CABINET 44 (48)

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Monday, 28th June, 1948, at 11 a.m.

Present:

The Right Hon. C. R. Attlee, M.P., Prime Minister (in the Chair).
The Right Hon. Sir Stafford Cripps, K.C., M.P., Chancellor of the Exchequer.
The Right Hon. Viscount Jowitt, Lord Chancellor.
The Right Hon. A. Creech Jones, M.P., Secretary of State for the Colonies.
The Right Hon. Aneurin Bevan, M.P., Minister of Health.
The Right Hon. George Tomlinson, M.P., Minister of Education.
The Right Hon. Ernest Bevin, M.P., Secretary of State for Foreign Affairs.
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.
The Right Hon. J. H. Wilson, M.P., President of the Board of Trade.

The following were also present:
The Right Hon. Alfred Barnes, M.P., Minister of Transport (Items 2-3).
The Right Hon. G. R. Strauss, M.P., Minister of Supply (Item 3).
The Right Hon. William Whiteley, M.P., Parliamentary Secretary, Treasury (Item 2).
The Right Hon. John Strachey, M.P., Minister of Food (Item 2).
The Right Hon. H. T. N. Gaitskell, M.P., Minister of Fuel and Power (Item 3).
The Right Hon. Ness Edwards, M.P., Parliamentary Secretary, Ministry of Labour and National Service (Item 2).

Secretariat:

Sir Norman Brook.
Mr. W. S. Murtie.
Mr. S. E. V. Luke.
<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>European Economic Co-operation</td>
<td>87</td>
</tr>
<tr>
<td></td>
<td>Bilateral Agreement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Allocation of Aid</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Industrial Disputes</td>
<td>88</td>
</tr>
<tr>
<td></td>
<td>Dock Workers' Strike</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Iron and Steel Bill</td>
<td>90</td>
</tr>
<tr>
<td>4</td>
<td>Germany</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td>Situation in Berlin</td>
<td></td>
</tr>
</tbody>
</table>
European Economic Co-operation.

(Previous Reference: C.M. (48) 43rd Conclusions, Minute 1.)

Bilateral Agreement.

1. The Cabinet had before them a note by the Secretary (C.P. (48) 167) covering a proof of a White Paper setting out the text of the Economic Co-operation Agreement between His Majesty's Government and the United States Government.

The Chancellor of the Exchequer recalled that, when the Cabinet had last discussed this Agreement on 25th June, the one question still outstanding was whether the United States Government would agree to deal with the question of most-favoured-nation treatment for Japan in a manner which would not involve its being linked with the Agreement. The United States Government had now agreed (Washington telegram No. 3144 of 26th June) to exclude Japan from the proposed exchange of notes on most-favoured-nation treatment; and our representative in Washington had agreed, in return, that the arrangement for most-favoured-nation treatment for the occupied areas of Western Germany should extend for a period of two and a half years. Thus the way was now clear for us to accept the Agreement.

The proof annexed to C.P. (48) 167 had still to be finally checked against the text initialled in Washington. That text would be received later in the day, and it was proposed that the White Paper should be presented to Parliament during the afternoon of 29th June. The Chancellor of the Exchequer was consulting the Ministers directly concerned on the terms of the statement which he proposed to make when announcing the presentation of the White Paper.

Two minor points were raised on the form of the White Paper:

(a) The references on pages 1 and 3 to “a Foreword by the Foreign Office” should be omitted.
(b) The two sentences in the slip attached to page 13 were intended to be substituted for the first paragraph (not, as stated, the first two sentences) of the note from the Foreign Secretary to the United States Ambassador in London.

The Prime Minister said that the Cabinet would wish to place on record their gratitude to the Chancellor of the Exchequer and the staffs concerned for carrying the negotiation of this Agreement to a successful conclusion.

The Cabinet—

(1) Approved the terms of the Economic Co-operation Agreement between His Majesty's Government and the United States Government;
(2) Took note that the text of the Agreement would be presented to Parliament on 29th June in a White Paper in the terms of the proof annexed to C.P. (48) 167, subject to the amendments noted in paragraphs (a) and (b) above and to any other minor amendments required to bring this proof into conformity with the text initialled in Washington;
(3) Took note that the Chancellor of the Exchequer would settle, with the Ministers directly concerned, the terms of the statement which he proposed to make in the House of Commons when announcing the publication of this White Paper.

The Chancellor of the Exchequer recalled that on 22nd June the Economic Policy Committee had approved his proposal that the United Kingdom Delegation in Paris should resist the suggestion that the Organisation for European Economic Co-operation should itself undertake the allocation of aid between the participating countries. (E.P.C. (48) 25th Meeting, Minute 1.) The view taken by Ministers on this point had been put to Mr. Harriman, the representative of the Economic Co-operation Administrator in Europe, who had urged most strongly that our Delegation should
not take this line in Paris. It would, he said, involve the very greatest difficulties with the Economic Co-operation Administrator; and he had no doubt that there would be grave difficulties in Washington if the Organisation for European Economic Co-operation were unwilling to make a serious attempt to assume responsibility for allocating aid between the participating countries.

The Chancellor of the Exchequer said that, in the light of the views expressed by Mr. Harriman, it would be inexpedient for our Delegation in Paris to take the line approved by the Economic Policy Committee on 22nd June.

The Cabinet—

(4) Agreed that the United Kingdom Delegation to the Organisation for European Economic Co-operation should be instructed to state that His Majesty's Government would not oppose the suggestion that the Organisation should assume responsibility for allocating aid between the participating countries, though they should make it clear that the assumption of this responsibility was likely, in their view, to involve the Organisation in great difficulties, which should be more fully explored.

2. The Cabinet considered the latest developments in the dock workers' strike. They were informed that the position in London had not improved. Outside London, all the dockers at Birkenhead and half of those in Liverpool were on strike, and it was possible that the strike would spread to Glasgow and Southampton. There were no signs as yet of strike action at Bristol or the South Wales ports. The Transport and General Workers' Union were making every effort to combat the strike and meetings of their Executive and of the National Dock Group had been called for 29th June. There was, however, a powerful organisation behind the strike and some reason to regard it as part of a general attempt to create industrial unrest. It seemed to be the object of the organisers to make the Dock Labour Scheme unworkable and thus to create a state of affairs in which the movement of goods would be liable to constant interruption through dock strikes. About 5,000 members of the Forces with 900 lorries had begun to move wheat and other non-perishable foods in London, and consultations were proceeding about the use of troops at the other ports which might be affected. If no further food cargoes were moved, the carcass-meat ration, which would be only 4d. in the current week, would fall to 4d. There would be difficulty in maintaining the sugar ration after about a week and in about fourteen days there would be serious shortages of bread, bacon, cheese and butter. A strike of flour millers was threatened if troops were used to move wheat and there was still a risk of a strike at Smithfield, though it had been indicated that if the troops were merely used to move meat into cold storage, as distinct from delivering it direct to the market, the Smithfield workers would continue to handle it.

The Cabinet then considered a memorandum by the Parliamentary Secretary, Ministry of Labour (C.P. (48) 188) proposing that the Dock Labour Scheme should be suspended in the Port of London. It was explained that for this purpose it would be necessary either to proclaim an emergency under the Emergency Powers Act, 1920, and thereafter make an Order in Council suspending the scheme, or to suspend the Scheme by means of a short Bill which might, it was suggested, be introduced and passed through all its stages on 30th June.

The Parliamentary Secretary, Ministry of Labour, said that the suspension of the Scheme would bring home to the workers that if they would not submit to its obligations they must lose its benefits. It would also have the advantage of enabling volunteer labour to be obtained. The trade union representatives on the
National Dock Labour Board would not agree to recruit volunteer labour and, in these circumstances, it seemed reasonable to give the employers freedom to engage such volunteer labour as they could obtain. In his view, the suspension of the Scheme would create a new situation and make it easier for the Government and the Union to bring about a satisfactory settlement.

In discussion it was pointed out that the suspension of the Scheme in the Port of London alone would not meet the situation which had now arisen through the spread of the strike to the provinces. There was no evidence that if the employers were free to recruit volunteer labour they would obtain any large body of workers. The suspension of the Scheme would deprive of its benefits those men who were still at work in the London docks, and it would be regarded as a victory for those who were exploiting the strike. For these reasons, the Cabinet rejected the proposal made in C.P. (48) 168.

The Cabinet then considered what alternative action should be taken to meet the situation. There was general agreement that all possible use should be made of the Services, even at the cost of some temporary interruption of training and consequential difficulties in providing reliefs for garrisons overseas. To enable the troops to be employed to the best advantage it would be necessary to have power to requisition premises for their accommodation and equipment (such as lorries) for their use; and, both for these purposes and in order to give a firm legal basis for the use of troops, it was desirable that an emergency should be proclaimed under the Emergency Powers Act, 1920. The Proclamation should be related to the cessation of work in certain sections of the dock industry, but this would not preclude the making under it of regulations designed to deal with any extension of the emergency outside that industry (e.g., a strike at Smithfield). Once the Proclamation had been made it would be possible to call for volunteer workers, but there was general agreement that this should not be done for the present.

In further discussion it was agreed that the Prime Minister should announce the Government's intentions in the House of Commons later in the day and should broadcast an appeal to the strikers at 9 p.m. This broadcast should be repeated at 7 a.m. and 8 a.m. on 29th June. Ministers thought it desirable that the strikers should be given an opening to return to work without loss of face, but they were clear that there could be no question of negotiating with the strikers' leaders or going beyond what the Prime Minister had said in the House of Commons on 23rd June with regard to possible modifications of the disciplinary clauses of the Dock Labour Scheme. In his broadcast the Prime Minister would accordingly set out the events leading to the strike, indicate that the strikers were being exploited, stress the benefits conferred on the workers by the Dock Labour Scheme, and point out again that modifications in the Scheme could be made by use of the recognised machinery. He would also explain what steps the Government were taking to maintain essential supplies and to safeguard the national economy and would end with an appeal for a restoration of the sense of discipline.

The Cabinet—

(1) Agreed that The King should be advised to issue a Proclamation under the Emergency Powers Act, 1920, declaring that a state of emergency existed owing to the cessation of work in certain sections of the dock industry.

(2) Agreed that the maximum use should be made of the Services in order to maintain the movement of goods both in London and in the provinces, notwithstanding any interference with military training, and took note that the Minister of Defence would consult with the Service Ministers on the steps necessary to secure this.
(3) Agreed that regulations should be made under the Emergency Powers Act, 1920, to provide any necessary facilities in the way of premises or equipment to enable full use to be made of the Services.

(4) Agreed that for the present there should be no general appeal for volunteer workers.

(5) Took note that the Prime Minister would make a statement of the Government’s intentions in the House of Commons later in the day and would broadcast an appeal to the strikers at 9 p.m.

3. The Cabinet considered a memorandum (C.P. (48) 157) which the Minister of Supply had circulated in pursuance of the request made in the Cabinet’s earlier discussion on 14th June, dealing with the powers of the proposed Iron and Steel Corporation and, in particular, with the suggestion that the Corporation might be constituted simply as a holding company.

In this memorandum the Minister of Supply set out his reasons for thinking that it would be inexpedient to limit the Corporation to the functions of a holding company, and recommended that the Bill as introduced should define the powers of the Corporation in terms of the first alternative Clause 2 in the draft annexed to C.P. (48) 123. This would confer on the Corporation the sum of the existing powers conferred by the memoranda of association of all the companies which would come under public ownership. If, during the proceedings on the Bill, this proposal were criticised as conferring excessive powers on the Corporation, the Minister could make a concession by substituting the second alternative Clause 2, which would confer on the Corporation the sum of the existing powers actually exercised by the companies under their articles of association at the date of their transfer to public ownership.

The Cabinet—

(1) Endorsed the recommendations made by the Minister of Supply in C.P. (48) 157.

(2) Authorized the Minister of Supply to inform the representatives of employers and workers in the iron and steel industry that the Government had decided to bring the major part of the industry under public ownership and to communicate to them, in confidence, the substance of the scheme which the Government had approved for carrying this decision into effect.

4. The Foreign Secretary informed the Cabinet of the latest developments in the situation in Germany. In view of the suggestions published in the Soviet-controlled press in Berlin, the Foreign Office had issued a statement over the week-end confirming the Government’s intention to maintain their position in Berlin and the United States Government were being asked to make a similar statement. There could be no question of yielding to Soviet pressure; if the Western Allies were forced out of Berlin, the project of Western Union would be fatally weakened. Every effort must be made to increase the existing food stocks for the civil population in the British sector of the city. This could now be done by air alone, and steps had been taken to expand the air services into the city. It seemed possible that the Soviet Government might try to secure an agreement on Four-Power control of the Ruhr in return for permitting the resumption of rail and water traffic into the Western Zones. There was no foundation for their allegation that we were failing to carry out the terms of an agreement on this issue: the United Kingdom Delegation had declined to discuss the matter at the Potsdam Conference on the ground that the
French Government was not represented. The implications of the statement issued by the Soviet Government at the conclusion of the Warsaw Conference were being studied, and he would circulate a paper on this subject to the Cabinet.

The Minister of Defence said that the Chiefs of Staff were consulting the Combined Chiefs of Staff in Washington about the situation. The British Military Governor had confirmed that nothing would be gained by attempting to force through convoys by rail, road or water, since the Soviet authorities could interpose effective technical obstacles. Attention must therefore be concentrated on expanding the use of freight aircraft. At the present time, the Royal Air Force could bring into the city a daily load of 75 tons, but this could be increased very shortly to 400 tons and, by 3rd July, to 750 tons. This was the maximum daily load which could be transported by this means, and it would not be possible to maintain this rate for longer than a month. The Principal Administrative Officers Committee were considering to what extent dehydrated foods could be substituted for other supplies. The United States Air Force were at present transporting 1,000 tons a day by air into their sector. The Military Governor had reported that the Soviet authorities might attempt to interfere with air traffic either by fighter aircraft or by barrage balloons: instructions had been given that the risk of interference by fighters must be accepted but barrage balloons should be shot down.

The Cabinet—

(1) Took note of the statements by the Foreign Secretary and the Minister of Defence;

(2) Approved the instructions given to the British Military Governor in Germany regarding the maintenance of air communication with Berlin;

(3) Took note that a special meeting of Ministers would be held later in the day to review the situation in detail.

Cabinet Office, S.W. 1,
28th June, 1948.