

The Theft of Baghdad

Did the lost assets of Iraqi Jews serve as a pretext for Israel's refusal to compensate Palestinian refugees? Yehouda Shenhav investigates a cynical policy of linkage

In January 1952, about six months after the official end of the massive immigration of Iraqi Jews to Israel, two Zionist activists remained in Baghdad. Their names were Yosef Basri and Shalom Salah, and they were awaiting execution for possession of explosive materials and for having detonated a bomb in the city center. Shlomo Hillel, a former Israeli minister and recipient of the Israel Prize for his contribution to that immigration effort, recalls that the last words of the two were "long live the state of Israel."

It would have only been natural for Iraqi Jews in Israel to have reacted with outrage to news of the hanging. But on the contrary, the mourning assemblies organized by leaders of the community in various Israeli cities failed to arouse widespread sympathy. That curious lack of enthusiasm was explained by a document I recently discovered in the Israel State Archives. In a letter to then-Foreign Minister Moshe Sharett, Moshe Sasson, an expert on Arab affairs at the Foreign Ministry, wrote that many Iraqi immigrants, residents of the transit camps, greeted the hanging with the attitude, "That is God's revenge on the movement that brought us to such depths."

The bitterness of that reaction attests to an acute degree of discontent among the newly-arrived Iraqi Jews. It proves that a good number of them did not view their immigration as the joyous return to Zion depicted by the community's Zionist activists. Rather, they blamed the Zionist movement for bringing them to Israel for reasons that did not include the best interests of the immigrants themselves.

Many of my family members immigrated to Israel from Iraq in the 1940s and 1950s, and as a child, I was exposed to a wide gap between the official version of that immigration and the tales told by my relatives. My family spoke about coercive efforts to prod the community into Zionist action, about the personal belongings taken from them by Zionist representatives in exchange for only a promise that they would be restored in Israel. They told of the stiff resistance shown by Baghdadi Jews to the Zionist movement. They were angry over what they perceived as a fraud perpetrated by the Israeli government, about the loss of their property and the state's attempt to paint the entire episode in heroic colors.

While the stories of my childhood can never substitute for serious research, there was nevertheless an authentic quality to them. They represented an alternative voice, raising the possibility that behind the official historiography, there was another, long-suppressed account.

I want to focus on one particular aspect of the immigration — the question of Iraqi Jewish property and its connection to the property of Palestinian refugees of 1948. To this end, I consulted the minutes of Israeli government cabinet meetings, documents from the Israel State Archives, and other diplomatic papers that have since come to light. The story that emerged is both complex and engaging, and remains as relevant today as it was 50 years ago.

Between 1948 and 1951, Israel faced two analogous demands. First, it was implored to compensate Palestinians who had become refugees as a result of the War of

Independence, and whose property had been nationalized by the General Trusteeship of the State of Israel. Second, Iraqi Jews and their representatives in the Israeli government — Minister of Police Bachor Shitreet was the most prominent — were pressing for compensation for the assets they had left behind in Iraq.

My study aimed to show how Israel established a connection between these two demands, and then freed itself from both of them. Ultimately, Israel justified its refusal to compensate the Palestinians on the grounds that the Iraqi Jews had also suffered deprivations, and urged the Iraqi Jews to demand restitution from Iraq.

Zionist activity in Iraq began during World War II. But it was only at the war's conclusion, when the dimensions of the Holocaust became known, that the Iraqi Jewish community was considered a potential source for increasing the Jewish population of Palestine.

The Jewish community within Iraq was not Zionist-oriented, as the emissaries soon discovered. One of these representatives, Antzo Sireni, reported that the Iraqi Jews had no notion of Zionism, or even a "Zionist instinct." Though proud of their Jewish identity, for the vast majority of Iraqi Jews the thought of moving to Palestine was entirely remote. As an overwhelmingly bourgeois community, the Iraqi Jews understood the danger that Zionism posed to their political, social and economic status. Those Jews who did leave the country generally settled in Europe, India, Iran and North America — not in Palestine.

By 1947, however, Iraqi Jews found themselves in an increasingly untenable position. The aggressive activities of the Zionist movement, followed by the birth of Israel, led many Arabs to associate all Jews with Zionism. At the same time, nationalism was on the rise in Iraq, marked by a distinct anti-Zionism. Denied the ability to leave the country, Iraqi Jews were helplessly caught between the Scylla of Zionism and the Charybdis of Iraqi nationalism.

The question of the fate of Iraqi Jewry came up repeatedly in meetings of the Israeli cabinet, most often on Shitreet's initiative. In September 1949, for example, Shitreet proposed a "transfer" of Palestinian refugees and Iraqi Jews. Sharett and Prime Minister David Ben-Gurion were unwilling to discuss the idea, and dismissed Shitreet reproachfully.

In mid-October 1949, the Israeli press began reporting that Iraq was willing to agree to a transfer, and there was evidence that senior Iraqi officials supported such a move. But Ben-Gurion and Sharett chose to ignore these signals, and despite Israel's professed interest in absorbing Iraqi Jews, the two leaders adopted an intransigent position. Ben-Gurion told the cabinet that "all this talk about exchange seems very curious to me. Clearly, if the Iraqi Jews could get out, we would never think about asking for any type of exchange, whether of persons or of property."

Ben-Gurion and Sharett were well aware of the hefty price Iraq would demand for concluding any concrete agreement. Israel would have to either repatriate the Palestinian refugees or compensate them.

In March 1950, the Iraqi government passed a bill allowing Jews to renounce their Iraqi citizenship, and to leave the country. Known as the de-naturalization law, it was to remain in effect for one year and carried no stipulation about property.

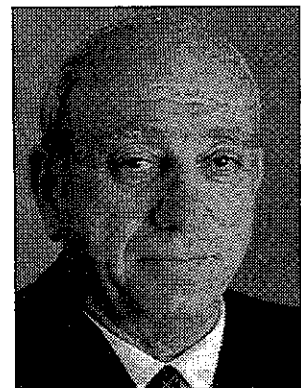
A month after passage of the citizenship bill, Israel



Street scene in a Jewish section of Baghdad: no notion of Zionism

made its first attempt to recover Jewish assets from Iraq. Ezra Danin, adviser to the Middle East department at the Foreign Ministry, recorded that, "I was asked by Yehoshua Palmon and Ze'ev Leif, acting on behalf of the prime minister and the Foreign Ministry, to examine the possibility of exchanging Arab property in Israel which has not been abandoned for the property of Jews in Iraq. The investigation, it was stressed, relates only to Iraq and not to any other Arab country, and only to property which has not been abandoned."

The plan proposed by Ben-Gurion and Sharett called for nothing less than the deliberate transfer of Israeli Arabs. Lief, the adviser for land and border affairs at the Prime Minister's Office, had already begun to implement it. According to Uzi Benziman and Atallah Mansour, in their book, "Subtenants," Leif wrote to the prime minister, the



Leif: the mediation failed.



Shitreet: "transfer" proposal

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Photos: Babylonian (Iraqi) Jewish Heritage Center

bill aimed at freezing the assets of all Jews who had renounced their citizenship. In order to prevent last-minute transactions, the Iraqi treasury ordered the banks to close in the three days before the law took effect. Jewish homes were searched, their stores were closed and their cars and property impounded.

Sharett asked his fellow cabinet members to consider Israel's response to the Iraqi actions. "The question arises as to what, exactly, we can do. Appeals can be sent to Britain and the United States, of course. ... I assume that they will refuse to intercede. ... They can say 'you took the property of the Arabs who left Israel, you gave the property to the Trusteeship. The Iraqis are doing the same thing.'"

In the same discussion, Sharett reported that some Iraqi Jews in Israel were calling on the government to impound Arab assets in Israel and distribute them to the Iraqi Jews. The majority of the cabinet agreed that the transfer of Arab assets to Iraqi Jews was not feasible.

In its place, Sharett proposed an alternative. "We declare that the entire subject of Iraqi Jewish assets will be taken into consideration in the final settlement, in determining compensation for the Palestinians," he explained. "Since we have yet to abandon the principle of paying compensation, we will now say that the value of the Iraqi assets will be deducted from them."

Inventive as it was, Sharett's idea did not satisfy Shitreet. He continued to press for a tangible measure to ease the Iraqis' plight. "The Iraqi Jews will come to the Foreign Ministry and ... they will not be content with empty words," he told Sharett. "There can be no doubt that their claim to Arab assets is well-founded. Their situation is the direct result of the creation of the state of Israel, and we have to consider a way of compensating them from the Arab assets. Otherwise, they can charge that they had lived in Iraq for centuries, worked and lived happily and made fortunes, until Israel came into being..."

These words stunned at least one cabinet member, Eliezer Kaplan, who warned Shitreet against portraying the government as guilty of committing an injustice to Iraqi Jews.

"Minister Shitreet should take care not to insinuate that these Jews might have remained peacefully in Iraq if Israel hadn't come along and forced them to leave their country," Kaplan retorted. "By the same token, it might be said that Israel should compensate every individual who comes here. Poland takes the Jews' money as well..."

The Knesset ultimately approved the government's position on the Iraqi situation, so the linkage between Iraqi Jewish property and Palestinian compensation became Israeli policy.

"By expropriating the assets of tens of thousands of Jews who immigrated to Israel," Sharett said in a speech before the Knesset on March 19, "the Iraqi government has incurred a debt to the state of Israel. Such a debt already exists between Israel and the Arab world, and that is the debt of compensation to those Arabs who left Israeli territory and abandoned their property. ... The action now taken by the Iraqi kingdom ... compels us to link the two debts. ... The value of the Iraqi Jewish assets that were expropriated will be taken into consideration when calculating the compensation we committed to pay Arabs who ▶

foreign minister and the treasury minister that "as a first measure, I would instruct our representatives in Paris to establish contact with members of the Iraqi Jewish community in order to convince them to cease selling their assets at reduced prices, and to signal that there is a chance they will be able to sell at a higher price on the basis of mutuality."

All efforts at mediation failed, however, and the assets of Iraqi Jewry were never brought to Israel. Nor did anything ever come of the transfer plan.

In 1951, Zionist activists were hard at work in Iraq. Some 35,000 Jews had already departed, and another 105,000 were registered to leave. Delays in the operation were caused not by Iraq but by Israel, and specifically by the quota system then applied by the Jewish Agency. On March 10 of that year, Iraq's prime minister proposed a

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Students at the Alliance School, Baghdad, 1898.

◀ abandoned their property in Israel."

This decision to link the two "debts" treats Iraqi Jewish capital as a national rather than a personal possession. In essence, that capital was expropriated twice, once by Iraq and then by Israel. In a memorandum sent to the U.N. Palestine Conciliation Commission, the Foreign Ministry reaffirmed its commitment to compensating the Palestinians, but added that "we cannot fulfill this commitment if, in addition to bearing the burden of immigrant absorption, Israel must provide for the restitution of 100,000 Iraqi Jews." In other words, had the Iraqi government not impounded Iraqi Jewish assets, Israel could have compensated the Palestinians.

During the debate that followed Sharett's speech, Knesset members took turns denouncing Baghdad's action. Many representatives likened it to steps taken by the Nazis. Meir Argov of Mapai said that "Israel had been willing to do its share for the refugees, but now, after this robbery of Iraqi Jews, Israel is released from its obligation."

Sharett's speech served to satisfy Iraqi Jews' demands for a concrete response to Baghdad, and kindled hopes for a speedy restitution. In a telegram to Israel, Zionist activists in Iraq wrote, "The Jews now believe that they have something to depend on. ... Jews whose assets have been frozen have approached us asking whether they will have to show proof of those assets once they arrive in Israel and, if so, how might such proof be conveyed." Naim Sofer, chairman of the organization "Movement of Iraqi and Eastern Jews in Israel," called on Israel to implement its decision immediately. His initiative clearly demonstrates the degree to which Iraqi Jews believed they would receive compensation from Arab assets held by the Trusteeship.

Sofer's letter served as a warning for the Foreign Ministry. While lower-level officials assured Sofer that "the fate of Iraqi Jewish assets is a constant concern for the government of Israel," the ministry's upper echelons were already acting to avert a catastrophe. "The frozen Iraqi Jewish assets may be registered," reported one Foreign Ministry memorandum to the Prime Minister's Office, "but their sole purpose will be to deduct the value of those assets from the amount of compensation to be paid for the abandoned Arab assets." The memorandum added that the government could not compensate the Iraqi Jews "without opening the gates to a flood of private requests from tens of thousands of Arab refugees who once owned assets of one kind or another in Israel."

Though Sharett had always opposed the notion of transfer, the freezing of Iraqi Jewish assets offered him a golden opportunity to free Israel from Palestinian claims for compensation. And indeed, almost as soon as the 120,000 Iraqi Jews arrived in Israel, the government turned its back on them. The Foreign Ministry objected to the creation of a special office to oversee the registration of claims against Iraq for assets left behind. According to historian Moshe Gat, Sharett insisted that "the value of the Jewish assets impounded by Iraq would be tallied when the question of compensation comes up for discussion. That has yet to happen, and there is no telling when it will. The issue remains hypothetical."

Hypothetical though it was, the policy of linkage was twice put to the test. In 1955, a public committee was set up to register the claims of Iraqi Jewish immigrants. The committee completed its work in December 1956, and submitted its final report to the Foreign Ministry. There it remained, unattended. The reason for the ministry's inaction again was rooted in the linkage policy, as indicated by documents relating to the committee. As one internal memorandum advised, "It is recommended that we refrain, at least for the time being, from declaring that the purpose of the claims registration is to deduct the amount from that of the compensation for abandoned Arab assets."

The second test of the policy came in 1979, during peace talks between Israel and Egypt. Addressing the Knesset, Shlomo Hillel asked Prime Minister Menachem Begin about compensation for Iraqi Jews. "The problem of Jewish property that was stolen by Arab countries — and not just one Arab country — was raised and will be raised in all our discussions," Hillel quotes Begin as saying. "It was raised and will be raised in all our discussions with Egypt. That is why we agreed to create a committee to consider the claims of all parties. When the right day comes, we will submit our claims for assets seized illegally."

The peace treaty with Egypt was signed, but no action was ever taken on the Iraqi assets. Though it had linked the two claims, Israel never offered compensation to either the Palestinians or the Iraqi Jews. The linkage policy represents an historic milestone for Israel and its attitude toward both the Palestinian refugees and the Iraqi Jewish community. After their expropriation by the Iraqi government, Jewish assets were then nationalized by the state of Israel. Proof of that nationalization can be found in the Israel State Archives, in the files labeled "Defense of Israeli Assets." Once it had claimed those assets as its own, Israel could put them to any use — rhetorical symbolic, or legal — it chose.

During the 1948 war, many Arab assets were either abandoned or seized. The value of these assets has never been determined, but is probably in excess of \$5 billion. Israel, however, remains opposed to paying that compensation as long as Jewish claims against Arab states remain unsettled. The linkage policy stands unchallenged.

The policy also demands that the Palestinians fuse their individual national identity with that of the "united Arab nation," of which Iraq is a part. The policy, then, reflects the same dangerous delusion that once led Golda Meir to declare "there is no Palestine."

The linkage between Palestinian and Iraqi Jewish claims grew out of the cynical Israeli belief that Arab and Jewish interests are inherently irreconcilable. In looking for the roots of the antipathy between the Arabs and the Jews from Muslim countries — an immense topic that lies outside the scope of this article — one cannot ignore the way in which the Zionist movement and later the Israeli government helped spawn those tensions. ■

Former radical MK and Sephardi rights activist Charlie Biton battled hard for a general Jubilee amnesty for Israeli convicts. Despite the Knesset's defeat of his proposal, he tells Sara Leibovich-Dar, the fight isn't over yet

The mere question of funding for his amnesty lobby is enough to make Charlie Biton see red.

"I need funding?" he asks angrily, and dashes into another room of his villa outside Jerusalem. He returns with an armful of elegant clothes.

"I have suits from Versus and Canali that cost thousands of dollars each," he exclaims. "I have shoes that go for 2,500 shekels, and Lacoste sunglasses for another 2,000 shekels, and ties by Versace for 500 shekels each, and shirts by Cerutti for 1,500 shekels. I bring my wife Gucci handbags and shoes. I had the first cellular phone in Israel. Do I need someone to equip me with a suit and a phone and to send me over to the Knesset?"

Not convinced, I ask whether someone like Likud activist David Appel may not be behind his efforts.

"If only Appel would give me something," is his response.

Then where does the money come from?

"The Sephardic Federation gave us 10,000 shekels. Our office is located in my mother's house, in the Musrara neighborhood of Jerusalem. I spent tens of thousands of shekels of my own money."

It was alleged that in two months of running around in the Knesset, declaring that the amnesty was for the benefit of the poor, you were really working to help friends like Aryeh Deri.

"Those are cheap and foul accusations, utter and complete nonsense. It's as if they'd found a body yesterday outside of Jerusalem, and immediately accused me of murder."

Biton claims that he began the Jubilee amnesty movement two months ago; he began by lobbying the mayors of the major cities. "Ever since I started in politics, I've raised the issue of amnesty every few years," he says. "On the 30th anniversary of the state, we staged a huge demonstration for an amnesty. I thought the 50th anniversary would be a good time to show some mercy to the poor, and that the natural place to start would be in the cities. There are a lot of unfortunate people who have chalked up a lot of parking tickets. Who gets parking tickets? Not the rich, that's for sure. We also thought about demanding cancellation of fines for buildings without permits and lowering interest rates on mortgages."

Biton tried to persuade Tel Aviv Mayor Roni Milo and Haifa's Amram Mitzna to meet with him and invite the press. Both rejected the idea. Biton then focused his energies on the Knesset, with the goal of passing "a law that would force the mayors to support the amnesty." His partners were his brother David, the former director of Al-Sam, an organization working to end drug abuse; and Kochavi Shemesh and Victor Alush, both former members of the Black Panthers, the radical Sephardic movement of the 1970s.

"First thing, we turned to Prof. Shlomo Ben-Ami from the Labor party," Biton recalls. "We thought he'd support the idea gladly, and in fact, he did give us his backing. But when he learned that the press was against us, he packed up his things and ran."

Ben-Ami, however, tells a different story. "My position was consistent all the way," he says. "It is set out in a position paper I drafted