

LATVIA-MANDATED PALESTINE ECONOMIC RELATIONS 1920–1940

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Abstract

This paper provides an overview of Latvian-Mandated Palestine economic relations in the interwar period. In the interwar period Latvian and Mandated Palestine economic relations were mainly confined to foreign trade. Latvia's foreign trade in relation to Mandated Palestine was more or less regulated by Latvia's 1923 treaty with Great Britain. Latvia's main imports from Mandated Palestine in the interwar period were fruits (including oranges, lemons, grapes, figs, pears, etc.), tobacco, and olive oil, whilst Latvia's main exports to Mandated Palestine were fish and fish conserves (including "Sprotes"), timber and timber products, paper and paper products, plywood, butter, and wooden nails and pins for footwear. In general, despite a growth in trade in the 1930s, trade and thus economic relations were of marginal significance to both countries in the interwar period.

Keywords: Latvia, Mandated Palestine, Interwar, Trade, Import, Export

Introduction

With the Balfour Declaration (1917), the British government committed itself to a "national home" for the Jewish people in Palestine. Before the British occupation in October 1918, Palestine was part of Ottoman Syria. Britain was granted a Mandate for Palestine on 25 April 1920 at the San Remo Conference, and, on 24 July 1922, this mandate was approved by the League of Nations. The final borders of Mandated Palestine were set in late 1922, when Trans-Jordan was separated from it.¹ The Balfour Declaration was incorporated into the preamble and second article of the Mandate for Palestine. Britain thus had a "dual obligation" towards both Arabs and Jews.

An interesting side light to the Balfour Declaration of 2 November 1917, was that in the wake of this declaration Imperial Germany created "Pro Palestine, German Committee for the Sponsoring of Jewish Palestine Settlement" in April 1918. A member of the committee was the Latvian

¹ Metzger, J. (1998), p. 3.

economics professor, Kārlis Balodis.² As a member of this committee, he wrote a pamphlet “Palestine as a Jewish settlement area”.³ In the pamphlet he suggested that with irrigation and modern agricultural machinery the estates in Palestine would have no problems supporting a population of six million inhabitants.⁴ He believed that Palestine could remain a part of the Ottoman Empire (Germany’s ally in WW1) and the emigration Europe’s Jewry would transform Palestine into a blooming land, which would also be in the interests of the Ottoman Empire. The Committee ceased working after the collapse of Imperial Germany in November 1918.

Jewish Latvians started to emigrate to Palestine in the 1890s. In 1891, emigrants from Latvia took part in the founding of the Hadera settlement (now a city in Israel) in Palestine.⁵ It is estimated that some 4500 Jewish Latvians emigrated to Palestine between 1925 and 1935.⁶ The figures for the period 1936 to 1944 are more precise at 820 Jewish Latvian immigrants to Palestine.⁷ In this latter period Great Britain had imposed quotas for Jewish immigration to Palestine, so considerable illegal immigration also took place but, of course, was not registered in any statistics. A number of later well-known Israeli figures had emigrated from Latvia to Palestine in the interwar period, such as historians Shulamith Shahar and Haim Beinart; composers Nachum Heiman and Marc Lavry, the first Ashkenazi chief rabbi of Palestine under the League of Nations mandate to Great Britain to administer Palestine, Abraham Isaac Kook, as well as the graphic designers Maxim and Gabriel Shamir.

In 1929, the eminent Latvian poet and playwright Janis Rainis visited Palestine. Prior to WW1, Rainis had written the tragedy *Jāzepe un viņa brāļi* (Joseph and His Brothers). In terms of philosophical scope and satiety, *Jāzepe un viņa brāļi* is the apex of Rainis’ creative work. It was first published in 1919. In April–May 1929, he traced Joseph’s footsteps in Palestine and Egypt, and visited Joseph’s tomb in Palestine. In Palestine he was the guest of Jewish friends and being a social-democrat, he was very interested in the way the Jews were transforming Palestine (he met with David Ben Gurion and other Jewish labour leaders) as he saw it on

² Kārlis Balodis (German: Carl Ballod; June 20, 1864 – January 13, 1931) was a notable Latvian economist, University professor, financier, statistician and demographer. Most notably, he was the author of civilian rationing, which was first used in Germany during the First World War and which was subsequently taken up by other nations.

³ *Palästina als jüdisches Ansiedlungsgebiet*. Berlin: Deutsches Komitee zur Förderung der jüdischen Palästinasiedlung, 1918.

⁴ Balabkins, N. & Šneps, M. (1993), p. 104.

⁵ Dowty, A. (2019), p.156.

⁶ Dribins, L. (1996), p. 14.

⁷ *A Survey of Palestine* (1946), pp. 187–203.

the basis of Zionism and socialism.⁸ Rainis and his travelling companions had prepared a very extensive programme of events including visits to the Histradut Cultural Committee, a health insurance company, and cooperative printing-house Hapoel – Hocaïr. They also visited several rural workers' organisations and kibbutzim. He was very moved by his visit to Palestine, four months before his death.

During the mandate era, two different social and economic systems, a Jewish one and an Arab one, developed under one political framework – the British mandate administration. Both the Jewish and Arab societies had their own welfare, educational, and cultural institutions and they gradually became in terms of politics and economics independent of one another. Thus, a “dual economy” developed in Mandated Palestine, based on two ethno-national communities.⁹

Latvia was recognised *de iure* by Western Europe on 26 January 1921. This collective act of recognition, was accepted by Latvia as conferring final and unreserved *de iure* recognition on the part of all the states represented on the Allied Supreme War Council, namely, Belgium, the British Empire (and thus Mandated Palestine), France, Italy, and Japan.

Although Mandated Palestine did not have direct representation in Latvia (Mandated Palestine affairs were handled by the British representative), Latvia had one honorary consulate in Mandated Palestine – Jerusalem (1928–1947). The honorary consul in Jerusalem was Mordechai Caspi, a businessman and public servant in Jerusalem. Mordechai Caspi was active in promoting commercial ties with Latvia and popularising Latvian goods in Palestine. He was decorated with the Latvian Order of the Three Stars, 4th Class in 1932. In 1936, Mordechai Caspi visited Latvia where he was received by the Latvian Foreign Minister.¹⁰ Following the annexation of Latvia by the USSR in 1940, all Latvian honorary consulates were closed and their leaders, including M. Caspi, were removed from office, in accordance with the decision of the Cabinet of Ministers of the Latvian PSR of 22 August 1940. However, M. Caspi, did not consider the directives of the Government of the USSR and the Government of Soviet Latvia legally binding, and continued to carry out consular functions under the authority of the Latvian Legation office in London until the end of his life in 1947.

⁸ Stranga, A. (2008), pp. 484–485.

⁹ For a thorough examination of the economy of Mandated Palestine based on this concept see Metzger, J. (1998) – The Divided Economy of Mandated Palestine.

¹⁰ <https://www.mfa.gov.lv/en/news/latest-news/3614-ministry-of-foreign-affairs-presented-documents-from-the-latvian-honorary-consulate-in-jerusalem> [Accessed 13.08.2020].

Table 1. Selected economic indicators for Latvia and Mandated Palestine in the interwar period

	Latvia	Mandated Palestine
Population (millions)	2 (1939)	1.1 (1939)
Share of urban population (%)	34.6 (1935)	48.6 (1944)
Share of agriculture in the labour force (%)	67.8 (1935)	75.5 (1935)+
National Income (millions Ls)	1256 (1938)	847 (1936)*
National Income per capita (Ls)	628 (1938)	770 (1936)
Share of Agriculture in NI (%)	39.2 (1938)	19.1 (1938)#
Share of Manufacturing in NI (%)	20.5 (1938)	16.9 (1938)#

*1936 Palestinian pounds converted to Lats

+ Jews = 21.4%; Arabs = 54.1%

#Based on NDP

Sources: Darbiņš, A. & Vītiņš, V. (1947); A Survey of Palestine (1946); Metzger, J., & Kaplan, O. (1985); Metzger, J. (1998)

As can be seen from Table 1, whilst the population of Latvia was nearly twice that of Mandated Palestine, the share of urban population was some 14% less than that of Mandated Palestine. The share of agriculture in the labour force in Latvia was some 8% less than that of Mandated Palestine, however, this was because of the overwhelming agricultural nature of the Arab population. The National Income per capita was near 30% more than that of Mandated Palestine, again due in part to the large share of agriculture in the Arab population. Latvia's share of agriculture in NI was nearly double that of Mandated Palestine mainly due to the differences between the Arab and Jewish segments of the dual economy. In 1939, the Arab share of agriculture in the NDP was 30.1%, whilst that of Jews was only 9.7%.¹¹ Latvia's economy was heavily structured towards agriculture and forestry. Nevertheless, both Latvia and Mandated Palestine were classified by the League of Nations as "less industrialised" countries rather than "Countries lagging in industrial development".¹² The share of manufacturing was only slightly more than that of Mandated Palestine (nearly 4%), again reflecting the differences between the Arab and Jewish communities (in 1939, the shares of NDP in manufacturing were 10.8% for the Arab segment and 24.2% for the Jewish segment).¹³

¹¹ Metzger, J. (1998), p. 142.

¹² Industrialisation and Foreign Trade (1945), pp. 26–27.

¹³ Metzger, J. (1998), p. 142.

Latvia-Mandated Palestine Economic Relations 1922–1939

In the interwar years, economic relations between Latvia and Mandated Palestine was mainly confined to foreign trade.

Latvia's foreign trade in the 1920s was based in large measure on a system of commercial and trade treaties. By 1929, Latvia had concluded commercial treaties with all important European states (except for Spain), including its two most important trading partners – Great Britain (22.06.1923) and Germany (28.06.1926). They provided the regulatory framework within which were stated the obligations undertaken by Latvia in its foreign trade relations with its trading partners up to 1931.

Latvia's foreign trade in relation to Mandated Palestine was more or less regulated by Latvia's 1923 treaty with Great Britain. Article 26 of the 1923 Treaty of Commerce and Navigation between Great Britain and Latvia states:

“The stipulations of the present Treaty shall not be applicable to India or to any of His Britannic Majesty's self-governing Dominions, Colonies, Possessions, or Protectorates, unless notice is given by His Britannic Majesty's representative at Rīga of the desire of His Britannic Majesty that the said stipulations shall apply to any such territory.

Nevertheless, goods produced or manufactured in India or in any of His Britannic Majesty's self-governing Dominions, Colonies, Possessions, or Protectorates shall enjoy in Latvia complete and unconditional most-favoured-nation treatment so long as goods produced or manufactured in Latvia are accorded in India or such self-governing Dominions, Colonies, Possessions, or Protectorates treatment as favourable as that accorded to goods produced or manufactured in any other foreign country”.

Most Colonies, Possessions and Protectorates had acceded to the Treaty, as well as self-governing Dominions such as Canada by the end of 1927.

Similarly, Article 1 of the 1934 Commercial Agreement between the Government of Latvia and His Majesty's Government in the United Kingdom, with Protocol allowed for the continuation of previous arrangements under the previous treaty:

“...The articles enumerated in Part II of the First Schedule to this Agreement... shall not on importation into Latvia ... be subjected to duties or charges other or higher than those specified in the Schedule, provided... enjoys most-favoured-nation treatment in Latvia in accordance with Article 26 or Article 27 of the Treaty of Commerce and Navigation between Great Britain and Latvia, signed on the 22nd June, 1923.”

Latvia-Mandated Palestine Trade 1922–1939

The value of Latvian imports from and exports to Mandated Palestine can be seen in the Figure 1.

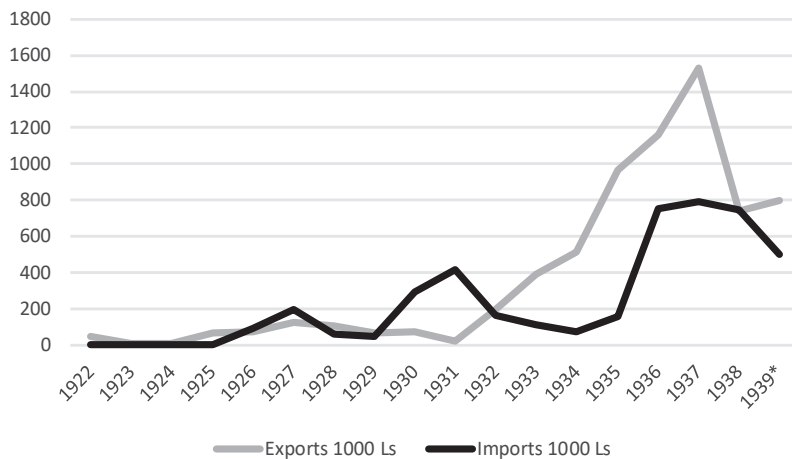


Figure 1. Latvia-Mandated Palestine Imports and Exports 1922–1939

* The data for 1939 is for eight months only – to 31 August 1939

Sources: Latvijas Statistiskās gada grāmatas [Latvian Statistical Yearbooks]. 1921–1939; Latvijas ārējā tirdzniecība un tranzīts – 1922–1939. [Latvian Foreign Trade and Transit. 1922–1939.]; Mēneša Biļetens Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

As Figure 1 shows, exports to Mandated Palestine in 1920s were low, reaching a pre-Depression high in 1927 of some 126 thousand lats. Exports rose dramatically with the end of the Great Depression, reaching a post-Depression high of some 1533 thousand lats in 1937. Imports, on the other hand, also remained very low in the early 1920s, but increased rapidly with a pre-Depression peak in 1931 and a value of 414 thousand lats. Imports also fell with Great Depression, although they recovered, starting to rise from 1935 and also reaching their peak in 1937 and a value of 791 thousand lats. Generally, exports substantially exceeded imports throughout the interwar period, especially in the 1930s.

Latvian Exports to Mandated Palestine

Latvia's main exports to Mandated Palestine were Fish and Fish conserves (including "Sprötes"¹⁴), Plywood, Paper and paper products, Timber and timber and timber products, Butter, and Wooden nails and pins for footwear (See Table 1).

Table 2. Latvia's Main Exports to Mandated Palestine (1923–1939)

Year	Fish and Fish conserves (including "Sprötes")		Paper and paper products		Timber and timber and timber products		Plywood		Butter		Wooden nails and pins for footwear	
	tonnes	Value (1000 Ls)	tonnes	Value (1000Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000Ls)	tonnes	Value (1000Ls)	tonnes	Value (1000Ls)
1923	0	0	0	0	Less than 1 tonne	Less than 1000 Ls	0	0	0	0	0	0
1924	5	7	0	0	0	0	0	0	0	0	Less than 1 tonne	Less than 1000 Ls
1925	20	44	59	22	0	0	0	0	0	0	0	0
1926	27	59	5	4	0	0	0	0	0	0	Less than 1 tonne	Less than 1000 Ls
1927	16	34	103	37	0	0	0	0	0	0	Less than 1 tonne	Less than 1000 Ls
1928	17	31	43	27	0	0	0	0	0	0	1	1
1929	33	57	14	9	0	0	0	0	0	0	0	0
1930	35	59	20	11	0	0	7	3	0	0	1	1
1931	13	19	3	3	0	0	0	0	0	0	0	0
1932	27	33	16	5	1140	84	101	21	22	35	1	1
1933	46	47	62	19	2531	145	2	Less than 1000 Ls	102	127	Less than 1 tonne	Less than 1000 Ls
1934	62	50	115	25	3609	233	32	6	190	146	Less than 1 tonne	Less than 1000 Ls
1935	113	94	255	58	1475	95	69	11	645	635	1	1
1936	63	103	231	56	337	23	90	16	629	915	1	1
1937	46	97	550	193	528	93	11	3	468	1093	2	2
1938	31	62	138	44	174	24	1	Less than 1000 Ls	249	597	3	2
1939*	42	91	734	214	0	0	0	0	146	344	0	0

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Sources: Latvijas Statistiskās gada grāmatas [Latvian Statistical Yearbooks]. 1921–1939; Latvijas ārējā tirdzniecība un tranzīts – 1922–1939. [Latvian Foreign Trade and Transit. 1922–1939.]; Mēneša Biļetens Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

¹⁴ "Šprötes" or sprats are close relatives of anchovies, sardines, and herrings. The Latvian style is to smoke and/or preserve them in oil.

A significant and consistent Latvian export to Mandated Palestine in the interwar period was fish and fish conserves (including “Sprotes”), with a pre-Depression peak in 1926 and a post-Depression peak in 1935. Similarly were paper and paper products. Paper and paper products exports reached an early peak in 1927 and continued strongly in the 1930s with a peak in terms of volume and value in the eight months of 1939 and a value of 214 thousand lats. Timber and timber product exports began in 1932, with a peak in terms of volume and value in 1934 and a value of 233 thousand lats. Plywood exports also began in 1932, but were a fluctuating part of exports in the 1930s. Similarly, butter exports were a small, but stable export in the 1930s with a peak in terms of value of 1093 thousand lats in 1937. A very small, and fluctuating part of exports throughout the interwar period was wooden nails and pins for footwear.

Latvia also exported to Mandated Palestine small quantities of mushroom and cucumber conserves, jams and marmalades, metal products, match sticks, glass, confectionery, books, and other goods. Radios were also a popular export to Mandated Palestine in the late 1930s.

Latvian Imports from Mandated Palestine

Latvia’s main imports from Mandated Palestine were Fruits (including oranges, lemons, figs, grapes, pears, etc.), Tobacco, and Olive oil. The amounts and value of Latvia’s main imports imported from Mandated Palestine in the interwar period are shown in Table 3.

Table 3. Latvia’s Main Imports from Mandated Palestine 1923–1939

Year	Fruits (including oranges, lemons, figs, grapes, pears, etc.)		Tobacco		Olive oil	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1923	0	0	Less than 1 tonne	Less than 1000 Ls	0	0
1924	Less than 1 tonne	Less than 1000 Ls	0	0	Less than 1 tonne	Less than 1000 Ls
1925	Less than 1 tonne	Less than 1000 Ls	Less than 1 tonne	1	0	0
1926	Less than 1 tonne	Less than 1000 Ls	11	90	0	0
1927	Less than 1 tonne	Less than 1000 Ls	24	197	0	0
1928	Less than 1 tonne	Less than 1000 Ls	13	106	0	0
1929	3	3	6	42	0	0

Year	Fruits (including oranges, lemons, figs, grapes, pears, etc.)		Tobacco		Olive oil	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1930	304	209	11	82	Less than 1 tonne	Less than 1000 Ls
1931	639	406	0	0	3	6
1932	361	159	Less than 1 tonne	Less than 1000 Ls	2	3
1933	225	103	0	0	3	4
1934	159	71	0	0	2	2
1935	273	146	0	0	3	4
1936	1832	713	0	0	9	13
1937	1442	761	0	0	8	24
1938	1309	658	0	0	1	3
1939*	848	435	0	0	0	0

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Sources: Latvijas Statistiskās gada grāmatas [Latvian Statistical Yearbooks]. 1921–1939; Latvijas ārējā tirdzniecība un tranzīts – 1922–1939. [Latvian Foreign Trade and Transit. 1922–1939.]; Mēneša Biļetens Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

Latvia's most important and consistent import from Mandated Palestine was Fruits (including oranges, lemons, figs, grapes, pears, etc.). Although the quantities imported in 1920s were small, imports of fruits (including oranges, lemons, figs, grapes, pears, etc.) – especially oranges, increased dramatically in the 1930s, reaching a peak in terms of quantity in 1936 and a peak in value of 761 thousand lats in 1937.¹⁵ Tobacco was a small, but consistent import in the 1920s, reaching a peak in 1927 with a value of 197 thousand lats. In the 1930s, Latvia had found other (and cheaper) sources of tobacco and this product disappeared from the import structure with Mandated Palestine. Olive oil became a small, but steady import from Mandated Palestine in the 1930s.

Latvia also imported from Mandated Palestine small quantities of textiles, wine, nuts, books, sesame seeds, and medical instruments.

¹⁵ Citrus exports from Mandated Palestine were 77% of all exports in the period 1931–1939 (Metzer, J. (1998), p. 163).

Conclusion

In the interwar years, Latvia's and Mandated Palestine's economic relations were almost exclusively confined to foreign trade.

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to Mandated Palestine made up 0.02% of total Latvian exports, and imports from Mandated Palestine made up 0.01% of total Latvian imports. Similarly, in 1937, when Latvian foreign trade reached its post-Depression peak, Latvian imports from Mandated Palestine made up 0.3% of total Latvian imports and Latvian exports to Mandated Palestine made up 0.6% of total Latvian exports. Despite the significant increase in the proportions of Latvia-Mandated Palestine trade in the Latvian data, one suspects that the figures from the point of view of Mandated Palestine would be significantly less. In other words, trade and thus economic relations were of marginal significance to both countries in the interwar period.

On 29 November 1947, the UN voted to partition Mandated Palestine. On 14 May 1948, the State of Israel was proclaimed. Diplomatic relations between Latvia and Israel were established on 6 January 1992. It is interesting to note that in 2019, Latvian exports to Israel totalled 45.8 million EUR (mainly food industry products, timber and timber products, machines, mechanisms, and electrical equipment, and optical devices and apparatus). Whilst imports from Israel totalled 26.3 million EUR (machines, mechanisms, and electrical equipment, chemical industry products, plastic and rubber products, and optical devices and apparatus). As in the interwar period, Latvia has a positive trade balance with Israel. Unlike the interwar period there are minor Latvian investments in Israel (totalling some 2 million EUR), whilst there is more substantial Israeli foreign direct investment in Latvia to a value of 58 million EUR in 2019.¹⁶

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¹⁶ Data from LIAA [Latvian Investment and Development Agency], http://eksports.liaa.gov.lv/files/liaa_export/attachments/2020.03_LV_Israela_ekon_sad.pdf [Accessed 13.08.2020].

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