

~~SECRET~~

CIA HISTORICAL REVIEW PROGRAM
RELEASE IN FULL

CENTRAL INTELLIGENCE AGENCY

THE CURRENT SITUATION IN PALESTINE

ORE 49

20 October 1947

Copy No 45

Document No. 901
NO CHANGE in Class.
 DECLASSIFIED
Class. CHANGED TO TS S C
DDA Memo 4 Apr 77
Auth: DDA REG. 77/L 63
Date: 16/1/78 By: 011

~~SECRET~~

235023/2 300050

THE CURRENT SITUATION IN PALESTINE

1. THE STRATEGIC IMPORTANCE OF PALESTINE.

Palestine is a small, weak country whose war potential is almost nonexistent but whose geographic position gives it a strategic significance out of all proportion to its size and wealth. This significance stems not only from its location at the eastern end of the Mediterranean, its proximity to the Suez Canal and the fact that it is an outlet for the oil of the Middle East, but also from the psychological problem posed by irreconcilable claims of Arabs and Jews for hegemony over the country.

To preserve the US position in the Middle East and to counter Soviet infiltration, political, economic, and social stability must be maintained in the area. However, the seemingly insoluble Palestine problem, because of the ever-present possibility of widespread civil and para-military strife, threatens the stability not only of Palestine but of the entire Arab world as well.

The petroleum resources of the Middle East are vitally important to US security; continuing access to those resources depends on friendly US relations with the Arab people as well as with their governments. The former cordial relations have already been seriously damaged by US support of the UNSCOP partition plan. Rightly or wrongly, the Arabs feel that the establishment of a Zionist state endangers their sovereignty and independence, and they are therefore determined to oppose it with all the means at their disposal. Even if this opposition does not result in the immediate cancellation of US oil concessions in Arab lands, it will almost certainly lead to such unrest and instability that Soviet infiltration will increase and may eventually achieve the same result.

The Palestine issue is capable of changing the development of the Arab world from one of evolution in cooperation with the West to one of revolution with the support of the USSR.

2. PROBABLE FUTURE DEVELOPMENTS.

The UN General Assembly is now attempting to arrive at a solution of the Palestine problem; the outcome of its deliberations, and the part that the US plays therein, will vitally affect US security. Three main developments in the UNGA are possible: (a) a recommendation that Palestine be partitioned into independent Jewish and Arab states; (b) a recommended solution which sets up a unitary state, thereby inevitably leaving the political initiative in Palestine with the Arab majority; or (c) failure to reach any decision at all.

It is impossible to predict which of these developments will occur. Although both the US and the USSR have lent support to partition, there is still a possibility that it will not gain the necessary two-thirds majority in the UNGA. Even if the UNGA

Note: This paper has been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and Air Forces.

~~SECRET~~

accepts the principle of partition, however, the problems of obtaining general agreement on the boundaries between the Jewish and Arab states and of actually implementing partition may prove so formidable that concrete action by the UNGA may be impossible of attainment. The UK has announced that, barring an agreed solution between the Arabs and the Jews, it "must plan for an early withdrawal" of its armed forces and administration from Palestine. The British withdrawal, aside from the political consequences, will severely strain the economy of the country because of the cessation of substantial military expenditures. It appears possible, therefore, that within the next few months the Arabs and Jews in Palestine may be left to their own devices at a time when economic hardship will intensify their normal antagonisms. In such an eventuality, fighting between the two groups would almost certainly ensue, and both the Jews and Arabs would probably receive substantial aid from outside the country. The US may then be compelled, because of aroused sympathy on the part of the US public, to take a hurried stand in favor of the Zionists. Such a stand would force even the more moderate Arabs into strong opposition to the US. US prestige in the Moslem World, already seriously threatened, would be lost, and US strategic interests would be endangered by the instability in the whole area.

3. POLITICAL SITUATION.

The political situation in Palestine borders on chaos because of the irreconcilable aims of the Arabs and the Jews and because of the opposition of both to the UK Mandatory regime. This opposition has prevented the UK from implementing a Mandate whose terms of reference, through conflicting interpretations, became contradictory and consequently unworkable. The Palestine Government, even with the backing of 83,000 troops, has not succeeded in maintaining internal security; the British have been unwilling to resort to ruthless measures of suppression, and the security forces, in their normal operations, have not had the backing of any major group within the country. Extremist Zionist bands have been carrying on terrorist raids against the British administration, and the semi-official Jewish Agency has refused to cooperate with the government against the terrorists because of the government's restrictive immigration policy. Similarly, the Palestine Arabs, notwithstanding traditional factionalism among themselves, are solidly against the Mandatory regime.

In spite of the tension, there have been few cases of violence recently between Arabs and Jews, for both groups appear to be awaiting the inevitable change which will result from the UK's announced decision to leave Palestine. The Jews are strengthening their defense force, the Hagana, and attempting by means legal and illegal to increase the number of Jewish immigrants. The greatest Arab political force, the Arab Higher Committee, is attempting under the leadership of the Grand Mufti to dominate, and thereby coordinate, all Arab political activity. At the same time it is also attempting to enlarge and arm the Futuwwa and the Najjada, the two Arab para-military organizations.

In view of this situation, the UK has announced its intention of abandoning its Mandate over Palestine. The strategic value of the country to the British has been offset by administrative difficulties. The Mandate has proved a costly burden to the UK in both civil and military expenditures, and in its present economic condition the

~~SECRET~~

UK can ill afford to maintain it. Censure of the UK's handling of the Palestine problem, moreover, is damaging to British prestige.

Since all previous attempts by the Mandatory Power to resolve Arab and Jewish claims in Palestine have failed, the British have asked the UN to study the problem. In the event of a UN settlement to which both Arabs and Jews agree, Britain is willing to remain in Palestine throughout the necessary transition period. It is unwilling, however, to implement by itself a UN settlement which requires the use of force. Furthermore, the British have reserved the right to abstain from participating in any UN settlement which they consider unjust, even if offered assistance by the UN in implementing the settlement. In the absence of a UN settlement of the Palestine issue, Britain intends to withdraw its forces and administration from the country, leaving Arabs and Jews to settle the issue between themselves.

4. ECONOMIC SITUATION.

The economy of Palestine rests on precarious foundations because of the paucity of its natural resources, its rapidly increasing population, and the diametrically opposed political aims of the two major groups of its population. The Arab majority of 1,200,000 is engaged almost exclusively in extensive cultivation which enables it to live at little above subsistence level. The Jewish minority of 600,000 is engaged variously in intensive mechanized cultivation or in small-scale industry. Although the economy is primarily agricultural, Palestine is compelled to import 50 per cent of its grain needs and a large proportion of its other foods. Most of its arable land is now under cultivation, and only extensive and costly irrigation and reclamation projects in the Huleh swamp area and the Negev desert could increase the agricultural yield. Citrus fruits are Palestine's only substantial agricultural export.

With the exception of potash and agricultural products, Palestine's small industries are dependent on imported raw materials. Established almost exclusively with Jewish capital and maintained by Jewish enterprise, these industries prospered during the war years because of UK military requirements in the Near East and because the normal source of supply for the Arab states was interrupted. Since the war, however, the reopening of the prewar sources of supply and the antagonism felt by the Arab world for the Zionists have seriously threatened many of the manufacturing industries. Total exports of those manufacturing industries which trade principally with the Arab countries fell in value by 40 per cent in 1946 as compared with 1945. This decline was due entirely to an 88 per cent reduction in the exports by these industries to the Arab countries. Continued existence of many industrial enterprises dependent on export markets will rest largely upon the ability of such enterprises to find outlets in some other areas.

Since the war, the balance of payments position of Palestine has been steadily growing worse, primarily as a result of a rapid increase of imports relative to exports. The considerably widened gap between imports and exports has been met principally by gifts and remittances from abroad and by drawing upon limited foreign exchange reserves. To maintain the volume of imports at 1946 levels and to place the Palestinian economy on a self-sustaining basis, marked adjustments in various segments of the economy will be required. It is conceivable that through irrigation projects the agri-

~~SECRET~~

cultural yield could be substantially increased and that different industries aligned to non-Arab markets might in time be developed. Major adjustments of this nature, however, would be very difficult to bring about. Until such adjustments are made, an important part of Palestine's industry will be dependent on Arab markets. Those markets, because of the Arab boycott and other factors, are for the most part closed to Jewish goods and will remain closed until the Arab world and the Jews of Palestine reach a *modus vivendi*. Until then, Palestine's chronic adverse balance of trade will be further affected by the loss of the Arab market, and its economy will remain a philanthropic project, sustained primarily by US capital. The probable cessation of British military expenditures will prove an added hardship to an already unbalanced economy.

5. FOREIGN AFFAIRS.

Technically, Palestine's foreign affairs are under the complete control of Great Britain, the Mandatory Power. Actually, however, both the Jewish and the Arab elements maintain widespread open and clandestine relations with foreign powers and organizations to promote their respective and conflicting aspirations.

The Jewish Agency for Palestine, which enjoys semi-official status because of its recognition in the Mandate as the representative of the Jewish population, is an integral part of the World Zionist Organization and is closely tied to influential centers of Zionism in the US and the UK. The Arabs eschew any participation in the government but are closely connected individually with the Arab states and with the Arab League. Although Palestine is not an independent state and therefore is not eligible for membership in the Arab League, Palestinian observers attend League meetings and take part in discussions.

Palestine can be a party to international agreements, conventions, or treaties only when the UK signs such pacts on Palestine's behalf. Officially, foreign relations have been restricted for the most part to adherence to a number of conventions of a non-controversial nature (e. g., the abolition of slavery, freedom of transit and navigation). A few treaties have been concluded (e. g., a treaty with the US in 1924 regarding the rights of nationals, and with Egypt in 1929 regarding the transit of Palestinian pilgrims through Egyptian territory, and customs agreements exist with the neighboring Arab states.

6. MILITARY SITUATION.

The British, the Jews, and the Arabs all maintain military or para-military organizations in Palestine. The present British forces consist of an Airborne Division, an Infantry Division, an Armored Division, an Infantry Brigade, and several nondivisional units borrowed from the British-controlled Transjordan Frontier Force and the Arab Legion. These field forces are distributed over the whole country. Together with a large number of headquarters troops, they number 83,000.

The Jewish community has about 200,000 men and women with some degree of military training, who are members of Hagana (the Jewish Agency defense force); 16,000 are on a full-time basis; and about 5,000 are fully equipped and fully trained "shock troops." The two terrorist organizations, the Irgun Zvai Leumi and the Stern Gang, number approximately 8,000 and 500 respectively.

~~SECRET~~

There are two para-military Arab organizations, the Futuwwa and the Najjada, both of which are more or less controlled by the Arab Higher Committee under the leadership of the Grand Mufti. They have approximately 30,000 ill-trained and poorly armed members, but it has been estimated that an Arab force of 100,000 to 150,000 could be raised if sufficient arms could be imported.

Both the Jewish and the Arab forces have been trained in terrorist and guerrilla tactics for local political ends but have little more than small arms at their disposal. Since the recent announcement by the UK Government that it intends to withdraw from Palestine, in the event that the Arabs and Jews fail to agree on the solution of the Palestine problem, both communities have intensified their recruiting activities. Neither of their respective forces, however, will increase in military potential unless they can be armed, supplied, and financed from foreign sources. In the event of open hostilities between the Arabs and the Jews, the aid in men and arms which the Arabs will receive from the neighboring Arab states will exceed, particularly in the early stages of the conflict, any similar aid which the Jews might import.

Its industrial potential is limited to a small textile industry, its potash, and the petroleum refinery at Haifa, which is fed by the Iraq Petroleum Company pipeline from Iraq and which has an annual capacity of 27 million barrels. The textile industry, as well as the refinery, is dependent on imported raw materials.

In view of the violent antagonism between the Arabs and the Jews and of the hostility of both communities to the British Mandatory regime, the entire British force in Palestine is engaged in maintaining internal security. Unless the internal political situation changes radically, these British troops, even with substantial reinforcements, could not defend Palestine against a major power; and until internal security is established, Palestine would prove a weak base for a counteroffensive by the UK (or any other power) anywhere in the Near East.

~~SECRET~~