CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 24th June, 1948, at 10 a.m.

Present:

The Right Hon. C. R. Attlee, M.P., Prime Minister (in the Chair).
The Right Hon. A. V. Alexander, M.P., Minister of Defence.
The Right Hon. Viscount Addison, Lord Privy Seal.
The Right Hon. J. Chuter Ede, M.P., Secretary of State for the Home Department.
The Right Hon. T. Williams, M.P., Minister of Agriculture and Fisheries (Items 1-3)
The Right Hon. J. H. Wilson, M.P., President of the Board of Trade.

The following were also present:
The Right Hon. John Strachey, M.P., Minister of Food (Item 1)
The Right Hon. H. T. N. Gaitskell, M.P., Minister of Fuel and Power (Item 6)
The Right Hon. George Buchanan, M.P., Minister of Pensions (Item 6)
The Right Hon. Ness Edwards, M.P., Parliamentary Secretary, Ministry of Labour (Item 1)

Secretariat:

Sir Norman Brook.
Mr. W. S. Murrie.
Mr. S. E. V. Luke.
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1. The Cabinet were informed of the further developments in the strike of London dockers.

At Tooley Street all men had returned to work and the Transport and General Workers' Union were holding meetings to urge a return to work at the other docks. The sympathetic strike of lightermen had been approved by their Union and representatives of this Union, together with dockers on strike, had sought a meeting with the Prime Minister on the previous day in order to urge the removal of the penalties which had led to the strike. The Prime Minister had rejected this request and it was proposed to maintain the attitude that there could be no discussion of the strikers' grievances until they had returned to work. According to a police report, no work was being done except at the Hay's Wharf group of docks, but if a strong lead were given by the Union the strikers could probably be induced to resume work. There was evidence that the Union had not been sufficiently active in trying to persuade the men to abandon the strike and it was reported that the strikers had expressed resentment at being summoned to attend the Union meeting at the Albert Hall. The movement of perishable foods by members of the Services was going forward smoothly and arrangements were proceeding for bringing in additional troops to handle non-perishable foods. The Services would have great difficulty in providing aid at other ports than London: there was, however, as yet no sign of any such extension of the strike.

The Cabinet—

Took note of the position and invited the Parliamentary Secretary, Ministry of Labour, when he saw the Secretary of the Transport and General Workers' Union later in the morning, to impress on him the need for the utmost efforts on the part of the Union to bring the strike to an end.

2. The Cabinet were informed that no progress had been made in the quadripartite discussions on the possibility of introducing a single currency for the whole of Berlin, and that early on the previous day it had been announced that the new currency for the Soviet Zone would be introduced into the whole of Berlin. The Military Governors of the Western Zone had countered this by announcing that the new currency for the Western Zones would be introduced into the western sectors of Berlin. Early that morning the Soviet authorities had stopped all rail traffic between Berlin and the Western Zones and all electricity supplies from the eastern to the western sectors of Berlin. It was not yet clear whether these restrictions were designed as a tactical reply to the action taken by the Western Powers on the currency question or whether they were the first move in a major offensive to force the Western Powers to withdraw from Berlin. Our Military Governor had been asked for a full report on the situation and this was expected by noon.

The Cabinet recognised that a very serious situation might develop in Berlin; and it was important that the Western Powers should take their stand on a position which they were confident of being able to sustain. The Minister of State undertook to arrange that the Foreign Secretary should be fully informed of the situation without delay. As soon as the promised report on the situation was received, he would also consider, in consultation with the Foreign Secretary and the Prime Minister, whether the British Military Governor in Berlin should be recalled to London for consultation with Ministers.

3. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

The Lord President said that at the end of his Statement on Business that afternoon he would inform the House of Commons of
the arrangements proposed for holding a short session in the autumn for the purpose of passing the Parliament Bill for a second time. An identical statement would be made simultaneously in the House of Lords. The short session would be opened on 14th September and, if the business on the Parliament Bill could be completed in both Houses within a fortnight, Parliament would be adjourned on 24th September until 25th October, when it was expected that the session would be brought to an end by prorogation. The session of 1948–49 would be opened on 26th October.

In connection with the Statement on Business that day the Government were likely to be asked when Parliament would be able to debate the Bilateral Agreement under the Economic Co-operation Act. It was agreed that the Lord President should state, in reply, that negotiations on the text of the Agreement were still proceeding in Washington, but that Parliament would be given full opportunity to debate the text before the Agreement was signed. This might mean that the Agreement could not be signed before 3rd July (the date after which financial assistance under the Act could not be provided to this country unless our Agreement had been concluded), but it seemed preferable to go past that date rather than give Parliament inadequate time for the discussion of so vital an Agreement.

4. The Chancellor of the Exchequer said that at a meeting of the Economic Policy Committee on 21st June (E.P.C. (48) 24th Meeting, Minute 1) it had been agreed that in the negotiations with the Finance Minister of India he should not offer to release more than £40 million of the accumulated balances over the next three years. On further consideration, he had come to the conclusion that an offer of this kind would represent too drastic a reduction as compared with the amounts made available to India in 1947 and he now wished to propose a three-year settlement under which the total amount of accumulated balances released would be £80 million. There would be no releases in the first year unless the amount in the Indian current account fell below a given level and thereafter we should be committed to release the balances at the rate of £20 million in each half year. Under this agreement it was unlikely that there would be any releases in the first year, since the Indians would not then be able to spend more than the balance available in their current account. He also proposed to agree to make available in the first year, if exceptional reasons were shown, between £10 and £15 million in hard currencies. Exports of capital goods from the United Kingdom to India would probably continue roughly at the 1947 level of £35 to £40 million a year, though it was not intended to give any firm guarantee of this. He understood that the terms proposed were likely to be acceptable to the Indian Government and, in view of the advantages of making a three-year agreement, he recommended them to the Cabinet. Corresponding terms would be offered to Pakistan.

The Cabinet—

Authorised the Chancellor of the Exchequer, in his negotiations with the Finance Ministers of India and Pakistan, to try to reach settlements on the lines indicated above.

5. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C.P. (48) 161) indicating the economic consequences to the United Kingdom if no aid were made available under the European Recovery Programme.

The Prime Minister informed the Cabinet of the latest developments in the negotiations on the draft Economic Co-operation Agreement between His Majesty's Government and the United States Government. The Economic Co-operation Act provided that
each of the participating countries must conclude individual agreements with the United States Government by 3rd July, and the United States Government had decided that these agreements should be drafted in identical terms for all participating countries. The first draft communicated to the European Governments had been extensively modified in negotiation and the latest draft, which had been considered by the Economic Policy Committee on 21st June, was a substantial improvement, both in tone and in substance. Nevertheless it still contained certain features which were objectionable from the point of view of the United Kingdom, and His Majesty's Ambassador in Washington had been instructed to make every effort to secure further modifications in the draft. The main provisions to which objection had been taken were:

(i) The United Kingdom Government might be required to assist the United States Government to obtain equitable treatment for their commercial interests in countries outside the United States from which purchases were made with dollars provided under the European Recovery Programme.

(ii) The United Kingdom Government would be required to use materials bought with aid provided under the Programme only for the purposes specified in the justifications put forward in support of their requests for aid.

(iii) The United Kingdom Government would be subject to unacceptable obligations regarding the use of United Kingdom assets in the United States, unless it were placed on record in an agreed Minute that they had already complied with this requirement.

(iv) The United Kingdom Government would be required to undertake to adopt measures to stabilise its currency, to maintain a valid rate of exchange and to balance its budget, in spite of the assurance already given under Article VII of the Paris Convention.

(v) The provision dealing with monopolistic control would be objectionable, unless it were brought into line with the obligations which His Majesty's Government had already accepted under the Havana Charter for an International Trade Organisation.

(vi) The United States Government proposed to make a public statement implying that, by the general provision for mutual consultation under the Agreement, it would be open to them to insist on our consulting with them about exchange rates.

(vii) The Article relating to the purchase of raw materials for stockpiling would not be acceptable, unless it were made clear that the United Kingdom Government could not be called upon to purchase materials for the United States from sources outside the United Kingdom and the Colonies.

(viii) In connection with the Article relating to the provision of information, we should require a formal assurance that the United States Government would not make requests for detailed information about technical processes.

(ix) The period of notice for termination of the Agreement should be substantially less than the period of twelve months proposed by the United States Government.

(x) It was difficult for us to accept the United States proposal that most-favoured-nation treatment should be extended to Japan.

The negotiations were still proceeding. Though it did not appear that any material concessions had been made, it was not clear precisely how far the United States authorities were prepared to modify the draft on these points. His Majesty's Ambassador had, however, reported that the other participating countries had now accepted the draft and that, in the circumstances, it was likely to be published within the next two or three days.

The Chancellor of the Exchequer said that the situation was very serious. The Ambassador's message showed that the United Kingdom Government could look for no support from the other participating countries in securing a more acceptable draft. Even
the French Government appeared now to have modified their attitude, although it had been understood that they were anxious to consult with the United Kingdom Government before reaching a final decision. There was little prospect that the United States Government would agree to further changes in the draft of the Anglo-American Agreement, once the terms accepted by other participating countries had been made public. On the other hand, His Majesty’s Government would find very great difficulty in justifying to Parliament an Agreement in the terms of the present draft. In his view, they would have to be able to show that they had exhausted every possibility of securing more acceptable terms, and he himself thought that a Minister should proceed immediately to Washington to explain the views of His Majesty’s Government to the United States Administration at the highest level.

In discussion, Ministers expressed great concern at the situation which had arisen. Both Parliament and the country might be expected to react strongly against the draft Agreement in its present form: on the other hand, the economic consequences of refusing aid under the European Recovery Programme, as set out in C.P. (48) 161, would be so grave that people in this country would ultimately overlook the circumstances in which it had been rejected. The fact that the United States Government had chosen to impose terms on the United Kingdom identical with those offered to Italy, an ex-enemy country, would gravely damage Anglo-American relations at a time when the unity of Western Europe was increasingly threatened by the attitude of the Soviet Government. Until the Foreign Secretary could be consulted, no final decision could be reached on the suggestion that a Minister should visit Washington; but Ministers considered that the views of His Majesty’s Government should be communicated at once to the United States Ambassador for transmission to his Government. The question was also raised whether it would be advisable to inform the Opposition in confidence of the position, before any Minister went to Washington.

The Cabinet—

(1) Took note of the present position in the negotiations with the United States Government on the draft Economic Co-operation Agreement.

(2) Took note that the Prime Minister would inform the United States Ambassador in London of their views on the draft Agreement.

(3) Agreed that the Economic Policy Committee should consider, in the light of the full report of the negotiations which had taken place in Washington on the previous day, what further steps should be taken to persuade the United States Government to agree to the modification of the draft Agreement.

6. The Cabinet considered a memorandum by the Minister of Fuel and Power (C.P. (48) 150) seeking approval in principle for a revised scheme of supplementary injuries benefits for miners, on which the National Coal Board and the National Union of Mineworkers had reached provisional agreement. Under this scheme the miners would contribute 4d. a week, which was equivalent to 12½ per cent. of the cost, while the Board’s contribution would be 4d. a ton of coal.

The Minister of Fuel and Power said that it was disappointing that the Board had not been able to secure a larger contribution from the workers. It had, however, been very difficult to persuade the Union to agree even to a contribution of 4d. a week and some members of the Board itself had taken the view that a lower contribution would be justifiable. If the Government refused to endorse the provisional agreement reached between the Board and
the Union there would be a major conflict with the miners and, in all the circumstances, he recommended that the revised scheme should be approved in principle.

The Minister of National Insurance said that he had hoped that agreement might have been reached on a scheme under which the worker’s contribution would be 1d. per pound of wages, which would have yielded a sum equivalent to a flat-rate contribution of about 7d. a week. It seemed clear, however, that the miners could not be persuaded to contribute under the supplementary scheme a greater sum than the 4d. a week that they would contribute under the general industrial injuries scheme. He would wish to examine the scheme in detail, in consultation with the Minister of Fuel and Power, before formal approval was given.

In discussion it was suggested that the Government should, as far as possible, avoid taking direct responsibility for the contents of the scheme, which had been negotiated by the Board as a matter within their responsibility: it would then be easier for the Government to resist claims for equal treatment from other classes. On the other hand, attention was drawn to the danger that the boards of socialised industries and their employees might agree on unnecessarily generous schemes. The cost of these would be mainly met by the consumer and their benefits would discredit the rates paid under the National Insurance Scheme.

Other points in discussion were:

(a) Active steps had been taken to reduce the high accident rate in the mining industry and there had been a substantial improvement in recent years.

(b) There was a disturbing increase in the incidence of industrial diseases and the Minister of National Insurance intended to consult with the Health Ministers on the best means of tackling this problem.

(c) If the proposed scheme were adopted, the Minister of Pensions would find it difficult to adhere to his policy of resisting demands for a general increase in war pensions, and other Service pensions might also be affected.

The Cabinet—

Agreed to continue their discussion of C.P. (48) 156 at an early meeting.

Cabinet Office, S.W. 1.
24th June, 1948.