like, will be regarded by the Arabs as mere subterfuges for the purpose of

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bringing in further Jews, so that ultimately the whole area will become Jewish ; and, encouraged by the result of their efforts, the Arabs will continue strenuously to resist the further immigration of the Jews into these areas. The only hope of peace seems to me to be a clean-cut decision as to the areas in which Jews can own or lease land, and as to the areas in which they cannot own or lease land at all. This decision being made and enforced, it is hoped that the position will be recognized and peace gradually ensue ; but if the matter is left in doubt, then, in my opinion, there is little or no hope of matters settling down. If that is so, then there is a greater chance of peace if these areas are to be within the Jewish State than if they are to be included in an entity with such an uncertain political and practical future as is proposed for the Northern Mandated Territory.

(*i*) No further land in the Mandated area of the Galilee highlands should be sold or leased, either directly or indirectly, to a Jew or any Jewish body. No further Jews should be admitted into the Mandated area of the Galilee highlands for the purpose of cultivating land. The small areas in the Mandated area of the Galilee highlands already owned by Jews might be allowed to be cultivated by the Jews at present upon those areas ; but no additional Jews to be admitted upon those areas, which could well be used for the purpose of exchange with areas held by Arabs in the Plain of Esdraelon.

As regards the entry of Jews into the Arab State or Arabs into the Jewish State, that will form a question for the states to determine when they are set up. Until the Arab State is set up, no further land in the area proposed to form the Arab State should be permitted to be sold or leased, either directly or indirectly, to a Jew or any Jewish body. Until the Jewish State is set up, no further land in the area proposed to form the Jewish State should be permitted to be sold or leased, either directly or indirectly, to any Arab or Arab body living or carrying on business outside that area.

(*j*) The question of a defensible boundary of these areas is discussed in paragraphs 196 to 197. It is not always clear to me whether the defensible boundary is for defence against a force armed only with rifles and machine guns ; or is for the Jews against an attack by the Arabs, or for the Arabs against an attack by the Jews, or for the Mandatory Power against or in accord with the Arabs or Jews ; or whether the topographical features of the country only were being considered ; or whether the combatants were assumed always to be on an equal footing as regards personnel and equipment ; or whether foreign powers were envisaged as taking part in the matter.

It is not possible for me to express an opinion on these military matters, but I venture to agree with the opinion of the military authorities expressed in paragraph 36 that it is impossible to divide the country into areas which, having regard to the conditions of modern warfare, have any real military significance.

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It is clear that Arabs in the highlands have a better defensible boundary than Jews in the plains ; but it would seem that the question of equipment must also be considered. The Arabs, if they can be formed into a state, will have little money to spend on armaments ; whereas the Jewish State, if it were attacked by the Arab State, could no doubt command trained troops led by experienced army officers, and aided by the resources of modern military equipment, such as aeroplanes, heavy guns, and mechanized transport. Hitherto the Jews have defended their settlements with success, and there is no reason to suppose that they would be less successful in the future. In any case the question of a defensible boundary for the Jewish State should not be an argument to deprive the Jewish State of an area which the Royal Commission considered should be allotted to them, if the Jewish State feel that they are quite competent to defend that boundary. The evidence is that the Jews have no fear at all that they would not be able to take over the security of any area handed over to them.

(*k*) As a reason for excluding these areas from the Jewish State and making them a Mandated area, it has been urged in paragraph 198 that it would be unfair to deny their independence to the Arabs of Galilee in order to secure the safety of these areas of the Jewish State ; but, in my opinion, the position is precisely the same under plan C, and I find it difficult to accept the arguments adduced in paragraph 232. Under plan C the Galilee highlands are no less a homogeneous area almost entirely inhabited by Arabs, and their claim to independence is no less and no greater than under plan B ; nor could their claim be any the more easily resisted because the safety of a Mandated area is concerned instead of the safety of a Jewish area. The question of a defensible boundary is also dealt with, paragraph 197 ; but if Haifa is to remain under Mandate, as proposed in paragraph 221, then the military authorities advise that an additional defensible boundary, about half-way across Galilee, will be necessary for its safety. The remaining part of the Galilee highlands would be so small as to be incapable of being made into a state or part of a state.

(*l*) It has also been suggested in paragraph 220 (*d*) that the Northern Mandated Territory might, with the joint consent of the Arabs and Jews, become some form of independent territory ; or even, with the like consent, become part of an existing Jewish or Arab State. So distant a hope should not be an argument to deprive the Jewish State of areas which the Royal Commission considered should form part of that state.

17. As regards the town of Haifa. The figures of population and land are set out in paragraph 202. It may perhaps be added that, according to Jewish estimates, many of the Arab buildings erected in and after 1933 were intended to be and were in fact

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leased to Jews. It is estimated that in the autumn of 1937 as many as 14,000 Jews were living in Arab-owned houses, while only a few hundred Arabs were living in Jewish-owned houses.

It is suggested, paragraph 203, that the proper course is to retain Haifa in Mandated Territory so that it can be developed for the benefit of both Arabs and Jews. It is said that the town cannot fairly be made part of the Jewish State because, among other things, a number of Arabs come to Haifa from other parts of Palestine to seek employment. But if Arabs of the Arab State are to be allowed freely to compete for employment there, as indicated in paragraph 295 (i), the result of the competition of unlimited supplies of cheap labour would have an unfortunate effect on the labourers of that town.

Another reason given in paragraph 202 why Haifa should not form part of the Jewish State is that it is the only deep-water port in Palestine. The Royal Commission stated that, as Haifa was the only existing deep-water port on the coast, they considered that, in the interests of Arab trade and industry, the Arab State should have access to it for commercial purposes. They recommended that the Jewish treaty should provide for the free transit of goods in bond between the Arab State and Haifa. This recommendation should be carried into effect.

The town was expressly included in the Jewish State by the Royal Commission's plan, and, taking that plan into account, it does not appear to me that any reason of which the Royal Commission were unaware has been shown for excluding it from that state.

From a military point of view it is necessary that Acre should be in the same hands as Haifa, or in friendly hands. If Haifa is to be in Jewish hands that condition would, it seems to me, be satisfied by Acre being under the Mandatory Power. The question of Galilee has already been dealt with in paragraph 15.

It is proposed by the Royal Commission that Haifa should be kept for a period under Mandatory administration. But it is submitted that any such temporary mandate would give rise to doubt and trouble ; and that when the rest of the Jewish State is ready to be brought into existence, Haifa and its environs should form part of it.

All the necessary naval and military facilities in Haifa and throughout the Jewish State will be willingly afforded by the Jews to the Mandatory Power by treaty.

18. As regards the Negeb. This forms the Southern Mandated Territory under plan C, and in that plan it is divided into two areas : the Unoccupied area and the Occupied area.

(i) As regards the Unoccupied area. I agree with what is proposed, but I can only regard the development of this area as doubtful. Even if water could be found there, which so far as our information

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goes can only be regarded as a remote possibility, the great cost of using it for irrigation purposes would seem to deny a successful outcome. I agree that the Jews should be given the opportunity of attempting this development : they have done many remarkable things in Palestine. But in any case, the question of this desert should not be counted in judging the equity and practicability of any plan of partition.

(ii) As regards the Occupied area. I consider that this area should form part of the Arab State. The proposals contained in paragraph **257** seem to me to present administrative difficulties. Again, a Mandate established " with a view both to the protection of the interests of the existing inhabitants and to the promotion of Jewish settlement therein," would be regarded with the deepest suspicion by the Arabs. And I doubt whether the Jews would be prepared to undertake " the greater part of the experiments in development " so that the local inhabitants should have the first claim to benefit by any improvements in cultivation which may be found possible as a result of these experiments and which will enable the local inhabitants to adopt a reasonable standard of life. Progress in this area must be slow ; and the unrestricted reproductive capacity of the Bedouin Arabs would keep pace with the benefits conferred on them by Jewish industry. It is submitted that if this area became part of the Arab State, Jewish immigration for development purposes, by permission of the state, would be more likely to be successful than under a Mandate with a political future which, in spite of the assurances which it is proposed to give, will, I fear, appear to the Arabs to be uncertain.

19. The financial and budgetary prospects are dealt with in chapter XVIII and especial reference to plan B is made in paragraph 386. It is submitted, however, that there is no sufficient reason why the Arabs of Palestine should be considered as entitled as of right to that high cost of social services which they have enjoyed as a result of Jewish immigration and which has resulted in such rapidly increasing Arab population. It seems to me that the Arab State might reasonably be satisfied with the standards of Trans-Jordan and the neighbouring Arab States.

20. In dealing with the general question of partition, a great deal of emphasis has been placed upon the Arab resistance. It is necessary, in my opinion, not to allow judgment to be determined solely by a consideration of what the Arabs may do, without also considering what the Jews may do. The evidence given us shows that during the troubles the Jews have behaved themselves extraordinarily well ; that they have received a great deal of provocation from the Arabs and that, as a whole, they have not countered that provocation ; and that their discipline in obedience to their leaders argues well for the success of the Jewish State in any contention with the

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Arab State. It is clear that the restraint shown by the Jews is due to no fear of the Arabs. I was impressed with the manly bearing of the youthful Jews, though some shewed traces of an arrogance " which seemed to suggest that they felt themselves to be members of a superior race destined before long to be masters of the country." The Jews number at present 400,000, one-third of the entire population of Palestine. They are the modern and progressive part of the population ; and, as a very experienced witness warned us, if they feel that the pledges which have been given definitely to them are to be torn up, they would resent any provocation from the Arabs and might take the law into their own hands, and that the result might be a kind of civil war which would give rise to a position many times worse than the present position.

21. Finally, in coming to a conclusion on plan B, paragraph 11 and map 9A should once more be considered. I regret that plan B can only offer to the Jewish State an area so small (considerably smaller than the county of Norfolk) and so inconvenient, but the facts as to the Arab population which I have set out above appear to me to be inescapable. As regards the Arabs, they should reflect on the immense areas of land over which Arabs have obtained sovereignty as the result of the Allied success in the Great War, to which the Jews contributed in no small measure.

22. Subject to the above, I am and have been in accord with the Chairman and my colleagues on this Commission. I should like to be allowed to say how greatly I have appreciated their patience and consideration.

ALISON RUSSELL

19th October, 1938

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NOTE OF RESERVATIONS BY MR. REID

The scheme for confining the Jewish State to the part of the Maritime Plain indicated in plan C seems to be the least objectionable that can be devised under our terms of reference. We were directed to include as few Arabs and enterprises owned by Arabs in the Jewish State as possible and vice versa. Plan C, however, may be at variance with our terms of reference, inasmuch as 821,700 dunums of land owned by Arabs is included in the Jewish State. This is nearly 70 per cent. of the total area of that state, 1,257,800 dunums. Incidentally, it is nearly double the area of land, 436,100 dunums, owned by Jews in this proposed Jewish State. Whether the inclusion of 54,400 Arabs in the Jewish State with its total population of 280,400, of whom 226,000 are Jewish, is in accordance with the terms of reference referred to above is not easy to decide, as a definite formula was not laid down therein. In fact, it is not possible to set apart an area for a Jewish State which is Jewish both as regards population and enterprises. I was forced by our terms of reference to search for a Jewish area where the population at least was predominently Jewish ; and the only possible place to find such an area large enough to form the territory even of a miniature state, was that part of the Maritime Plain set aside as the proposed area of the Jewish State under plan C.

2. That plan of partition, however, is in my opinion impracticable, as is the scheme set out in plans A and B. The criticisms applicable to plan C apply also as a rule to them, but with greater force. We have devised and tested several plans of partition on communal lines and I cannot envisage any scheme which would not be even more defective and lead to stranger results than that set out in plan C, whatever formulae were laid down in our terms of reference.

3. Our task was to devise the best possible scheme of partition and then to state if, in our opinion, that scheme was practicable. In giving reasons for my conclusions on this subject I have deemed it to be my duty to state the relevant facts and opinions, my own included, necessary to enable the implications of the proposal to partition Palestine according to plan C to be realized.

Absence of Consent

4. In the Statement of Policy of July, 1937, His Majesty's Government expressed a hope that it would be possible to give effect to a scheme of partition which might secure "an effective measure of consent on the part of the communities concerned." This refers to the consent of both Arabs and Jews. In my opinion no plan of partition of the Government of Palestine into three administrations would be practicable without the consent of both Arabs and Jews.

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From the evidence, oral and written, placed before us by Jews, it is clear that many Jewish associations and individuals are opposed to partition of any kind. Even the views of those Jews willing to discuss partition, as expressed at Zionist assemblies, to us and elsewhere, indicate that Jews would not accept such schemes as those set out in plans B or C, which would reduce the area assigned by the Royal Commission for a Jewish State. If so, this would seem to make both impracticable. The Jews concerned are highly developed politically and otherwise, and it is not clear how partition could be justly imposed upon them.

5. From the statements placed before us, oral and written, and judging by the violent opposition shown by the Arabs to partition since the policy of partition was announced, it is clear that the Arab community, who form about two-thirds of the population of Palestine, would not accept either of the schemes B or C proposed. This also makes both impracticable in my opinion and also any scheme of partition. Here again the people concerned are not primitive folk. A distinguished Jew, Lord Samuel, speaking with a knowledge of Palestine such as only the holding of high office for several years in that country can give, said in the House of Lords in July, 1937, " The Arabs are intensely aware of their history—that they acquired great territory, built up a remarkable culture and gave to the world one of its greatest civilizations."

6. Proof of Arab opposition to, and of the probability that the Arabs would violently resist the enforcement of, any scheme of partition and that their resistance would continue even if the scheme were implemented, is afforded by the fact that no witness suggested that partition would be peaceably accepted by the Arabs. Below are given selections from views expressed to us in Palestine by persons whose opinions it would be rash to disregard, owing to the witnesses' impartiality and long experience or special knowledge of Palestine and of its communal problems.

7. One witness stated to us early this summer, " When partition goes through you will have to have a barbed wire right round it . . . . with pill boxes every half kilometre . . . . Hostility in our lifetime there will be." This witness also said that the Arabs would not submit to Jewish rule.

8. Another witness said, " There would be a violent reaction to anything which gives any part of Palestine to the Jews." He did not think that any of the plans of partition discussed by us with him would promote peace.* He gave as his own opinion and that of others whom he consulted, people like himself in intimate daily touch with political realities in Palestine, that the Arabs could not be conciliated as long as there was any question of setting up a Jewish

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* Only certain officials were shown proposed plans of partition.

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State and that if a plan similar to plan C were implemented, anything up to open rebellion would occur. He thought that if Galilee were excluded from the Jewish State that would not prevent even its inhabitants from rebelling against partition. He envisaged strife between the Jewish and Arab States.

9. Another witness, speaking as early as last June before the Arab rebellion had fully developed, said, " From the very moment a report in favour of partition, with His Majesty's Government's acceptance of that report, comes out, you will get in this country accelerated rebellion which will gradually rise to an absolute crescendo when you put your boundary commission on the spot to demarcate. If you include Galilee in the Jewish State I think it is certain to add more fuel to the flames." He said that all classes of Arabs oppose proposed Jewish rule and that they would oppose partition by " force of arms," and that, even if both Arabs and Jews got people to come forward to take up the task of governing, " it would not work properly."

10. Another witness said that even if only a small Jewish State were set up on the Maritime Plain, the Arabs " would just bide their time, that is all."

11. Another witness said, " There is really no hope in my view of the Arab ever accepting partition . . . any form of partition." Another said, " I think that the Arabs will oppose any scheme of partition." Another, speaking with prescience last June, said that the Arabs would not accept the *fait accompli* if partition were implemented and : " I believe the opposition will become more serious," and that the Jewish " State would be a disaster for the Jews rather than for the Arabs."

12. Another witness, when asked if the Arabs would not acquiesce after a period of forcible repression, said, " It is just like pressing down a rubber ball ; when you take the pressure off, the rubber ball resumes its natural shape." Also—" It would be reasonable to say that any attempt to put any one of these plans (of partition) into execution against the wish of one or other or both parties would result in disorders of not less extent than at present and probably greater." Also—" Failing agreement between the parties, no plan of partition can materialize unless the Power implementing the plan is prepared to take the most sweeping and vigorous measures to enforce it, amounting to large scale and lengthy operations, in fact possibly to an occupation for a number of years." Again—" Unless there is a spirit of consent on both sides you cannot effect partition."

13. Some of these witnesses said that the C plan of partition would produce less resistance than others ; only one suggested that after compulsion, but without force, " in the long run " the Arabs might acquiesce in it.

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None of the witnesses in the above category suggested that the Arabs would consent to partition or accept quietly the *fait accompli*, if partition were implemented. These statements give a balanced view of the written evidence referred to. They all tend to indicate that partition would not produce peace, but that was the tenor of the evidence, while there was absence of evidence to the contrary.

14. Coming now to Jewish views, Lord Samuel said with prescience in July, 1937, in the House of Lords, " The Arab national movement . . . is not to be disposed of easily and lightly, simply by using the strong hand and applying methods of coercion."

In September, 1938, a group of about twenty leading anti-partitionist Jews holding responsible public and private positions in Palestine, sent us a memorandum in which they stated, referring to the hope that the policy of partition would restore peace—" This sanguine assumption has already proved to be baseless." Again—" Arab resistance to Jewish colonization will have a far wider scope for effective action following partition and will gravely threaten the tiny, new Jewish State from the very commencement." " The British garrison will be compelled to participate in the defence of the newly created frontiers." " The Jewish State will have to maintain an army which is estimated at a minimum of 30,000 men." The Jews generally recognize frankly that they must have armed forces and they envisage Arab hostility if a Jewish State is set up. A large association of anti-partitionist Jews from many countries sent us a memorandum stating, " The establishment of the sovereign States, a Jewish and an Arab one, is an utterly impracticable proposal, and would mean the perpetuation of murder and warfare on the holy soil, with the most tragic consequences for Jew and Arab in Palestine and elsewhere."

15. The predictions of the witnesses quoted, who spoke in May and June, 1938, have been generally vindicated by events. Their predictions might prove to be wrong in the future ; but it is much more likely that they would prove to be right. I have quoted them at some length because their views coincide with mine and because I desire to show that my views are not merely those of a single individual equipped with the experience of a brief three months stay in Palestine. My views are similar to those held by persons best qualified by real knowledge to give sound advice on the subject. In my opinion the C plan of partition would not bring peace before or after its implementation. I cannot envisage any other plan of partition which would not be more defective than plan C in this respect.

16. Apart from opinions, it is a fact that the announcement of a policy of partition, whose main object would be to secure peace, turned the disorders which followed the rejection of the proposal

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to set up a Palestine legislative council, into a national Arab rebellion in Palestine which was assisted by Arabs resident in certain countries outside Palestine. It would seem to be contrary to commonsense therefore to imagine that the acceptance or implementation of the C plan of partition would restore peace, that the "wound" of partition, as the Royal Commission called it, would be healed by driving home the weapon that caused the wound. Our report states, "If a plan of partition is approved which brings under the political domination of the Jews large numbers of Arabs in an area where the Jews are not already in a substantial majority, the introduction of such a plan will be resisted by the Arabs . . . . by open rebellion." I agree, but I think that the Arabs would also resist by force partition according to plan C.

Absence of Equity

17. But, it may be urged, the Mandatory Power should not yield to, but should crush, internal rebellion and Arab resistance from outside Palestine as well, drive partition through and restore peace by force. If the scheme of partition set out in plan C were obviously just, there would be some grounds for the adoption of such a course. If not, and if the attempt is made to implement that plan, resistance is likely to be in proportion to the sense of national wrong felt by the rebels and the protracted sequel to be generally disastrous to Arab, Briton and Jew.

18. His Majesty's Government, moreover, has announced that it will not implement a scheme of partition until it is assured that such scheme is equitable and practicable. One responsible witness said that it was not a reasonable proposition to cut out the Maritime Plain and set up a Jewish State there regardless of the fact that the majority of the people in Palestine are Arabs, and that it was not fair to set up a small non-Arab State against the will of the population of the whole of Palestine. Another said that to force Jewish rule on Arabs in the Jewish State "is immoral."

19. From a respected Jewish source a memorandum came to us stating that sovereignty in a Jewish State "could not, unhappily, be said to be derived from the consent of the governed." It then quoted President Wilson's words, "Peoples and provinces are not to be bartered about from sovereignty to sovereignty as if they were mere chattels or pawns in a great game."

20. It is clear that no Arab, Jewish or other body in Palestine asked for partition. The Royal Commission did not submit their policy or plan of partition for the views of people in Palestine whose criticisms would have been invaluable. The Commissioners themselves put forward the policy admitting that their scheme was tentative and not worked out in detail. We have now worked out

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in detail plan C, which appears to me to be the best possible geographical scheme of partition, and it seems likely that the people of Palestine, who never asked for partition, and have had ample time to think about the policy of partition, would reject this scheme.

21. Under the scheme a small part of Palestine would be set aside for the Jewish State ; but it is the richest Arab and Jewish part, the area most favoured by nature, by reason of its fertile soil, good rainfall and abundant underground water resources. Land planted with citrus in bearing is most valuable being worth several hundred pounds per acre. In recent years the Arabs have increased their citrus-planted land six-fold and they own about half the citrus-planted land in Palestine. Almost forty per cent. of the total citrus land owned by Arabs would be included in the Jewish State. Partition would deprive Palestine for ever of a large part of its best territory, with its wealth, revenues and population, Arab and Jewish. Abraham Lincoln denied the rights of States desiring partition to secede from a Federation ; but here the proposed Jewish State would be abstracted from a unitary State, probably against the wishes of the whole people of Palestine. If their votes were taken on plan C, possibly the majority against the proposal, reckoning Arab and Jewish votes, would approach to 100 per cent.

22. The establishment of the Mandate and the validation therein of the national home or *foyer* is a *fait accompli*. It honoured a promise made in the stress of war. But the proposal to partition the country is quite another matter, a revolution that should not be carried out by trustees, without the consent of the people of Palestine, who are not primitive folk devoid of political consciousness, incapable of making a decision on this subject.

23. The Arab residents in this tiny Jewish State, which would be about as large as an English county, a little over 300,000 acres in extent, would, if the state were set up, be forced to change their nationality, or to leave their homes and occupations there, unless they became citizens of the State. There would be about 54,400 Arabs within the State and nearly a million in other parts of Palestine united in their detestation of Jewish rule. It would not appear just to these people whose ancestors have lived in Palestine for thirteen centuries, that 54,400 of their number should be placed by their trustees under the rule in the Maritime Plain of Jews, nearly all of whom immigrated from overseas into that Plain during the last eighteen years. Others besides Palestinian Arabs, Christian Arabs included, and Jews might object to the proposed scheme of partition. Even if Great Britain were at peace with other nations, but still more at a time when she might be involved in war, the hostility of the people of Palestine created by partition and of sympathizers with them from outside Palestine might cause difficulties serious or otherwise.

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24. The removal of part of Palestine from the rest cannot be justly carried out against the wishes of, and without consulting, the whole population of Palestine, merely because in that part there is a preponderance of Jews. The partition envisaged is not morally strengthened by the fact that Arabs own 821,600 dunums of land as against 436,200 dunums owned by Jews in the proposed Jewish State.

25. It was necessary to give a defensive boundary on the hills for the railway and for the proposed Jewish State. For this and other reasons the eastern frontier was pushed inland away from the coast where the Jews have settled, with the result that villages entirely owned by Arabs would be included in the Jewish State. Out of the many Arab villages included in this area, I have selected fourteen in one of which there are about thirty-one Jews. In it and the other thirteen there are about 6,000 Arabs. These villages, Arab according to the population or the property test, are to be included in the Jewish State.

26. As a further example of the strange results that would follow the adoption of plan C, the case of Tulkarm may be mentioned. It is a centre of Arab nationalism and, mainly for this reason, was excluded from the proposed Jewish State, though its exclusion would entail a diversion of the railway line costing the British taxpayer £100,000. But most of the land belonging to the townsmen of Tulkarm would be in the Jewish State and the town is the market-place for many Arab villages to be included in that state. When international boundaries separate the Arab people of these places from their village lands and from their political and social centres, the Arabs will not consider the procedure to be just. They would ask why their friends and fields should suddenly be placed in a foreign land.

27. On the eastern boundary of the proposed Jewish State this unavoidable separation of Arabs from their lands by the proposed frontier north of Tulkarm would frequently be caused. The Arabs who would thus be separated from their land will not see any justice in our demarcation of boundaries. These people would have the problem of living in one state with their little bits of land close by in another state. They would probably be compelled by force of circumstances to sell their land in the Jewish State.

28. The Arabs in the Jewish State will almost certainly not be an assenting contented minority, and one can imagine the political, social and economic results of partition for them. On the other hand, one can foresee the disastrous strife in store for the Jews, whether they finally subdue their Arab subjects and neighbours or not. Here, as in other parts of Palestine, the British are likely to be drawn into the conflict permanently or sporadically, under their treaty obligations with the two States. Hitherto the British have been

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what a witness called the "whipping boy" in politics between Arab and Jew. After partition, and indeed before it could be implemented, they would probably be unfortunate soldiers fighting in the communal war for one side or the other. The Arabs are very politically minded and the flaws in a policy which seems to them to be crudely unjust, would be exposed by educated Arabs who know how to think politically, to the League of Nations and to the Parliament and Government which will have to justify a policy of partition.

29. Reliable witnesses assured us that the Arabs to be placed in the Jewish State would fight and that they would be assisted by Arabs from outside that state. In my opinion this view can be safely accepted. If partition is to be implemented it will be necessary to provide for this contingency on the borders of the Jewish State as well as for similar contingencies elsewhere in Palestine from the time the policy is officially adopted till it is implemented by crushing resistance. Even if the military and police forces could crush Arab opposition, the trustees of Palestine, the League and British Government have to consider the cost in reputation to themselves and in lives and wealth to all concerned. In my opinion plan C is here again impracticable because the British people would not tolerate the injustice and waste of life and property entailed in driving through it or any more defective plan of partition.

30. Proceeding to other aspects of the subject, one notes that the Royal Commission gave great prominence to the aspirations of the Arabs to independence. These aspirations do exist and have been voiced by Arab political leaders. But in my opinion, based on that of persons with greater knowledge than mine, the chief incentive to Arab unrest is the fear of the economic and political domination of the Jews. They detest the idea of Jewish rule and therefore detest partition. Their economic fears require explanation.

31. The Jews are steadily purchasing, with funds donated gratis by world Jewry, the land of Arabs, even at the present time when an Arab risks assassination if he sells his land to Jews. We are authoritatively informed that in future such land will generally be paid for from Jewish national funds. Arabs know from experience that land so purchased becomes Jewish for all time, that it cannot be leased to any non-Jewish tenants, and that a clause in the leases forbids the employment of non-Jewish labour on such land. Moreover, in non-agricultural industries owned by Jews, employers who might desire to employ cheap Arab labour, are persuaded, often very effectively, not to do so. And if the rates of wages for each community were effectively made the same by legislative enactment, the Arab worker might lose his main claim to obtain work in the majority of such Jewish concerns, save in Arab areas where it would be prudent to have a mixed labour force.

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32. Probably nothing has produced more communal ill-will in Palestine than this Jewish system of economic penetration. It affects all classes, but especially the mass of Arab workers. The Jews tell us that there would be no economic discrimination against Arabs in the proposed Jewish State, but, even with the best intentions, they would be faced with the claims of the unfortunate, persecuted Jews of Europe seeking refuge, land and work in Palestine. The Jews candidly stated to us, " We should be untrue to our trust if we employed Arabs, because our primary purpose is to employ Jews." The laws of the state might be equitable, but it would be too much to expect a Jewish government to force Jews to employ Arabs at the same wages as those paid to Jews.

33. The Arab land owner who sells his land to the Jews generally secures a very high price. The Jews do not buy land for the extension of the National Home on commercial principles and need not do so. With loss of Arab ownership the right to work on the land even of Arab tenant or owner cultivator may disappear. The Arab or other tenant in the Jewish State could retain his right to work on a *lot viable* if he appealed to the provisions of the Protection of Cultivators Ordinance, assuming that this Ordinance were retained. But if he forgoes his right for a cash consideration or other cause, he quits the land also. The Arabs are at present, even under British rule, being slowly " squeezed out " of the land as the local phrase expresses it. Some witnesses predict that the Arabs in the Jewish State would sell their land and that Arab workers there would become a proletariat and try to drift into the Mandated Territory in search of a living.

34. The livelihood of thousands of rural Arab workers living in the hills outside the Jewish State would also be jeopardized by the creation of that state. A leading Zionist Jew with exceptional knowledge, speaking of the orange groves in the Maritime or Coastal Plain in a large part of which it is proposed to set up the Jewish State, said to us—

> In the orange districts during the high season of harvests you will find tens of thousands of Arabs going in and earning a great deal ; in fact it constitutes a very substantial part of their wealth.

We have also been authoritatively informed by Jews that once the Jewish State is set up no Arabs will be allowed to enter it from outside to work for wages. And it is not only in respect of the great citrus industry, but in other occupations also, that the Maritime Plain enables Arabs from the hills to eke out at present an existence by earning wages in that Plain.

35. There is grim competition in Palestine not only for land but for work ; and the setting up of a Jewish State in the Maritime Plain would be a serious blow to the large Arab proletariat in the

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hills, for whom no system of unemployment benefit exists now, or would be possible after partition in the insolvent Arab State or Mandated Territories unless the British taxpayer met the cost. A scheme which threatens thousands of Arabs with destitution by removing from their native land one of its chief centres of employment is imprudent and would be difficult to justify.

36. Poverty is the root cause of much of the discontent in Palestine. An experienced witness said to us, "The most serious problem in Palestine is land hunger." In the Statement of Policy of His Majesty's Government in 1930 it was alleged that 29·4 per cent. of Arab families in the villages were landless. The accuracy of the figures was challenged and no reliable figures exist on the point. But it is certain that there is in town and country a large class of landless Arabs. There probably was even before the Jews began purchasing land on a large scale after the war. Moreover, the number of Arabs with holdings too small to support those dependent on them is large. With a rapidly rising population the economic problem of the future inhabitants of Palestine is a serious matter. The majority of us have decided that Haifa will be needed to supply work to some of the Arabs living outside that town. But the setting up of a Jewish State would be a serious blow to Arabs from the hills who now earn wages also in the area proposed for the Jewish State. In August, 1938, in the eighteen Arab towns for which rough, approximate statistics were kept, about 65 per cent. of Arab workers were unemployed. There were no figures available for the rural villages. The figure quoted referred to abnormal times, but it reveals a state of affairs which is most serious. There was Jewish unemployment at the same time, the figure for May, 1938, being 11,000 wholly and 9,000 partially unemployed. If a Jewish State were set up, the Arab proletariat might well be driven by want to seek food and wages in the Mandated Territory and thus become a burden on the British taxpayer. Some witnesses thought this would happen; others did not. Jewish enterprise in Palestine has increased the wealth of the country enormously. The Arabs have benefited thereby; but the two races are now in competition for land and labour, the needs of both being great in the extreme. Partition in my opinion would not solve this difficult fundamental economic problem of Palestine; it would possibly make the problem insoluble, except by continuous subsidies from the British taxpayer.

37. Continuing the examination of plan C, it will be observed that the majority of us propose that Haifa should be a Mandated territory. In my opinion no Mandatory could undertake responsibility for the security of Palestine, partitioned or otherwise, if this town, its environs and port were in the possession of a foreign State. If the Haifa town area be excluded from the rest of the Northern Territory, it transpires that in this area, north of the proposed

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Jewish and Arab States, there are 180,000 Arabs and only 29,000 Jews : 2,715,000 dunums of land owned by Arabs as against only 675,000 dunums owned by Jews. If the Galilee hill area be omitted, there would be left 83,000 Arabs and only 26,000 Jews, while the land owned by Arabs would be 1,375,000 dunums as against 639,000 owned by Jews. Yet, it is proposed to make the whole of this northern area, not part of the Arab State, but Mandated Territory. It is stated in chapter XI that the whole northern area could not be assigned to the Arab State without serious injustice to the Jews and a violation of the charge to include the fewest possible Jews and Jewish enterprises in the Arab State. I agree. But it is proposed to set up a Jewish State where there are 54,400 Arabs and 821,700 dunums of land owned by Arabs, as against 226,000 Jews and only 436,100 dunums of land owned by Jews. Surely what is sauce for the goose is sauce for the gander.

38. Even if the unique principle of disintegrating a country without the compelling necessity of *force majeure*, by selecting bits of it where the numbers of one community or its property exceed greatly those of another community of fellow citizens, without consulting the whole people, is to be adopted as a guide to dismemberment, it should be consistently followed. We are not dealing here with primitive people but with Arabs who can think politically and would almost certainly resist discriminating and indefensible treatment, even in the detested parcellation of their native land.

39. Moreover, the Arabs will see, in the scheme of immigration proposed in this northern territory, the intention of establishing there in the future a Jewish State when the Jews by extending towns where they would be allowed to reside and by other settlement in the area become a majority. The clause stating that this cannot occur until most of the minority race agree to it, will not inspire any confidence in people whose native land would have been disintegrated by then, without consulting the people of Palestine, under a disruptive scheme of partition based largely on the counting of heads communally and the value and extent of property of each community in selected places.

40. Somewhat similar criticisms apply to the southern area, which is also to be Mandated Territory, though it is overwhelmingly Arab. It must not be thought that I am opposed to further Jewish immigration. What I urge is that, if the C plan of partition were adopted, it would be a great obstacle to the equitable settlement of this immigration problem. Immigration is one thing ; immigration which may culminate in periodical additions to the Jewish State is quite another thing.

41. Passing now to an examination of the three administrations to be set up under plan C, the plain fact emerges that, granted peace, a solvent independent Jewish State could be set up at once. That

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would be an irrevocable act unless, owing to conquest of that state, or the consent of its Government, it ceased to exist. Mandated Territories rendered insolvent permanently by the abstraction of the area of the Jewish State from the whole, would be set up, financed by the British taxpayer. Lastly, on the unlikely assumption that the Arabs would co-operate in setting up their state, there would be an insolvent Arab State also living on the British taxpayer.

42. Our terms of reference requested us to devise Arab and Jewish States in which there would be " a reasonable prospect of the eventual establishment, with adequate security, of self-supporting Arab and Jewish States." But this Arab State would not be self-supporting even if peace were established in Palestine ; it would probably become more and more insolvent as time went on owing to increase in population, natural poverty, and to the destitution caused in it by partition. This administration would not be a state as long as its existence depended on annual British subsidies.

43. It would be politically difficult to set up a Jewish state and to postpone the setting up of an Arab State till it could be self-supporting, that is, indefinitely. So, to get over this difficulty a revolutionary departure from the ordinary, essential principles of granting British subsidies to an insolvent country is recommended. It is proposed to set up a quasi-independent, insolvent Arab State without control of its administration by the subsidizer.

44. The proposed Arab State would contain less than half the Arab population of Palestine. There would be in it some 9,000 unfortunate Jews under the rule of Arabs resenting partition. The Jewish State would contain little more than half the Jews in Palestine. Jewish and Arab minorities would be protected by the written undertakings suggested in chapter XVI. It need not be assumed that these clauses would prove to be more effective than similar clauses have proved to be elsewhere. There are no sanctions for breach of them, nor could external sanctions be easily devised to curb the actions of sovereign Arab or Jewish States. Our terms of reference have indeed led to strange results. Any attempt to partition Palestine on communal lines is bound to lead to strange results.

45. Our terms of reference did not prohibit us from considering whether a scheme of partition were equitable or not. The equity of a scheme is a vital, relevant factor in testing its practicability. In fact, in chapter X our report applies the equity test to plans A and B. I, in turn, apply it to plan C. I am not trying to show that partition is in principle inequitable or bad. The partition of Scandinavia into Norway and Sweden was equitable as far as I can recollect, and it was carried out peacefully with the consent of the two peoples concerned.

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46. Before passing to some concrete aspects of the problem I would quote here the words of Burke—

> It is with the greatest difficulty that I am able to separate policy from justice. Justice is itself the great standing policy of civil society; and any eminent departure from it, under any circumstances, lies under the suspicion of being no policy at all.

In my opinion the C scheme of partition, and others more defective still, would be an eminent departure from justice, and therefore impracticable.

Absence of Security

47. The problem of defence that would be created if plan C were implemented would be very difficult. A distinguished Jew, Lord Reading, speaking in the House of Lords in July, 1937, said—

> Of all the dangerous places in which to set up an unsupported, inexperienced State, I wonder whether at the present moment you could find a more perilous spot than the eastern end of the Mediterranean.

The defence against a large Power or Powers of the new Jewish State, even if, as is unlikely, it were at peace within, and on its frontiers with the Arabs after partition had been implemented, would need the protection of naval, air and land forces. These could only be supplied in the main by Great Britain whose commitments overseas are already considerable.

48. Foreign policy and defence are interconnected and, while the sovereign Jewish State could create international conflict by its foreign policy, Great Britain would have to accept the military consequences. Great Britain has taken this risk elsewhere, but before taking it in the case of the proposed Jewish State, it would be necessary to ask why the risk should be taken and it would be difficult to give a satisfactory answer. If the Jewish State surrendered the control of its foreign policy constitutionally and in fact to the British Foreign Office, that state would become what the proposed Arab State would be, a state only nominally independent. Similar difficulties would be created in respect of the proposed Arab State, except that it would be a bankrupt depending for its very existence on the British Mandatory and therefore not likely to have an independent foreign policy.

49. Coming to the purely executive side of the defence problem, I quote some remarks made to us by witnesses whose views and knowledge cannot be brushed aside, views which I accept. The opinion reiterated was that the only defensive boundary for Palestine is the present one. Additional boundaries within Palestine would entail for Great Britain far more burdens than she can bear, in my opinion. The additional boundaries under plan C would exceed 300 miles. It seems to me that—

(*a*) Partition is impracticable, because it is not possible to set up a truly defensive boundary.

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(*b*) No scheme of partition can be implemented militarily if the division of races is such that Great Britain would have to go and help both sides.

(*c*) Unless people are prepared to accept boundaries as a basis on which both parties try to live together, they are only boundaries topographically.

A group of Palestinian Jews holding very responsible positions wrote to us—

> The complications resulting from the creation of at least three different kinds of administrative territory with numerous corridors and enclaves must immediately exercise a fatal effect on public security.

Our task was to propose the creation of two states possessing adequate security. As this is not feasible, in my opinion, partition is also impracticable on this ground.

50. In my opinion, Arab and Jew, in spite of the communal rancour roused by the proposed policy of partition, can co-operate in Palestine and live at peace with each other, but the first essential to the restoration of peace is the abandonment of all schemes for carving up the country by artificial boundaries, of plans for its dismemberment and the logical sequel thereto, removal of Arabs from their homes and occupations to make room for Jews. These schemes seem to me to be unjust, unwise and impracticable.

Dismemberment

51. Coming now to civil administration, it will be seen from the map illustrating plan C that that scheme would establish for the governance of the little country of Palestine an administrative labyrinth. The British Mandatory Government would control an enclave stretching from the Jerusalem environs to the sea. But it would also rule two additional blocks of territory in the north and the south from which it would be separated by the proposed Arab and Jewish States. The Jewish State is broken into two blocks by the Jerusalem enclave. The Arab State is also in two blocks, one of which, its chief town and port, Jaffa, is an enclave within the Jerusalem enclave. But these seven blocks of land are not the only sub-divisions under our plan. The Northern Mandated Territory is to be sub-divided administratively into three portions with regard to the vital problem of purchase of land by Jews, namely into the Haifa area, the Galilee hills and the Galilee plains. The Southern Mandated Territory is to be sub-divided into two areas, the occupied and the unoccupied, again with reference to the same vital problem. Furthermore, the Northern or Southern Territories or parts thereof may under the C scheme develop in future into additions to the Jewish or Arab States or into States neither Jewish nor Arab. This would involve the creation of further enclaves of Mandated Territory at places like Haifa and Nazareth. Truly, the disintegrating policy of partition would lead to strange results.

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52. It is hardly necessary to explain in detail the administrative complications which the C scheme of partition would cause even if there were friendly relations between the peoples of the three administrations. There would be great difficulties created for people separated by state boundaries from their lands, those needing passports, border passes, or identity cards for journeys, especially in the case of poor and illiterate people. A person travelling from Haifa to the southern boundary of Palestine on the main coast line, in a railway journey of 133 miles, would pass through six blocks of territory, no two contiguous blocks of which would be ruled by the same Government.

53. The difficulty of preventing and detecting crime would be great, where escape across a state boundary near at hand to the criminal would be so easy, and an efficient system of inter-state extradition could not function unless there were inter-state accord.

54. If different customs duties, quotas, or bounties existed for different parts of Palestine, the customs administrative problem would be truly formidable if smuggling were to be prevented with tolerable efficiency. But it is proposed to overcome this difficulty by a customs union. I do not think that this is feasible.

55. A system of communications by rail, road, and wire exists which, like other branches of administration, was devised for all Palestine. To allocate equitably the thoroughfares, rails, marshalling yards, workshops, telephone and telegraph wires, and the capital and debts connected therewith, the staffs who would not, perhaps, desire to continue their service in foreign states and the pension rights of those staffs, between three administrations would be a most difficult task. If the division were carried out it would render administration most difficult and expensive. Incidentally, the Palestine railways, now running at a loss, would, save in the Jewish State, be insolvent after partition and would have to close down unless the British taxpayer met the deficit.

56. The administrative upheaval in all directions would be great; before initiating it the objective must be worth while and it does not seem to be so. However, the civil administration could, if peace prevailed, function, regardless of expense and exasperating inconveniences. But why should this administrative labyrinth be created? The answer is, the immediate object would be to set up a Jewish State, for the proposed Arab State would be a state only in name. In my opinion it is not a practicable proposal to break up the administration of Palestine into three units in the manner proposed in the C plan of partition for such an objective. The main object of partition was to secure political peace by setting up two sovereign states and Mandated Territory; its result, if the C plan were adopted,

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would almost certainly be the opposite of this. Partition, if so, would not only be an enormous obstacle to the efficient government of the small bits of territory concerned, but also, in my opinion, the chief obstacle to the restoration of peace. The problems of Palestine are too complex and intangible to be settled by carving out blocks of territory and population in the manner proposed.

Absence of Solvency

57. Budget estimates for Palestine in the future can be of little value unless it be assumed that peace is restored. Rebellions have no respect for financial estimates, destroy revenue-producing activities, impede the tax collector and cause new and unexpected objects of expenditure. There are in chapter XVIII financial estimates for partitioned Palestine based on the assumption that peace were restored. In my opinion peace will probably not be restored until the policy of partition is abandoned. But, on the assumption that peace were restored and, in my opinion, it can be permanently secured, I put forward a possible average budget estimate for unpartitioned Palestine. It was made in consultation with competent advisers for average times, not for periods of boom caused by large imports of Jewish capital or otherwise, and allows for the economic havoc wrought up to August, 1938, by the rebellion. It assumes the absence of a catastrophic slump in industry. My figures are net, the gross figures include such items as gross Post Office receipts, etc.

Average net revenue.		*Average net expenditure.*
£P.		£P.
3,750,000	Recurrent	3,200,000
	Special	100,000
	Extraordinary ..	250,000
	To meet deficits on Railways, etc. ..	200,000
	Total	3,750,000

These figures are obtained without allowing for enhanced taxation and without reducing any current service except that of police.* At present the cost of police exceeds £1,000,000 a year, a sum about twice the normal cost of this service before the recent disturbances began. Even in the troublous year 1936-7 the actual expenditure on police and prisons was only £P.744,619. In my estimate I have allowed a sum of £P.800,000 under this head; but further reductions would be possible if peace were permanently secured, while revenue,

* The figures given in chapter XVIII were based on the Government estimates for 1938–39, and anticipate a deficit for all Palestine of £P.365,000. But these estimates included provision of £P.1,022,068 for police and prisons.

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especially customs revenue, might considerably exceed my estimate in such circumstances. My estimate of average revenue is conservative for a peaceful Palestine. It thus transpires that if Palestine were not partitioned, and if peace were restored, the country could probably meet the full cost of its civil administration. Its military defence in normal times would probably cost about £300,000 per annum. It would not be excessively optimistic to hope that the country could meet that expense, too, if the Mandatory did not agree to meet it, by gradual reduction in expenditure on police and by increase in revenue if peace were permanently secured.

58. My colleagues in their estimates for partitioned Palestine do not allow for reduction in the police vote, but state that special expenses caused by partition would absorb any savings likely to occur in this item. Before adopting the C plan of partition it would be well to contrast the balanced budget set out above, omitting military expenditure with the budgets of the three administrations envisaged after partition which also omit not only British military expenditure but also the military expenditure of the Arab and Jewish States. The Jewish State, if peace prevailed, would have in respect of civil administration a surplus and the other two administrations would be insolvent, their combined annual deficit on civil administration alone being about £P.1,000,000 a year. If Trans-Jordan were added to the Arab State the deficit would be greater still. Comparison of the unfortunate financial position of the Palestine Government to-day during rebellion with that of the three Governments to be set up under plan C, functioning in peace, on the assumption that rebellion had ceased, does not seem to me to serve any useful purpose. The proper comparison is between the finances of a peaceful Palestine undivided and a peaceful Palestine partitioned into three administrations. I have given the salient figures in each case. The figures given in our report for a partitioned Palestine are probably as reliable as any others that can be envisaged and they deal a staggering blow to the policy of partition. A huge annual deficit in the case of two administrations would be created by partition and it would probably be permanent, for the taxable capacity of the proposed Arab State and Mandated Territories is poor and inelastic. The deficit might well increase in the future. Should this price be paid for partition in the hope that peace, justice and good government would be secured thereby in Palestine ?

59. A customs union is proposed in our report as an economic necessity for the Jewish State and the need of free trade within Palestine is stressed. But if partition does not take place, existing free trade and fiscal union within all Palestine will continue. Before destroying this unity one must see some probable advantage and I can only see economic, fiscal and other disasters if partition under plan C is adopted. If the Jews or Arabs are to accept by treaty a customs union as a condition precedent to partition, it is unlikely

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that any Arab body would agree to this union, if by rejecting it, partition could be avoided. The Jews tell us that they would desire to have complete fiscal freedom in a Jewish State and they too would probably reject the idea of a customs union. Even if it were formed at the outset it would scarcely be permanent as the Jewish State's economic position would be quite different from that of the other two Governments.

60. But a further blow to the independence of the two states is proposed by the suggestion to set up a customs board selected by the three administrations whose decisions all three Governments would normally accept. It is difficult to see how any Government could surrender its responsibilities to a board composed of representatives of three Governments in a matter vitally affecting its economic welfare. Such an arrangement is not likely to be permanent. But combined with this is a proposal that the actual collection of customs revenue should not be carried out by each of the three Governments, but by the Mandatory. He is also to have the final voice in respect of Customs policy as long as Great Britain grants subsidies. And the customs revenue is to be pooled amongst the three Governments, not according to the region paying the duties, but on the principle of sharing according to needs, the Jewish State thus giving grants indirectly to the other two Governments. Finally, as all these devices would not make the budget of the Arab State balance, it is proposed that an additional sharing-out of the shares taken from the Jewish State should be made between the Mandatory Power and the Arab State, to the latter's advantage. These devices for reducing the deficit of the proposed Arab State at the expense of the Jewish State do not seem to me to be practicable. The Jews, in my opinion, would not consent to such a scheme, even if they were able to meet the cost of it after providing for their own armed forces. The overburdened British taxpayer is also not likely to consent to subsidize two Governments doomed to insolvency without good reason. The immediate object gained would be the setting up of a puny Jewish State. It is not easy to see how this token state could be of any conceivable use to the Jews, while it is easy to realize that its existence might be a permanent source of fiscal and political discord in Palestine and in places interested in Palestine. In my opinion the establishment of such a state would prove disastrous for the Jews.

61. The British taxpayer would have to face the combined deficit in the civil administration of the Arab State and Mandated Territories. But he would also have to face the military expenditure involved in defending all three areas. In my opinion, protracted rebellion would be the sequel to partition. If so, the cost of defence would be enormous. One well-informed witness states to us on this point, "There might be no limit to the cost." In my opinion, on financial grounds alone any form of partition of Palestine is impracticable.

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Conclusion

62. It may be said that one cannot make an omelette without breaking eggs, but it would not be easy to discover an omelette in any possible scheme of partition. Finally, in my opinion, if plan C were adopted, it would not and could not be implemented.

63. In stating that partition is impracticable I am in accord with nearly 100 per cent. of non-Arab and non-Jewish persons in Palestine, in direct contact with the problem, who by experience and impartiality are best qualified to judge. Probably most Arabs in Palestine and certainly many Jews in Palestine are of the same opinion. I am not a lonely recusant flying in the face of the facts or of the evidence.

64. I regret that I felt bound to disagree with the opinions of my colleagues and to write this lengthy memorandum; but the matter is of great importance and I had to place my dissentient views fairly fully on record. My conclusions are purely negative, but our terms of reference compelled us to devise a scheme of partition and then to state if it were impracticable. In my argument I have adhered strictly to the mission I undertook, made use of the freedom to judge which was a condition of acceptance of that mission, and have not put forward any solution as an alternative to partition.

T. REID

19*th October*, 1938

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APPENDIX 1

POLICY IN PALESTINE

Despatch from the Secretary of State for the Colonies to the High Commissioner for Palestine *

Downing Street,
23rd December, 1937.

SIR,

I have the honour to inform you that His Majesty's Government in the United Kingdom have had under consideration the Statement of Policy in Palestine issued in July last (Cmd. 5513), and the conclusions to be drawn from the resolutions on the subject which have been passed first by the House of Commons and subsequently by the Permanent Mandates Commission and the Council and Assembly of the League of Nations. A memorandum containing relevant extracts from the Statement of Policy and the resolutions in question, and containing also extracts from Ministerial statements, is enclosed for convenience of reference.

2. I feel that it is necessary to emphasize certain implications of the acceptance in principle by His Majesty's Government of the recommendations contained in Part III of the Report of the Royal Commission,† and to dispel if possible, the uncertainty which appears to exist in some quarters with regard to the course of action which His Majesty's Government have in view.

3. In the Statement of Policy His Majesty's Government have expressed their general agreement with the arguments and conclusions of the Royal Commission and their opinion that a scheme of tripartite division is the best and most hopeful solution of the problem. In view of the public attention that has been devoted to criticism of certain features of the tentative plan of partition which is outlined in Part III of the Report of the Royal Commission, I wish to make it clear that His Majesty's Government are in no sense committed to approval of that plan, and in particular that they have not accepted the Commission's proposal for the compulsory transfer in the last resort of Arabs from the Jewish to the Arab area.

4. In the opinion of His Majesty's Government the discussions at Geneva justify the undertaking of the further investigations required for the drawing up of a more precise scheme expressed in greater detail. The final decision cannot be taken in merely general terms, and the further enquiry will undoubtedly provide the necessary materials on which, when the best possible scheme has been formulated, to judge of its equity and practicability.

5. As you are aware, it has been announced that a further special body will be appointed to visit Palestine, and to submit to His Majesty's Government, after consultation with the local communities, proposals for a detailed scheme of partition ; and that it will be the task of this body to advise in due

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* Published separately as Cmd. 5634. † Cmd. 5479.

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course as to the provisional boundaries of the proposed Arab and Jewish areas and of the new British Mandated area, and also to undertake the financial and other enquiries for which the Royal Commission recommended that a Financial Commission should be appointed. The functions of this new body will be to act as a technical Commission, that is to say, its functions will be confined to ascertaining facts and to considering in detail the practical possibilities of a scheme of partition.

6. The terms of reference of the technical Commission will be as follows :—

" Taking into account the plan of partition outlined in Part III of the Report of the Royal Commission, but with full liberty to suggest modifications of that plan, including variation of the areas recommended for retention under British Mandate,

And taking into account any representations of the communities in Palestine and Trans-Jordan—

(i) to recommend boundaries for the proposed Arab and Jewish areas and the enclaves to be retained permanently or temporarily under British Mandate which will—

(*a*) afford a reasonable prospect of the eventual establishment, with adequate security, of self-supporting Arab and Jewish States ;

(*b*) necessitate the inclusion of the fewest possible Arabs and Arab enterprises in the Jewish area and vice versa ; and

(*c*) enable His Majesty's Government to carry out the Mandatory responsibilities the assumption of which is recommended in the Report of the Royal Commission, including the obligations imposed by Article 28 of the Mandate as regards the Holy Places ;

(ii) to examine and report on the economic and financial questions involved in partition upon which decisions will require to be taken, including—

(*a*) the allocation so far as may be necessary between the various areas of the public assets and public debt of Palestine and other ' financial obligations legitimately incurred by the Administration of Palestine during the period of the Mandate ' referred to in Article 28 thereof ;

(*b*) means to ensure that the financial obligations referred to above will be fully honoured in accordance with Article 28 of the Mandate ;

(*c*) the administration of the railways, ports, postal, telegraph and telephone services ;

(*d*) currency arrangements ;

(*e*) customs administrations and tariffs ;

(*f*) the budgetary prospects of the various Administrations to be established ;

(*g*) the preservation of the rights of civil servants in accordance with the provisions of Article 28 of the Mandate ;

(*h*) the treatment of industrial and other concessions ;

(*i*) the possibility of voluntary exchanges of land and population, and the prospects of providing by works of land development room for further settlement to meet the needs of persons desiring to move from one area to another ;

(*j*) the provision of effective safeguards for the rights of religious or racial minorities in the areas to be allocated to Arab and Jews respectively, including the protection of religious rights and properties."

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7. If, as a result of the investigations of the technical Commission, which will undoubtedly occupy many months, a scheme of partition is regarded as equitable and practicable by His Majesty's Government, it will be referred to the Council of the League for consideration. If the scheme is approved by the League Council, a further period will be required for the establishment of new systems of government under mandate in the areas concerned and, if the necessary consent is forthcoming, for the negotiation of treaties with a view to the eventual establishment of independent States. It may also be necessary, in the light of the Commission's report, for His Majesty's Government to give further consideration to the suggestion of the Permanent Mandates Commission that the Arab and Jewish areas should be administered temporarily under a system of "cantonisation" or under separate mandates. It is obvious, therefore, that, for some time to come, any action taken will be only of an exploratory nature.

8. I will communicate with you further in due course on the subject of the personnel of the Commission and its procedure.

I have, etc.,

W. ORMSBY GORE

High Commissioner,

General Sir Arthur Wauchope,

G.C.M.G., K.C.B., C.I.E., D.S.O.,

etc., etc., etc.

Summary of recent Statements and Resolutions

1. *Statement of Policy.*

In the Statement of Policy of July, 1937 (Cmd. 5513) it was stated that His Majesty's Government had been driven to the conclusion "that a scheme of partition on the general lines recommended by the Commission represents the best and most hopeful solution of the deadlock. . . . ."

"His Majesty's Government, therefore, propose to take such steps as are necessary and appropriate . . . . to obtain freedom to give effect to a scheme of partition, to which they earnestly hope that it may be possible to secure an effective measure of consent on the part of the communities concerned."

2. *Parliament.*

The House of Commons, on the 21st July, 1937, passed a resolution to the following effect:—

"That the proposals contained in Command Paper No. 5513 relating to Palestine should be brought before the League of Nations with a view to enabling His Majesty's Government, after adequate enquiry, to present to Parliament a definite scheme taking into full account all the recommendations of the Command Paper."

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3. *Statements by Mr. Ormsby Gore before Permanent Mandates Commission.*

" What I ask is that you should advise the Council that, in the light of our experience and our knowledge of Palestine, a solution on the lines of partition should be explored as the best and most hopeful solution of what the mandatory Power is itself convinced is, in fact, a deadlock. I do not ask you to approve a scheme of partition, or to settle these questions of defence, minorities, &c. All I ask you is to recommend that the door should not be closed to a solution by partition. I ask you to open the door and not to close it. I do not ask the Mandates Commission to commit itself finally, but to allow the mandatory Power to explore the solution which it thinks best in the circumstances, and to produce for the League in due course a more definite scheme for your later consideration." (Minutes of Thirty-Second Session, pp. 37–38.)

* * * *

" It was his belief that, in view of the actual wording of the Royal Commission's report, and in view of the mandatory Power's declaration that a deadlock had arisen and that its hopes of seeing Palestine evolve into a self-governing State, where Jews and Arabs would have reconciled their differences, had not been fulfilled, and in view of the fact that neighbouring Arab States had intervened, and in view of all the efforts sincerely made to work the mandate as drafted, he was satisfied that no British Government could administer Palestine on the basis of the existing mandate without considerable alterations." (Minutes, p. 169.)

* * * *

" The idea that it would be open to the United Kingdom or any other Power to carry on the existing mandate was an idea in which he hoped the Mandates Commission would not take refuge. He said frankly, not speaking for himself, but speaking on behalf of the United Kingdom Government, that the prospects of carrying on indefinitely on the terms of the existing mandate seemed to His Majesty's Government to be a commitment involving repression, involving continual friction and hostility between each of the two races, on the one hand, and the Administration on the other, as well as between the two races themselves, in a manner which could not inure to the advantage of any one of the three parties concerned—or, for that matter, to the credit of the mandate system or of the League itself.

" Mr. Ormsby Gore was satisfied that a new solution—a political solution, as he had described it—of the problem of Palestine must be explored in the interests of the future peace of Palestine, and, further, in the wider interest of the future relations between the Jews and the world of Islam, for the benefit of the suffering Jews in Europe, as well as for the benefit of the peace of the world. It was in the light of these broad political considerations that he came before the Mandates Commission, not as an administrator, but quite frankly as a politician, to say that, in his opinion, and in the opinion of His Majesty's Government in the United Kingdom, it was essential that a solution of what they regarded quite definitely as a deadlock should be explored." (Minutes, pp. 184–185.)

* * * *

" [Mr. Ormsby Gore] had certainly had no intention of conveying the impression that the Balfour Declaration was not still a binding obligation on both the League and the United Kingdom. Obviously, like the mandate, it was still a binding obligation, and would remain so until replaced by an independent Jewish State. It was only if the suggested plan of partition were accepted, and eventuated in the creation of a Jewish State, that the Balfour Declaration would reach its fruition and cease to be binding. Similarly, the mandate was binding until it was replaced by another régime in Palestine." (Minutes, p. 182.)

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" The Mandates Commission would see that the solution recommended by the Arab Higher Committee implied : first, the retention by the Arabs of the right to complete independence in their own land, which they described as the whole of Palestine ; second, the cessation (whatever that meant) of the experiment of the Jewish National Home ; third, the cessation of the British mandate and its replacement by a treaty similar to those existing between the United Kingdom and Iraq, the United Kingdom and Egypt, and France and Syria, constituting Palestine a sovereign State ; and, fourth, the immediate cessation of all Jewish immigration and of land sales to Jews pending the conclusion of the treaty. That solution, Mr. Ormsby Gore wished to say, quite frankly, was unacceptable to the United Kingdom Government if it were for the whole of Palestine." (Minutes, p. 191.)

* * * *

" I take it that the basic principle of any partition scheme would be to leave as few Jews as possible in the Arab State ; indeed, even under the proposals of the Royal Commission, that seems to be the main basis upon which it has acted, and would, I believe, be the only possible basis on which a frontier could be drawn. But, however you draw that frontier, it is inevitable that there will be a large Arab minority in the Jewish State, and it is therefore politically wise, and indeed necessary, that special provisions should be made for the legitimate safeguarding of the interests of that minority. And again, on the other side, though an appreciable number of the Christians will be in the proposed British mandatory enclave, there will be, in the proposed Arab State, however you draw that frontier, a considerable number of Christians." (Minutes, p. 37.)

* * * *

" Therefore, I grant that provisions for safeguarding minorities will have to be made over and above the ordinary provisions which are made in the ordinary minorities treaties operating under League auspices in many countries in Europe. . . . I see no reason why, in the case of Palestine, we should be strictly limited to the kind of procedure which operates in those European States." (Minutes, p. 37.)

4. *Permanent Mandates Commission.*

The Report of the Permanent Mandates Commission to the Council of the League on the work of its Thirty-second (Extraordinary) Session contains the following conclusions :—

" The Commission therefore considers that it is worth continuing the examination of the advantages and drawbacks of a new territorial solution. It appears quite natural and legitimate that the mandatory Power, rightly anxious to give satisfaction to the conflicting aspirations of Arabs and Jews in Palestine, and having failed to do so by the institution of a common administration for the whole territory, should be empowered to contemplate in some form or other the establishment of a régime in which these aspirations would each be satisfied in a part of the territory.

" This satisfaction cannot, of course, be complete. For the Arabs, any partition must necessarily involve the abandonment of a fraction of what they consider to be their hereditary patrimony. For the Jews, it could involve, together with a restriction of the scope of their national home, already limited, as they allege, by the exclusion of Trans-Jordan in 1922, a fresh reduction in its capacity of absorbing population.

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" Any solution to prove acceptable should therefore deprive the Arabs of as small a number as possible of the places to which they attach particular value, either because they are their present homes or for reasons of religion. And, further, the areas allotted to the Jews should be sufficiently extensive, fertile and well situated from the point of view of communications by sea and land to be capable of intensive economic development, and consequently of dense and rapid settlement. . . .

" The Commission would be failing in its duty if it did not draw the Council's attention to the delicate problem of the transfer of populations from one territory to the other which might be necessary if there was a partition. In order to guarantee that the advantages of such a transfer should outweigh the disadvantages, particular care would have to be given to ensure that it was carried out with the greatest fairness.

" As regards the proposal to withdraw the Holy Places from the domination of Arabs and Jews and place them under a special régime, the Commission thinks that such a step could not but be of advantage to general peace, provided that this régime was based on Article 28 of the present mandate. . . .

" While declaring itself favourable in principle to an examination of a solution involving the partition of Palestine, the Commission is, nevertheless, opposed to the idea of the immediate creation of two new independent States. . . .

" The Commission therefore considers that a prolongation of the period of political apprenticeship constituted by the mandate would be absolutely essential both to the new Arab State and to the new Jewish State. This apprenticeship might be carried on in one of two forms."

" Provisional cantonization " and " Two Mandates " are then discussed.

5. *Extracts from the Speech of the Secretary of State for Foreign Affairs at the 98th Session of the Council of the League of Nations, on the 14th September, 1937.*

" I would remind the Council that the Balfour Declaration itself had a dual character. On the one hand, it provided for the Jewish national home, on the other it laid down the condition that nothing should be done which might prejudice the civil and religious rights of existing non-Jewish communities in Palestine or the rights or political status enjoyed by Jews elsewhere.

" It is clear that under these provisions a twofold task was imposed upon the mandatory Power. It was under an obligation to further the establishment of the Jewish national home, and at the same time it was bound to do its best to guide the country as a whole along the path towards full nationhood. Indeed, the development of self-governing institutions is one of the objects specifically prescribed in Article 2 of the mandate.

" At the time when the mandate was drawn up by our predecessors it was clearly not contemplated that these two obligations would prove mutually incompatible. . . . No one, least of all the mandatory Power itself, or the Council of the League, who approved the form of the mandate, anticipated that the future would be entirely free from difficulties. But it was hoped that the two races in Palestine would so adjust their national aspirations as to render possible the establishment of a single self-governing commonwealth under a unitary Government. This hope has, unfortunately, not been fulfilled. The reasons for its non-fulfilment are admirably set forth in Chapter 20 of the report of the Royal Commission. . . . Stated briefly, their conclusion is that the attempt has failed, not from any fault on the part of the Administration, or from any hesitation in applying the mandate, but because the conflict between Arab and Jewish political aspirations, which was inherent in the situation from the first, has tended to be confirmed by certain provisions

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of the mandate itself. It has, moreover, been intensified, not only by the estranging forces of conditions inside Palestine, but perhaps even more by external factors beyond the control of the British Administration in Palestine.

" These external factors fall into two main sections. Firstly, there has been a growth of anti-semitism, and the development of new economic and social conditions, in certain European countries, which have resulted in increased desire on the part of the Jews, and increased pressure on His Majesty's Government to find room in Palestine for largely increased numbers of Jewish refugees. Secondly, there has been the growth of Arab nationalism throughout the Arabic-speaking countries and their increasing concern in the future political destiny of Palestine.

" I am anxious to avoid over-statement, but I do wish to say, with all the emphasis in my power, that these new factors, which no one could have foreseen when the mandate was drawn up and approved by the Council, have transformed the whole situation and have created a new set of conditions under which the policy which was contemplated some two decades ago, and which we have done our utmost to carry out ever since, has become definitely unworkable. . . .

" That is the situation in which His Majesty's Government come to the Council to-day. Palestine is a mandated territory administered by Great Britain on behalf of the League. The Palestine problem is not merely one that concerns Arabs and Jews, or one for which His Majesty's Government alone is required to find a solution. It is a problem that concerns the League as a whole. The mandatory Power can take no steps towards the modification of the mandatory régime without the authority of the League. His Majesty's Government clearly cannot proceed to work out the details of any scheme of partition, such as has been suggested by the Royal Commission, unless they are assured that they have the general approval of the Council in embarking on this task. It is for that general approval that I ask to-day.

" My colleagues will have seen the statement of policy issued by His Majesty's Government in the United Kingdom at the time of the publication of the Royal Commission's report. In that statement the opinion was recorded ' that a scheme of partition on the general lines recommended by the commission represents the best and most hopeful solution of the deadlock.' To that opinion we adhere. . . . . All I ask at this stage is that His Majesty's Government shall be given authority to proceed forthwith to work out the details of such a scheme, if possible in co-operation with representatives of both Jews and Arabs, it being understood that no scheme will be put into effect without further reference to, and approval by, the Council.

" The procedure that His Majesty's Government have in mind, if the Council give their general approval to the policy which I have outlined, is to appoint a further special body to visit Palestine, to negotiate with Arabs and Jews and to submit to His Majesty's Government in the United Kingdom proposals for a detailed scheme of partition. It would be the task of this body to advise, in due course, as to the provisional boundaries of the proposed Arab and Jewish States and of the new British mandated area, and also to undertake the financial and other enquiries for which the Royal Commission recommended that a financial commission should be appointed.

" At a later stage, a final and detailed boundary demarcation commission would need to be appointed. . . . .

" In the view of His Majesty's Government in the United Kingdom, partition is the only ultimate solution. It alone admits of the fulfilment both of Article 22 of the Covenant, which contemplates independence as the goal of all territories in the category of ' A ' mandates, and of the obligation to establish in Palestine a national home for the Jewish people.

" What His Majesty's Government contemplate is not a dual but a tripartite division of the country, for they take it from the terms of Article 28 of the existing mandate that it is the intention and wish of the League that the

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Holy Places, including the Christian Holy Places, should remain permanently under League supervision and control. The vast majority of the Christian Holy Places are in the three cities of Jerusalem, Bethlehem and Nazareth. The two latter are almost entirely Christian towns. In the old city of Jerusalem and its immediate environs are not only many historic religious sites, but the religious settlements of many faiths. We think it will be in accordance with the wishes of the vast majority of States Members of the League that, when contemplating the ultimate establishment of Jewish and Arab States in the Holy Land sacred to all three religions, these religious sites and institutions should be placed permanently in the care of a Power acting on behalf of and responsible to the League as a whole for what must always be a sacred trust. . . ."

6. *Council of the League.*

The Council of the League, on the 16th September, 1937, adopted the following resolution :—

" In view of the United Kingdom Government's statement of July, 1937, concerning the conclusions of the Royal Commission on Palestine ;

" In view of the preliminary opinion given to the Council by the Mandates Commission ;

" In view of the statement made by the Representative of the United Kingdom at the Council meeting of September 14th, 1937, and the discussion on the status of Palestine which took place at the same meeting ;

" Having regard to the intention expressed by the United Kingdom Government of pursuing the study of the problem of the status of Palestine while concentrating on a solution involving partition of the territory ;

" Recalling the assurances given in that connection by the Representative of the United Kingdom on the subject of immigration ;

" The Council :

" Agrees to the United Kingdom Government's carrying out the aforesaid study and taking such steps as it may entail ;

" And, while pointing out that the Mandate of July 24th, 1922, remains in force until such time as it may be otherwise decided, defers consideration of the substance of the question until the Council is in a position to deal with it as a whole and in the meantime entirely reserves its opinion and its decision."

7. *Assembly of the League.*

The resolution adopted by the Assembly on the 30th September, 1937, reads as follows :—

" The Assembly,

" Having noted the activity of the mandatory Powers, the Permanent Mandates Commission and the Council concerning the application of the principles laid down in Article 22 of the Covenant and in the texts of the mandates :

" (*a*) Renews the expression of confidence in them voted by previous sessions of the Assembly, and pays a tribute to the results they have achieved thanks to a close and frank co-operation which it is essential to maintain ;

" (*b*) Expresses its conviction that the problem of Palestine, which is at present before the Council, will be equitably settled, account being taken to the fullest possible extent of all the legitimate interests at stake."

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APPENDIX 2

PLANS B AND C

List showing the village sites in the vicinity of the boundary between the Jerusalem Enclave on the one hand and the Arab and Jewish States on the other—

Village sites in the Jerusalem Enclave.	*Village sites in the Arab or Jewish State as the case may be (that is, outside the Enclave).*
Salama.	
Al Kheiriya.	
Saqiya.	Tel Litwinsky.
Kafr 'Ana.	
Al Yahudiya.	
Wilhelma.	Rantiya.
	Al Muzeiri'a.
At Tira.	Qula.
Beit Nabala.	
Shuqba.	Rantis.
	Abud.
	Deir Abu Mash'al.
Shabtin.	Jammala.
Deir Qaddis.	Deir Ammar.
Shilta.	Kharbatta.
Saffa.	Bil'in.
	Kafr Ni'ma.
Beit Ur at Tahta.	Deir Ibzi.
Ein Arik.	Ein Qinya.
Ramallah.	Mazra'a al Qibliya.
Surda.	Abu Qashsh.
	Dura al Qar.
Beitun.	Ein Yabrud.
Deir Dibwan.	Rammun.
Mukhmas.	
Jaba.	
Hizma.	
Anata.	
Isawaiya.	Al Khan al Ahmar.
Al Elizariya.	
Abu Dis.	
Sur Bahir.	Arab Ibn 'Ubeid (Deir Mar Saba).
Beit Sahur.	
Beit Fajjar.	Ash Shuyukh.
	Si'ir.
	Beit Immar.
Nahhalin.	Al Jaba.
Wadi Fukin.	Surif.
Allar.	
Beit Nattif.	Kh. Umm Burj.
Zakariya.	Ajjur.
Bureij.	
Mughallis.	Tall as Safi.
Idhnibba.	At Tina.
Jilya.	Al Kheima.
Shama.	Al Mukheizin.
	Qatra.
	Al Mughar.

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Village sites in the Jerusalem Enclave.	*Village sites in the Arab or Jewish State as the case may be (that is, outside the Enclave.*
Aqir.	Zarnuqa.
Ni'ana.	Rehovot.
Bir Salim.	Beer Ya'aqov.
Abu Al Fadl.	
Sarafand al Amar.	Rishon le Zion.
As Safiriya.	
Beit Dajan.	Nahalat Yehuda.
Yazur.	
Bayit Vegan.	

APPENDIX 3

PLAN B

(*a*) List of village sites in the vicinity of the boundary between the Jewish State and Galilee (Mandated Territory)—

Village sites in the Jewish State.	*Village sites in Galilee (Mandated Territory).*
Qadas.	Al Malikiya.
Mallaha.	Deishun.
Al 'Ulmaniya.	
	Alma.
Marus.	
Ammuqa.	Dallata.
Qabba'a.	
Fir'im.	
Ja'una.	
Rosh Pinna.	Safad.
Al Qudeiriya.	
	Akbara.
Ash Shuna.	Farradiya.
Yaquq.	Al Mansura.
	Mughar.
Hittin.	Ailabun.
Nimrin.	Bu'eina.
Tur'an.	Uzeir.
	Kafr Kanna.
	Mash-had.
Ein Mahil.	Ar Reina.
Dabburiya.	
Iksal	Nazareth.
Yafa.	
Kefar ha Horesh.	
Illut.	Saffuriya.
Beit Lahm.	
Ramat Hasafon.	Shafr 'Amr.
Kufritta.	
Qiryak Bialik.	
	Ar Ruweis.
	Ad Damun.
	Al Birwa.
	Al Judeida.
	Al Makr.
	Al Manshiya.
	Acre.

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(*b*) List showing village sites in the vicinity of the boundary between the Arab and Jewish States—

(i) in the section which lies north of the Jerusalem Enclave—

Village sites in the Jewish State.	*Village sites in the Arab State.*
Al Bawati.	Al Ghazzawiya.
	Beisan.
Tall ash Shauk.	Al Ashrafiya.
Faqqu'a.	Jalbun.
	Deir Abu Da'if.
	Beit Quad.
Arabbuna.	Deir Ghazzala.
	Arrana.
Sandala.	Jalama.
Zir'in.	Muqeibila.
Affula.	Zububa.
Kh. Lidd.	
An Naghnaghiya.	Ein al Mansi.
Arab Baniha (Kh. al Mansi).	Al Lajjun.
	Al Musheirifa.
	Musmus.
Al Kafrin.	Umm al Fahm.
Al Buteimat.	Ar'ara.
Qannir.	Kafr Qari.
Gi'vat 'Ada.	
Karkur.	Wadi Ara.
	Baqa al Gharbiya.
	Jatt.
	Zeita.
	Attil.
Qaqun.	Deir al Ghusun.
	Shuweika.
	Tulkarm.
Irtah.	
Far'un.	Shufa.
At Taiyiba.	Ar Ras.
	Kafr Sur.
Falama.	Kafr Jammal.
Jaiyus.	
	Azzun.
Habla.	Kafr Tulth.
Kafr Bara.	Sannirya.
Kafr Qasim.	Mas-ha.
	Zawiya.
Majdal Yaba.	Rafat.
	Deir Ballut.
Al Muzeiri'a.	
Qula.	Rantis.

(ii) in the section which lies south of the Jerusalem Enclave—

Village sites in the Jewish State.	*Village sites in the Arab State.*
Zarnuqa.	Al Mughar.
Al Qubeiba.	Yibna.

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APPENDIX 4

PLAN C

(*a*) List showing village sites in the vicinity of the boundary between the Northern Mandated Territory on the one hand and the Arab and Jewish States on the other—

Village sites in the Northern Mandated Territory.	*Village sites in the Arab or Jewish State as the case may be (that is outside the Northern Mandated Territory).*
Al Bawati.	Al Ghazzawiya.
	Beisan.
Tall ash Shauk.	Al Ashrafiya.
Faqqu'a.	Jalbun.
	Deir Abu Da'if.
	Beit Quad.
Arabbuna.	Deir Ghazzala.
	Arrana.
Sandala.	Jalama.
Zir'in.	Muqeibila.
Affula.	Zububa.
Kh. Lidd.	
An Naghnaghiya.	Ein al Mansi.
Arab Baniha (Kh. al Mansi).	Al Lajjun.
Ghaba al Fauqa.	Al Kafrin.
Ji'ara (Bennir).	Daliyat ar Rauha.
Ar Rihaniya.	
Umm az Zinat.	
Ijzim.	Bat Shelomo.
Ein Ghazal.	Shefeiya.
	Al Fureidis.
Kafr Lam.	Tantura.

(*b*) List showing village sites in the vicinity of the boundary between the Arab and Jewish States—

(i) in the section which lies north of the Jerusalem Enclave—

Village sites in the Jewish State.	*Village sites in the Arab State.*
	Al Kafrin.
Khubbeiza.	Al Buteimat.
Umm ash Shauf.	
Qannir.	Kafr Qari.
Giv'at 'Ada.	
Karkur.	Wadi Ara.
	Baqa al Gharbiya.
	Jatt.
	Zeita.
	Attil.
Qaqun.	Deir al Ghusun.
	Shuweika.
	Tulkarm.
Irtah.	
Far'un.	Shufa.
At Taiyiba.	Ar Ras.
	Kafr Sur.
Falama.	Kafr Jammal.
Jaiyus.	
	Azzun.

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Village sites in the Jewish State.	*Village sites in the Arab State.*
Habla.	Kafr Tulth.
Kafr Bara.	Sannirya.
Kafr Qasim.	Mas-ha.
	Zawiya.
Majdal Yaba.	Rafat.
	Deir Ballut.
Al Muzeiri'a.	
Qula.	Rantis.

(ii) in the section which lies south of the Jerusalem Enclave—

Village sites in the Jewish State.	*Village sites in the Arab State.*
Zarnuqa.	Al Mughar.
Al Qubeiba.	Yibna.

APPENDIX 5

(Chapter III, paragraph 51)

THE METHODS BY WHICH THE LAND AND POPULATION FIGURES USED IN THE REPORT HAVE BEEN COMPILED

1. Population

(*i*) *The Arab rural population.*—The approximate percentage increase in the Arab rural population of each of the seventeen sub-districts between the date of the Census in 1931 and the middle of 1937 was first calculated from the vital statistics. The percentage figure for the sub-district as so calculated was then applied to the Arab rural population of each village in that sub-district as determined at the Census of the year 1931, and the resultant figure was adopted as the population of the village at the middle of the year 1937. This method takes no account of inter-village migration, with the result that the population of some villages may be over-estimated and that of others under-estimated.

(ii) *Jewish rural population.*—The figures adopted for the Jewish rural population are those given in the survey of the population of the Jewish settlements carried out by the Jewish Agency in September, 1936.

(iii) *The Arab and Jewish urban population.*—The figures adopted for the Arab and Jewish population of certain large towns are those given in estimates of such population in the middle of 1937, made by the Office of Statistics of the Palestine Government.

2. Land

The figures relating to land, with the exception of citrus land, have been extracted from the tax distribution lists prepared under the Rural Property Tax Ordinance and other tax records. They show the position as it was on the 1st April, 1935, when the rural property tax first became payable. A special survey of citrus land was made in the autumn of 1937; the figures of citrus land are those given by this survey.

Unleased State Domain has been classified as Arab where it is situated in Arab villages and as Jewish where it is situated in Jewish settlements. Metrouke land, that is common land over which the public as a whole exercises rights, has been classified according as the public which enjoys its use is Arab or Jewish.

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APPENDIX 6

(Chapter VI, paragraph 96)

THE BOUNDARY OF THE JEWISH STATE UNDER PLAN A IN THE VICINITY OF THE POWER STATION OF THE PALESTINE ELECTRIC CORPORATION ON THE RIVER JORDAN AT JISR AL MAJAMI

The power station of the Palestine Electric Corporation at Jisr al Majami on the River Jordan is situated on the eastern side of the river and is in Trans-Jordan territory.

The area of the land held by the corporation on the Trans-Jordan side of the river is 6,000 dunums.

It has been suggested to us that, in order to ensure the safety of the power station, it would be necessary to establish a belt of agricultural settlements on the east of the station and that for this purpose an area (50,000 dunums) of Trans-Jordan territory, lying west of a line drawn from the bridge at Ash Sheikh Hussein across the River Jordan near Beisan to El Hamma on the River Yarmuk, should be included in the Jewish State.

We agree that the boundary should be modified so as to include the power station in the Jewish State, but consider that the area to be transferred from Trans-Jordan to the proposed Jewish State should not be larger than is absolutely necessary. In agreement with the military authorities the conclusion we have reached is that the boundary of the area of 6,000 dunums which the corporation now hold on the east side of the River Jordan should become the boundary between Trans-Jordan and the proposed Jewish State. From the point of view of defence it is not considered essential to detach a larger area from Trans-Jordan.

APPENDIX 7

(Chapter X, paragraph 190)

THE AGRICULTURAL ABSORPTIVE CAPACITY OF GALILEE

1. Galilee, as it has been defined in paragraph 184 of chapter X of our Report, includes two plains, the coastal plain between Acre and the northern boundary of Palestine, and the Battauf plain north of Nazareth. The rest of the area is hill country.

1. The Acre Plain

2. This area is fertile and the coastal strip has good underground water supplies. The Director of Agriculture is of opinion that, if capital is available and the important question of markets is satisfactorily solved, there are considerable possibilities of development by intensive cultivation. Jewish authorities, in furnishing us with an estimate of agricultural absorptive capacity, assumed that the whole of the cultivable land of this area could be irrigated and that the farm unit could be as small as 25 dunums. But, as they themselves admit, their estimate of the amount of land that can be irrigated is based upon a theoretical computation which may not prove to be accurate. Moreover, their estimate of a farm unit of 25 dunums is based upon the experimental " Organic Mixed Farm " at the Rehovot Agricultural Research Institute. This " Organic Mixed Farm " is, however, still in the experimental stage and we believe that very few, if any, such farms have been established. Further, the success of the small " Organic Mixed Farm " as a means of establishing a large number of persons on the land is dependent upon a solution of the problem of markets. The Director of Agriculture takes a more conservative figure for the farm unit and, subject again to

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the proviso that the question of markets has been solved, proposes a unit of 30 dunums in one half of the area—the strip along the coast—and 70 dunums in the other half. In estimating the possibility of further settlement in Galilee we propose to adopt the Director's unit figures.

2. The Battauf Plain

3. This area is also fertile but is subject to flooding during seasons of heavy rainfall. The Director of Agriculture considers that with suitable drainage works, which would be costly, it would be possible to increase the productivity of this plain ; for this area he suggests a farm unit of 70 dunums.

3. The Hill Country

4. The Director of Agriculture takes the view that, provided the problem of markets is solved, and provided capital is available for terracing, levelling and other reclamation works, this area could be planted extensively with fruit trees, and that if, in addition, underground water were discovered, certain areas could be utilized for the cultivation of vegetables and fodder crops. He is of opinion; however, that the whole area cannot be brought under cultivation. Afforestation is of great importance in the hill areas in order to prevent soil erosion, and he takes the view that an area of 220,000 dunums should be excluded as forest reserves. Moreover, the hills are in parts wholly rocky and uncultivable ; such areas are estimated at about 185,000 dunums.

5. For a fruit plantation in this hill country the same Jewish authorities estimate that a *lot viable* is 40 dunums. But they admitted before us that they had had no experience of a fruit farm of this size being operated successfully. The Director of Agriculture takes a more conservative estimate of 60 dunums, and we propose to adopt this figure.

6. We are now in a position to form an estimate of the agricultural absorptive capacity of Galilee on what we regard as an optimistic basis—

(i) *The Acre Plain.*

Area	= 158,400	dunums.	
Deduct—			
Uncultivable area	15,700	,,	
	142,700	,,	
71,350 dunums at 30 dunums per farm unit	= 2,378	farm units.	
71,350 dunums at 70 dunums per farm unit	= 1,019	,,	

(ii) *The Battauf Plain.*

Area = 41,339 dunums at 70 dunums per farm unit.	= 590	,,	

(iii) *The Hill Country.*

Total area	=1,105,162	dunums.	
Deduct—	Dunums.		
Forest reserves	220,000		
Uncultivable area	185,000		
	405,000	,,	
	700,162	,,	
700,162 dunums at 60 dunums per farm unit	= 11,669	farm units.	

We assume that a family consists of 4·75 persons.*

---

* The census of 1931 showed that the average household in Palestine consisted of 4·5 persons (Vol. I, page 32) : for the sub-districts of Acre, Safad and Nazareth the average figure was somewhat higher, and we have, therefore, adopted 4·75 for our present purposes.

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The agricultural absorptive capacity of Galilee then becomes :—

$$(2{,}378 + 1{,}019 + 590 + 11{,}669) \times 4{\cdot}75 = 74{,}366 \text{ persons.}$$

The present total population of Galilee is 91,104 persons. If it be assumed that 65 per cent.* of this population is supported primarily by agriculture, the present agricultural population is 59,218 persons. On the assumption, therefore, that the land is fully developed under the most favourable conditions, the additional agricultural population which Galilee can support is (74,366 — 59,218) = 15,148 persons. The natural increase in the Arab population of Palestine as a whole may be taken at 2·5 per cent. a year. Assuming that this rate holds good for Galilee, the yearly increase, due to natural causes, of the agricultural population in this area is therefore

$$\frac{59{,}218}{100} \times 2{\cdot}5 = 1{,}480 \text{ persons a year.}$$

The additional agricultural population which Galilee can support, if the land is fully developed under the most favourable conditions, will be therefore absorbed by the natural increase of the existing population in about ten years.

APPENDIX 8

(Chapter XIII, paragraph 251 (5)).

THE BOUNDARY OF THE HAIFA INDUSTRIAL ZONE

We suggest that the following boundary would be suitable—

A line starting from the sea shore south of the town of Acre where the Na'amin river flows into the sea, along that river until it meets the boundary of the lands of the village of Emeq Zevulun, along the eastern boundary of the lands of that village till it meets the boundary of the lands of the village of Kufritta, along the northern and eastern boundaries of that village till it meets the boundary of the lands of the village of Ramat Hasafon, along the eastern boundary of the lands of that village till it meets the boundary of the lands of the village of Kefar Hassidim, along the eastern and southern boundaries of that village till it meets the boundary of the village of 'Isfiya, along a line drawn from the junction of the boundaries of Kefar Hassidim and 'Isfiya to the south-west corner of the lands of the village of Yajur, along the western boundary of the lands of the villages of Yajur and Nesher, along the western boundary of the lands of the village of Balad esh Sheikh till it meets the southern boundary of the lands of the village of Ahuzat Sir Herbert Samuel, along the southern boundary of the lands of that village, and then along a line drawn to the sea south of the settlement of Neuhardhof.

We do not, of course, rule out the possibility that the line we have proposed may from the outset require some modification.

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* The figure of 65 per cent. has been calculated from Table XVI of Vol. II of the census of 1931. It represents the percentage which the total number of earners and their dependents under class A, sub-class 1, Order 1, Pasture and Agriculture (excluding Forestry and Agricultural machines service) in the three sub-districts of Acre, Safad, and Nazareth bore to the total population of those sub-districts at the census of 1931.

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APPENDIX 9

(Chapter XVI)

DECLARATION OF THE KINGDOM OF 'IRAQ MADE ON THE OCCASION OF THE TERMINATION OF THE MANDATORY RÉGIME IN 'IRAQ.

CHAPTER I

Article 1.

Protection of Minorities.

The stipulations contained in the present chapter are recognised as fundamental laws of 'Iraq, and no law, regulation or official action, shall conflict or interfere with these stipulations, nor shall any law, regulation or official action now or in the future prevail over them.

Article 2.

1. Full and complete protection of life and liberty will be assured to all inhabitants of 'Iraq without distinction of birth, nationality, language, race or religion.

2. All inhabitants of 'Iraq will be entitled to the free exercise, whether public or private, of any creed, religion or belief, whose practices are not inconsistent with public order or public morals.

Article 3.

Ottoman subjects habitually resident in the territory of 'Iraq on August 6th, 1924, shall be deemed to have acquired on that date 'Iraqi nationality to the exclusion of Ottoman nationality in accordance with Article 30 of the Lausanne Peace Treaty and under the conditions laid down in the 'Iraqi Nationality Law of October 9th, 1924.

Article 4.

1. All 'Iraqi nationals shall be equal before the law and shall enjoy the same civil and political rights without distinction as to race, language or religion.

2. The electoral system shall guarantee equitable representation to racial, religious and linguistic minorities in 'Iraq.

3. Differences of race, language or religion shall not prejudice any 'Iraqi national in matters relating to the enjoyment of civil or political rights, as for instance, admission to public employments, functions and honours, or the exercise of professions or industries.

4. No restriction will be imposed on the free use by any 'Iraqi national of any language, in private intercourse, in commerce, in religion, in the press or in publications of any kind, or at public meetings.

5. Notwithstanding the establishment by the 'Iraqi Government of Arabic as the official language, and notwithstanding the special arrangements to be made by the 'Iraqi Government, under Article 9 of the present Declaration, regarding the use of the Kurdish and Turkish languages, adequate facilities will be given to all 'Iraqi nationals whose mother tongue is not the Official language, for the use of their language, either orally or in writing, before the courts.

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Article 5.

'Iraqi nationals who belong to racial, religious or linguistic minorities will enjoy the same treatment and security in law and in fact as other 'Iraqi nationals. In particular, they shall have an equal right to maintain, manage and control at their own expense, or to establish in the future, charitable, religious and social institutions, schools and other educational establishments, with the right to use their own language and to exercise their religion freely therein.

Article 6.

The 'Iraqi Government undertakes to take, as regards non-Moslem minorities, in so far as concerns their family law and personal status, measures permitting the settlement of these questions in accordance with the customs and usage of the communities to which those minorities belong.

The 'Iraqi Government will communicate to the Council of the League of Nations information regarding the manner in which these measures have been executed.

Article 7.

1. The 'Iraqi Government undertakes to grant full protection, facilities and authorisation to the churches, synagogues, cemeteries and other religious establishments, charitable works and pious foundations of minority religious communities existing in 'Iraq.

2. Each of these communities shall have the right of establishing councils, in important administrative districts, competent to administer pious foundations and charitable bequests. These councils shall be competent to deal with the collection of income derived therefrom, and the expenditure thereof in accordance with the wishes of the donor or with the custom in use among the community. These communities shall also undertake the supervision of the property of orphans, in accordance with law. The councils referred to above shall be under the supervision of the Government.

3. The 'Iraqi Government will not refuse, for the formation of new religious or charitable institutions, any of the necessary facilities which may be guaranteed to existing institutions of that nature.

Article 8.

1. In the public educational system in towns and districts in which are resident a considerable proportion of 'Iraqi nationals whose mother tongue is not the official language, the 'Iraqi Government will make provision for adequate facilities for ensuring that in the primary schools instruction shall be given to the children of such nationals through the medium of their own language ; it being understood that this provision does not prevent the 'Iraqi Government from making the teaching of Arabic obligatory in the said schools.

2. In towns and districts where there is a considerable proportion of 'Iraqi nationals belonging to racial, religious or linguistic minorities, these minorities will be assured an equitable share in the enjoyment and application of sums which may be provided out of public funds under the State, Municipal or other budgets for educational, religious or charitable purposes.

Article 9.

1. 'Iraq undertakes that in the liwas of Mosul, Arbil, Kirkuk and Sulaimaniya, the official language, side by side with Arabic, shall be Kurdish in the qadhas in which the population is predominantly of Kurdish race.

In the qadhas of Kifri and Kirkuk, however, in the liwa of Kirkuk, where a considerable part of the population is of Turcoman race, the official language, side by side with Arabic, shall be either Kurdish or Turkish.

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2. 'Iraq undertakes that in the said qadhas the officials shall, subject to justifiable exceptions, have a competent knowledge of Kurdish or Turkish as the case may be.

3. Although in these qadhas the criterion for the choice of officials will be, as in the rest of 'Iraq, efficiency and knowledge of the language, rather than race, 'Iraq undertakes that the officials shall as hitherto be selected, so far as possible, from among 'Iraqis from one or other of these qadhas.

Article 10.

The stipulations of the foregoing articles of this Declaration, so far as they affect persons belonging to racial, religious or linguistic minorities are declared to constitute obligations of international concern and will be placed under the guarantee of the League of Nations. No modification will be made in them without the assent of a majority of the Council of the League of Nations.

Any Member of the League represented on the Council shall have the right to bring to the attention of the Council any infraction or danger of infraction of any of these stipulations, and the Council may thereupon take such measures and give such directions as it may deem proper and effective in the circumstances.

Any difference of opinion as to questions of law or fact arising out of these articles between 'Iraq and any Member of the League represented on the Council shall be held to be a dispute of an international character under Article 14 of the Covenant of the League of Nations. Any such dispute shall, if the other party thereto demands, be referred to the Permanent Court of International Justice. The decision of the Permanent Court shall be final and shall have the same force and effect as an award under Article 13 of the Covenant.

CHAPTER II.

Article 11.

Most-favoured-nation Clause.

1. Subject to reciprocity, 'Iraq undertakes to grant to Members of the League most-favoured-nation treatment for a period of ten years from the date of its admission to membership of the League of Nations.

Nevertheless, should measures taken by any Member of the League of Nations, whether such measures are in force at the above-mentioned date or are taken during the period contemplated in the preceding paragraph, be of such a nature as to disturb to the detriment of 'Iraq the balance of trade between 'Iraq and the Member of the League of Nations in question, by seriously affecting the chief exports of 'Iraq, the latter in view of its special situation reserves to itself the right to request the Member of the League of Nations concerned to open negotiations immediately for the purpose of restoring the balance.

Should an agreement not be reached by negotiation within three months from its request 'Iraq declares that it will consider itself as freed, vis-à-vis of the Member of the League in question, from the obligation laid down in the first sub-paragraph above.

2. The undertaking contained in paragraph 1 above shall not apply to any advantages which are, or may in the future be, accorded by 'Iraq to any adjacent country in order to facilitate frontier traffic, or to those resulting from a customs union concluded by 'Iraq. Nor shall the undertaking apply to any special advantages in customs matters which 'Iraq may grant to goods the produce or manufacture of Turkey, or of any country whose territory was in 1914 wholly included in the Ottoman Empire in Asia.

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Article 12.

Judicial Organisation.

A uniform system of justice shall be applicable to all, 'Iraqis and foreigners alike. It shall be such as effectively to ensure the protection and full exercise of their rights both to foreigners and to nationals.

The judicial system at present in force, and based on Articles 2, 3 and 4 of the Agreement between the Mandatory Power and 'Iraq, signed on March 4th, 1931, shall be maintained for a period of 10 years from the date of the admission of 'Iraq to membership of the League of Nations.

Appointments to the posts reserved for foreign jurists by Article 2 of the said Agreement shall be made by the 'Iraqi Government. Their holders shall be foreigners, but selected without distinction of nationality ; they must be fully qualified.

Article 13.

International Conventions.

'Iraq considers itself bound by all the international agreements and conventions, both general and special, to which it has become a party, whether by its own action or by that of the Mandatory Power acting on its behalf. Subject to any right of denunciation provided for therein, such agreements and conventions shall be respected by 'Iraq throughout the period for which they were concluded.

Article 14.

Acquired Rights and Financial Obligation.

'Iraq, taking note of the resolution of the Council of the League of Nations of September 15th, 1925 :—

(1) Declares that all rights of whatever nature acquired before the termination of the mandatory régime by individuals, associations or juridical persons, shall be respected.

(2) Undertakes to respect and fulfil all financial obligations of whatever nature assumed on 'Iraq's behalf by the Mandatory Power during the period of the Mandate.

Article 15.

Freedom of Conscience.

Subject to such measures as may be essential for the maintenance of public order and morality, 'Iraq undertakes to ensure and guarantee throughout its territory freedom of conscience and worship and the free exercise of the religious, educational and medical activities of religious missions of all denominations, whatever the nationality of those missions or of their members.

Article 16.

Final Clause.

The provisions of the present chapter constitute obligations of international concern. Any Member of the League of Nations may call the attention of the Council to any infraction of these provisions. They may not be modified except by agreement between 'Iraq and the Council of the League of Nations acting by a majority vote.

Any difference of opinion which may arise between 'Iraq and any Member of the League of Nations represented on the Council, with regard to the interpretation or the execution of the said provisions, shall, by an application by such Member, be submitted for decision to the Permanent Court of International Justice.

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The undersigned, duly authorised, accepts on behalf of 'Iraq, subject to ratification, the above provisions, being the declaration provided for by the resolution of the Council of the League of Nations of May 19th, 1932.

DONE at Baghdad on this thirtieth day of May, 1932,

in a single copy which shall be deposited in the archives of the Secretariat of the League of Nations.

(Signed) NOURY SA'ID.

Prime Minister of 'Iraq.

APPENDIX 10

(Chapter XVI, paragraph 327)

CHRISTIAN RELIGIOUS COURTS

1. The Eastern (Orthodox) Community—		
A. Appeal	Jerusalem.	
B. First Instance	1. Jerusalem for—	
	Jerusalem District.	
	Ramle sub-district.	
	Gaza sub-district.	
	2. Haifa (for the town).	
	3. Acre (for sub-district as well as the villages of the Haifa sub-district).	
	4. Nazareth for—	
	Nazareth sub-district.	
	Tiberias sub-district.	
2. Latin (Catholic) Community—		
A. Appeal	Jerusalem.	
B. First Instance	1. Jerusalem for—	
	Jerusalem and Southern Districts, and Nablus and Tulkarm sub-districts.	
	2. Nazareth for—	
	Haifa, Acre, and Jenin sub-districts, and all Galilee sub-districts.	
3. Gregorian Armenian Community—		
A. Appeal	Jerusalem.	
B. First Instance	Jerusalem, for Palestine.	
4. Armenian (Catholic) Community—		
A. Appeal	Beirut (Lebanon).	
B. First Instance	Jerusalem, for Palestine.	

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5. Syrian (Catholic) Community—

A. Appeal	Beirut (Lebanon).
B. First Instance	Jerusalem, for Palestine.

6. Chaldean (Uniate) Community—

This community has no ecclesiastical representation in Palestine.

Cases of personal status are referred to the Courts of the Greek Catholic (Melkite) Community.

7. Greek Catholic (Melkite) Community—

A. Appeal	Jerusalem.
B. First Instance	1. Jerusalem, for the Jerusalem and Southern Districts.
	2. Haifa.
	3. Acre.
	4. Nazareth.
	5. Tiberias.

8. Maronite Community—

A. Appeal	Bkirky (Lebanon).
B. First Instance	Jerusalem for Palestine.

9. Syrian Orthodox Community—

A. Appeal	Homs (Syria).
B. First Instance	Jerusalem, for Palestine.

10. Coptic Community—

Cases are heard by the Courts of the Eastern (Orthodox) Community.

11. Abyssinian Community—

This Community was administered hitherto by the Coptic Patriarch (Cairo) through the Coptic Bishop of Jerusalem. The number of its adherents being very limited, they have had no known cases of personal status hitherto.

APPENDIX 11

BUDGETARY FORECASTS : RECONCILIATION WITH CURRENT ESTIMATES

I. Palestine

1. The forecasts given in chapter XVIII are based on the published Estimates of Palestine for the year 1938/39. In this appendix we give a brief explanation of the main causes of difference between the estimated figures and the figures of " distributable " revenue and expenditure used in the forecasts. By " distributable " figures we mean the figures under each head of revenue and expenditure for all Palestine after such adjustment as may be necessary to arrive at the appropriate amount in each case which falls to be distributed between the post-partition areas.

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Revenue

2. The following table gives the estimated revenue for 1938/39 according to the published estimates under each of the main heads ; the " distributable " figure for each head ; and the difference between the two.

	(1) Estimated Revenue, 1938–39.	(2) Distributable Revenue.	(3) Difference between (1) and (2). +	(4) −
Tax Revenue—	£P.	£P.	£P.	£P.
(i) Customs Duties	1,900,010	1,815,000	—	85,010
(ii) Excise Duties	340,000	340,000	—	—
(iii) House and Land Tax, Tithes, Animal Tax, Urban and Rural Property Tax ..	399,000	385,000	—	14,000
(iv) Licences and Stamp Duties	163,700	158,000	—	5,700
(v) Fees for Registration of Companies and Partnerships, and Registration of Land	135,500	170,000	34,500	—
Total Tax Revenue	2,938,210	2,868,000		
Non-tax Revenue—				
(vi) Other fees	309,400	308,000	—	1,400
(vii) Posts and Telegraphs ..	516,350	—	—	516,350
(viii) Port and Marine	125,350	120,000	—	5,350
(ix) Rent on Government Property, Interest and Currency Profits, etc. ..	212,100	163,000	—	49,100
(x) Miscellaneous receipts and reimbursements, fines and forfeitures	220,125	190,000	—	30,125
(xi) Grants-in-aid and other grants from the United Kingdom	176,710	—	—	176,710
(xii) Non-recurrent items (land sales, adjustment of items overpaid, etc.) ..	21,900	31,000	9,100	—
Total non-tax Revenue	1,581,935	812,000	43,600	883,745
Total Revenue	4,520,145	3,680,000	—	—
Net difference between (1) and (2) ..	840,145			

3. This difference between the current estimates and the distributable figure is accounted for as follows—

(i) The main cause is the fact that certain items are shown in the former in gross but in the latter as net. Thus the figures in the estimates are swollen by the gross receipts from posts, telegraphs and telephones (off-set on the expenditure side by the gross cost of the Posts and Telegraphs Department). Again the figure for Customs duties in the current estimates is the gross receipt, off-set on the expenditure side by the amount estimated to be repayable in drawbacks and refunds. This cause accounts for a difference of £P.604,850, made up of—

	£P.
(*a*) Posts and Telegraphs	516,350
(*b*) Drawbacks and Refunds of Customs duty	88,500
	604,850

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(ii) The next important difference is the omission of all grants and grants-in-aid from United Kingdom funds, accounting for £P.176,710, made up of—

	£P.
(*a*) Grant-in-aid of Trans-Jordan Frontier Force	148,000
(*b*) Grant-in-aid of Hydrographic Survey	27,000
(*c*) Grants from Colonial Development Fund	1,710
	176,710

(iii) There remains a difference of £P.58,585 spread over a number of heads, as shown in the table in the preceding paragraph, and caused by the necessity of making allowance for the effect of various existing tendencies, some indicating a prospective fall in revenue, such as the appreciable fall in rents in the four large towns, by which the receipts from urban property tax will be affected, and some pointing in the opposite direction, such as the fact that over the next few years the annual assessment to rural property tax will be augmented by the inclusion of newly planted citrus land, as the period of exemption from payment of tax at the higher rate expires.

The sum of these three items is equal to the difference between the two sets of figures, £P.840,145.

4. For the purpose of allocating the distributable revenue between the several areas, all available sources of information, consistent with the need for secrecy, were drawn upon. The yield of direct taxation, and a number of other miscellaneous items, can be allocated in accordance with the known origin of the receipt; but the allocation of the proceeds of indirect taxation requires to be specially explained. For this purpose, the population was divided into a number of categories, based upon locality, race, social habits, and earning power, and an average daily wage was applied to each category. The necessary information was derived partly from the Village Statistics, partly from data obtained in the Census of 1931, and partly from estimates furnished by the Jewish Agency. The total of the products of the number of households in each category multiplied by the corresponding basic wage was assumed to give the purchasing power of the population in each category. Each of the main items in the list of import and excise duties was then analysed upon certain assumptions as regards the preferences and purchasing power of consumers according to the various categories, and the estimated yield of duties distributed in accordance with the results of the analysis between the several areas. In the absence of any ground for assuming a special racial or social preference, the yield was distributed in accordance with the ratio of general purchasing power indicated by the distribution of the several categories. It is interesting to note that according to these tables the purchasing power of the Arab State works out at about 23 per cent. of the purchasing power of all Palestine, whereas the estimate of the total amount of revenue, tax-revenue, and customs revenue, respectively, allocable to that state is only 13·8 per cent., 13·2 per cent., and 11·73 per cent., respectively, of the total distributable amounts in each case.

5. The value of the figures prepared by the Treasurer of Palestine, as a guide in estimating the probable revenues of the proposed new states, depends on the assumptions—

(*a*) that the existing system and rates of taxation will continue;

(*b*) that the distribution of population will remain unaltered;

(*c*) that economic conditions in the proposed new states will be unaffected by partition; and

(*d*) that the ability of the Jewish and Arab States to collect revenues will be the same as that of the existing Administration.

In other words, this analysis of revenue assumes that partition amounts to no more than the drawing of a series of lines on the map of Palestine.

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6. It must also be borne in mind—

(*a*) that any shifting of the Jewish population from the Arab State or the Mandated Territories to the Jewish State will increase the tax-paying capacity of the Jewish State and reduce that of the Arab State and the Mandated Territories; and

(*b*) that the figures of estimated non-tax revenue receipts of the proposed states and the Mandated Territories largely depend on the provision to be made for expenditure for services in respect of which a large part of these receipts is specifically collected.

Expenditure.

7.

Head of Expenditure.	(1) Estimates 1938/39.	(2) Distributable expenditure.	(3) Difference between (1) and (2). +	(3) Difference between (1) and (2). —
	£P.	£P.	£P.	£P.
A. Departmental Services B. Direct Departmental Supervisory Services	3,437,577	3,150,000	—	287,577
C. Pensions	72,775	72,775	—	—
D. Public Debt and Loan Charges	283,660	283,660	—	—
E. Defence and Trans-Jordan Frontier Force	208,954	—	—	208,954
F. Railways (net)	67,000	86,000	19,000	—
G. Central Administration ..	130,032	134,000	3,968	—
H. Public Works Extraordinary ..	755,651	350,000	—	405,651
I. Posts and Telegraphs ..	490,111	+13,140 (surplus)	—	503,251
Total	5,445,760	4,063,295	22,968	1,405,433
Net amount by which distributable expenditure falls short of the current year's estimates is therefore ..	1,382,465			

8. Details of Heads A and B are given below—

Head of Expenditure.

(1) District Administration ..	187,550	187,550	—	—
(2) Judicial Department ..	121,376	121,376	—	—
(3) Customs, Excise, Trade and Ports	276,762	188,262	—	88,500
(4) Department of Health ..	245,646	240,000	—	5,646
(5) Department of Education ..	326,406	310,000	—	16,406
(6) Department of Agriculture and Fisheries	194,700	184,000	—	10,700
(7) Department of Forests ..	25,668	25,668	—	—
(8) Department of Antiquities ..	24,217	24,217	—	—
(9) Department of Lands and Surveys	140,669	140,669	—	—
(10) Department of Police and Prisons	1,022,068	1,022,068	—	—
(11) Department of Migration ..	41,599	41,599	—	—
(12) Department of Public Works	112,334	449,554	—	7,580
(13) Public Works Recurrent ..	344,800			
(14) Printing and Stationery ..	31,966	31,966	—	—
(15) Civil Aviation	18,071	18,071	—	—
(16) Miscellaneous	323,745	165,000	—	158,745
	3,437,577	3,150,000	—	287,577

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9. The difference between distributable expenditure and the amounts provided under each head in the current year' estimates may be explained shortly thus—

(i) As explained under Revenue, the cost of the Posts and Telegraphs Department is shown in the Palestine Estimates in gross, but in the distributable figures the cost of the service is netted, on the assumption that revenue and expenditure will exactly balance, after meeting the Post Office share of the public debt charges (£P.13,140). In fact the estimates provide for a small surplus of £P.26,239 in the current year, after meeting the estimated expenditure on capital account in full, but without providing for the Post Office share of public debt charges, which in the Palestine Estimates is provided as part of the cost of Public Debt and Loan Charges in general (Head II of Palestine Estimates). In the figures of distributable expenditure the full cost of public debt and loan charges is shown under Head D, including the Post Office share (£P.13,140), and accordingly it is necessary to show a surplus of £P.13,140 under Head I (Posts and Telegraphs) in order to balance this amount. The netting of the Post Office figures therefore accounts for (£P.490,111 + 13,140) = ... £P. 503,251 out of the difference between the distributable expenditure and the estimates for the year.

(ii) The Estimates provide only a token sum of £P.5,000 for Defence (for the reason given in chapter XVIII), but £P.203,954 for the gross cost of the Trans-Jordan Frontier Force, although the net liability of the Palestine Government is limited to one-quarter of the recurrent cost of the Force, and the whole of the capital cost in Palestine, the rest being financed by a grant-in-aid from the United Kingdom. As explained in chapter XVIII, nothing is included in the figures of distributable expenditure on account of Defence, including the Trans-Jordan Frontier Force; and the grant-in-aid has also been excluded. This accounts for .. .. £P. 208,954

(iii) Under Head A is included in the current Estimates £P.88,500 for the payment of customs drawbacks and refunds of duty, an item which, as explained in paragraph 3(i) above, is netted in the distributable figures. Under Head A (6) is also included £P.50 for expenditure from a Colonial Development Fund grant which is omitted from the distributable figures on both sides of the account .. .. £P. 88,550

(iv) There remain differences under two heads of expenditure

	£P.
Head H—Public Works Extraordinary	405,651
Heads A and B—Departmental Services (net)	176,059

which represent non-recurrent or abnormal services for which it is not thought necessary to make special provision in the figures of distributable expenditure.

Of the total provision £P.755,651 for Public Works Extraordinary in the 1938/39 Estimates, £P.194,962 is on account of revotes and £P.228,776 for the continuation of works in progress. Of the balance of £P.331,913, at least half is for Police and Prisons, and may be classed as emergency measures. Before 1935 the average expenditure on Public Works Extraordinary was only about £P.150,000 a year. A large reduction below the present rate of expenditure may be expected under normal conditions.

Total difference 1,369,325

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10. The following notes explain the basis of apportionment between the several areas of the distributable expenditure under each head—

(i) *Heads A and B, Departmental Services*

The apportionment is based on returns submitted by each of the Departments concerned.

(ii) *Heads C and D, Pensions and Public Debt*

These are regarded as financial obligations common to the whole of Palestine; and for the reasons explained in chapter XX, no attempt has been made to apportion them, in the case of pensions, in relation to service in or for the several areas, or, in the case of loan charges, in relation to the assets created out of the proceeds of the loan. It is proposed that they should be paid as an undistributed liability out of a common central fund. The effect of this will be to distribute the cost between the several areas in the same proportion as the distribution of the net surplus revenue of the central fund. According to formula A proposed in chapter XXI, this will be in equal shares between the three areas; and for the purpose of the budgetary forecasts made in chapter XVIII this basis has been followed for expenditure under both these heads. The share of the Mandated Territories has, for convenience, been divided equally between the Jerusalem Enclave and the Northern Mandated Territories.

Under Head D is shown the full amount of public debt and loan charges, including both the share of the Posts and Telegraphs Department (£P.13,140) and the Railways share (£P.124,760, being interest and management charges on £2,480,105 stock of the 5 per cent. Guaranteed Loan, but no part of the sinking fund).

(iii) *Head E, Defence*

For the reasons given in chapter XVIII, no account has been taken of the future cost of defence in the budgetary forecasts of the proposed areas.

(iv) *Railways*

The estimated loss on working (excluding the cost of debt) has been revised and is now found to be as follows —

	Surplus + or Deficit —	Capital Expenditure.	Total. Surplus.	Total. Deficit.
	£P.	£P.	£P.	£P.
Arab State (Lydda–Rafah section and portion of Hejaz Railway)	−25,000	15,000	—	40,000
Jerusalem Enclave (Jaffa–Jerusalem section)	−46,000	10,000	—	56,000
Northern Enclave (Hejaz Railway)	−40,000	—	—	40,000
Total Mandated Territories ..	−86,000	—	—	96,000
Jewish State (Haifa–Lydda section)	+80,000	30,000	50,000	—
			50,000	136,000
Net Total Deficit				86,000

For the reasons given in chapter XVII, it is thought that the public service will be best served if the Mandatory Government takes over direct responsibility for the Lydda–Rafah section of the line in the Arab State: accordingly in the apportionment of charges £P.35,000 has been added on this account to the deficit falling on the Mandated Territories, leaving the Arab State with a deficit of £P.5,000 in respect of the portion of the Hejaz Railway in Trans-Jordan.

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The net result is—

	£P.	
Arab State	5,000	deficit
Jewish State	50,000	surplus
Mandated Territories	131,000	deficit

(v) *Head G, Central Administration*

This has been distributed in proportion to the total expenditure in each area.

(vi) *Head H, Public Works Extraordinary*

The allocation is a rough estimate of probable requirements.

(vii) *Head I, Posts and Telegraphs*

It is estimated that the service in the Arab State will involve a deficit of £P.20,000, without allowing for debt charges. The total Post Office share of debt charges is estimated to be distributable thus—

	£P.
Arab State	2,190
Jewish State	3,550
Jerusalem Enclave	5,150
Northern Mandated Territory	2,250
Total	13,140

The service is deemed to be self-balancing over the whole country, after meeting the debt charges in full : so that the transfer of the debt charge to Head D leaves a surplus of £P.13,140 to be apportioned between the several areas, which has been taken into account in estimating the outcome for each area.

11. It is recognized that the figures of distributable expenditure are to some extent unreal, because (i) by the time the new Administrations have been set up, the amount of distributable expenditure will probably be found to have been under-estimated on account of normal increments and pension charges, etc. ; (ii) no provision has been made in the forecasts for the additional expenditure directly attributable to partition ; (iii) no provision has been made for defence ; and (iv) above all no provision has been made for the risks of economic and other disturbances initially attendant on the introduction of partition. Nor can it be said with any confidence that the adjustments in the economic system which will inevitably be caused by partition will be without a permanent effect on the budgetary prospects of the several areas, and particularly of the Arab State.

12. To sum up, assuming that peace will be restored and the necessary economic adjustments are safely carried out, the forecasts allow a considerable margin for improvement. But if disorders should continue, or if partition proves to have a serious and far-reaching effect on the economic structure of all or any of the new areas, it is probable that the budgetary position of the areas affected will be considerably worse than the forecasts suggest.

II. Trans-Jordan

13. The Trans-Jordan Estimates for 1938-39 are—

Revenue—

	£P.
i. Local Revenue (including Posts and Telegraphs)	348,292
ii. Grants and Grants-in-aid from United Kingdom funds ..	148,025
iii. Total Revenue	496,317

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Expenditure—

	£P.
iv. Ordinary Expenditure (including Posts and Telegraphs and £P.12,400 for pensions and gratuities)	374,641
v. Extraordinary Expenditure, other than that met out of specific grants	41,970
vi. Expenditure met out of specific grants (Trans-Jordan Frontier Force; Trans-Jordan share of Ottoman Public Debt; Hydrographic Survey; and expenditure from Colonial Development Fund grants)	93,025
vii. Total Expenditure	509,636

14. For the purpose of estimating the effect on the budgetary position of the Arab State, if Trans-Jordan and the Arab area west of Jordan should unite to form a single Arab State, it is proposed to exclude, on the revenue side, the whole of item (ii), on the assumption that assistance will no longer be provided direct by the United Kingdom to an independent State, and, on the expenditure side, the whole of item (vi) on the assumption that—

(*a*) the question of responsibility for the Trans-Jordan Frontier Force will be considered as part of the general question of defence of the new states, for which no provision is being made in the present budgetary forecasts;

(*b*) the Trans-Jordan share of the Ottoman Public Debt will be taken over direct by His Majesty's Government, for the reasons given in chapter XVIII; and

(*c*) the Arab State will not, for the present at least, be able to make special provision from within its own resources for financing services such as the Hydrographic Survey, for which grants have hitherto been provided by His Majesty's Government.

(*d*) It is also proposed to take out the cost of pensions from item (iv) (£P.12,400), and to charge this to the central fund as proposed in chapter XX (Public Debt).

15. The net effect will be to add to the budget of the Arab State—

	£P.
On the revenue side	348,292
On the expenditure side (£P. 509,636—93,025—12,400) = ..	404,211

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