DEFAULLT BY BRITISH CHARGED BY ISRAEL
By THOMAS J. HAMILTONSpecial to THE NEW YORK TIMES.
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DEFAULT BY BRITISH CHARGED BY ISRAEL

Freezing of Sterling Balances Ties Up £100,000,000—Waste of Assets Is Also Alleged

By THOMAS J. HAMILTON
Special to THE NEW YORK TIMES.

LAKE SUCCESS, N. Y., July 3—Eliezer Kaplan, Minister of Finance in the Provisional Israeli Government, today accused Great Britain of having committed "a simple and shameless default" by impounding sterling balances held in London by the former British administration in Palestine.

These balances, which are estimated at between £100,000,000 and £150,000,000, have been frozen by the British Government pending an agreement with Israeli and Arab authorities on the assets of British concerns doing business in Palestine and British economic interests in general.

The Iraq Petroleum Company, which operates the oil refineries at Haifa as well as the pipeline that conveys oil to Haifa from Iraq, is the principal British concern operating in Palestine. However, American, Dutch and French interests also hold stock in it.

"A complete 'freeze' without any conditions stated or any negotiations in sight is unprecedented in the history of British financial dealings," Mr. Kaplan said in a report submitted to Trygve Lie, Secretary General of the United Nations, by the Israeli delegation.

Mr. Kaplan reported that his Ministry took over the functions of the British administration on May 15, when the state of Israeli was proclaimed, without a hitch. He said that as of June 21 Israeli revenues were more than £900,000, and that £3,500,000 of the £5,000,000 national loan had been subscribed.

Charges Assets Squandered

Mr. Kaplan attacked Britain on the further ground that it had hampered the economic development of Palestine by "the squandering of assets on non-essential imports." The Ministry of Finance, together with the Israeli Ministry of Commerce, "has the congenial task of reversing the policy of its predecessors, which was to prevent or hamper the import of raw materials and encourage that of finished products, to impose heavy customs duties on essential commodities and squander the country's currency assets," Mr. Kaplan said.

The Israeli delegation also submitted to Mr. Lie reports from Moshe Shertok, Secretary of Foreign Affairs, and David Remez, Minister of Communications, indicating that in its first month the new State of Israel had taken over most of the functions exercised in its territory by the British Administration.

Mr. Shertok's report revealed that the Czechoslovak Minister would be the ranking member of the diplomatic corps in Tel Aviv, since Czechoslovakia was the first country to agree to the exchange of diplomatic representatives,

Although the United States was the first country to recognize the Israeli Government, only de facto recognition was granted. James G. MacDonald, the United States diplomatic representative, therefore will take precedence after representatives of countries that have given de jure recognition. The Soviet Union was one of the first countries to extend de jure recognition.

Postal System Dislocated

"The exigencies of the military situation," Mr. Shertok said, "were such that press facilities had to be severely limited, and in this field the Ministry records with regret its failure to secure for events in Israel the kind of news coverage they should have had."

Mr. Remez reported that the postal system had been "deliberately dislocated and disrupted" by the outgoing British administration. He added that external mails are now being carried by land and sea, and that Israel was negotiating to be admitted to the International Postal Union.

Mr. Remez said that telegraphic and telephone communications were continuing to operate, and that he established direct wireless communications with New York after it was found that government messages routed through Alexandria, Egypt, were being delayed.

The report said that the Tel Aviv airport was now being used by international airlines instead of Lydda, and that the Czech Air Line, Air France, and KLM were now funtioning.

Mr. Remez said that the Israeli merchant marine, which has its own flag, included ships of the Kedem and Atid Lines and that all space on Israeli ships was assigned by a government controller.

He reported that the railroads were the most difficult problem facing his Ministry. A nation-wide system of gasoline rationing would be introduced shortly to permit building up reserves, Mr. Remez added.

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