CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Monday, 19th July, 1948, at 11 am.

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.
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 3-4).
The Right Hon. H. T. N. Gaitskell, M.P., Minister of Fuel and Power (Item 3).

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. A. Woodburn, M.P., Secretary of State for Scotland.
The Right Hon. Aneurin Bevan, M.P., Minister of Health.
The Right Hon. George Tomlinson, M.P., Minister of Education.

Secretariat:

Sir Norman Brook.
Mr. W. S. Murrie.
Mr. S. E. V. Luke.
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Mr. Joseph Westwood.

1. The Prime Minister said that members of the Cabinet would have learned with regret that Mr. Joseph Westwood and his wife had been killed in a motoring accident on 17th July.

The Cabinet expressed their sorrow at the loss of a former colleague, and asked the Prime Minister to convey their sympathy to Mr. Westwood's son.

2. The Cabinet were informed that the Governments of the United States and France were now being consulted on the Soviet reply to the notes of protest presented on behalf of the three Governments.

The Chancellor of the Exchequer said that the currency situation in Berlin did not seem to be developing satisfactorily. According to his information much of the western currency was being hoarded and the eastern currency seemed to be coming into general use throughout the city.

The Cabinet—

(1) Agreed that officials of the Foreign Office and Treasury should consult together regarding the currency situation in Berlin, so that the Foreign Secretary and the Chancellor of the Exchequer might submit their joint recommendations to the Cabinet.

The question was raised whether other Commonwealth Governments should not now be given a full appreciation of the situation in Berlin. It was the Cabinet's view that such an appreciation should now be sent: it need not include any forecast of future developments.

The Cabinet—

(2) Authorised the Secretary of State for Commonwealth Relations, after consultation with the Foreign Office, to send to other Commonwealth Governments an up-to-date appreciation of the current situation in Berlin.

3. The Cabinet considered a note by the Lord President (C.P. (48) 181) covering a revised statement of the arguments in favour of the Iron and Steel Bill prepared by the Socialisation of Industries Committee in accordance with the Cabinet's decision of 14th June (C.M. (48) 39th Conclusions, Minute 5).

The Lord President explained that the Annex to C.P. (48) 181 was primarily intended for the guidance of Ministers, including junior Ministers. It should not, in his view, be circulated until the Bill had been introduced, and he suggested that meanwhile Ministers should, so far as possible, refrain from detailed political arguments on the Bill or, if they felt it necessary to introduce such arguments into public speeches, should do so only after consultation with the Minister of Supply or himself. He asked the Cabinet to consider whether it was expedient that public use should be made of the argument in paragraph 7 of the Annex to C.P. (48) 181, that the socialisation of the United Kingdom iron and steel industry was desirable in the interests of the European Recovery Programme and of Western Union. It might be thought that the development of this argument would give offence both in the United States and in European countries. He also drew the special attention of the Cabinet to the desirability of avoiding arguments, such as those indicated in paragraph 18, whose use might alienate the managers and technicians on whom the Government must rely for the successful conduct of the industry after nationalisation.
The Cabinet's discussion turned primarily on the question whether Ministers would be unduly inhibited in advocating the socialisation of the iron and steel industry if they were precluded from using arguments of the kind mentioned in paragraph 18 of the memorandum.

It was suggested that the Government's case would be greatly weakened, particularly in steel-producing areas, if Ministers were unable to attack the policy pursued by the industry before the war. It was true that this policy had been supported by the Government of the day, but would it not be permissible to attack both the industry and that Government, who had combined to pursue a restrictive policy? Again, while it was preferable that individuals should not be singled out for personal attack, the Government's case could not be presented effectively unless Ministers were free to refer to particular incidents of the inter-war years. It was also urged that, although in theory the industry was not subject to domination by outside financial interests, in practice those interests had exercised a very real control over it. Arguments directed to these points could be presented in such a way as not to alienate the managers or technicians and, unless they were used, Ministers would be depriving themselves of useful weapons to counter the bitter attack which the Opposition would undoubtedly make on the Bill.

On the other hand, it was pointed out that paragraph 18 gave useful guidance to those Ministers who were less familiar with the history of the industry and might be tempted to present arguments based on the past history of the industry in a way which would be open to effective retort. Thus, it would be unwise to refer to facts slaved by Sir William Firth without full knowledge of the facts; and, in making accusations of domination by financial interests, it should be borne in mind that those interests had in fact been largely responsible for such modernisation of the industry as took place in the inter-war years.

Other points in discussion were—

(a) Ministers agreed that, from the point of view of our relations with the United States and Western European countries, it would be preferable not to use the argument that socialisation of the United Kingdom iron and steel industry was desirable in the interests of the European Recovery Programme and Western Union.

(b) Though it would be undesirable to argue that the present Exchequer subsidies payable in respect of iron and steel were needed to bolster up a bankrupt industry, it could be argued that one reason for the subsidies was the existence of high-cost producers who would not have to be kept in production if in the past the industry had been as efficient as was claimed by the Opposition.

In further discussion there was general agreement that it would be inexpedient for Ministers to launch a campaign in favour of the Bill before the Second Reading debate and that the right course would be for the Prime Minister to send a note to Ministers asking them to refrain for the present from entering into controversy on the subject of the Bill. Meanwhile the arguments set out in the Annex to C.P. (48) 181 might be revised in the light of the points made in discussion with a view to the circulation of a document for the guidance of Ministers at the time when the Bill was published. It would also be desirable that at that stage the Minister of Supply should meet those Ministers who were not in the Cabinet, including junior Ministers, in order to supplement what was stated in the document.

The Cabinet—

(1) Took note that the Prime Minister would ask all Ministers to avoid putting forward detailed arguments in support of the Iron and Steel Bill before the Second Reading debate.

(2) Invited the Prime Minister to arrange for the memorandum annexed to C.P. (48) 181, revised in the light of the
discussion and of any developments during the next three months, to be circulated to all Ministers for their guidance at the time when the Iron and Steel Bill was published; and agreed that at that time the Minister of Supply should meet those Ministers who were not in the Cabinet in order to supplement the points made in the memorandum.

4. The Cabinet considered a memorandum by the Minister of Transport (C.P. (48) 184) proposing that His Majesty's Government should accept an international Convention for the establishment of a Maritime Consultative Organisation as a specialised agency of the United Nations. The text of the Convention was annexed to the memorandum.

The Cabinet were informed that this Convention had been adopted by a Conference held at Geneva earlier in the year and attended by representatives of eighteen countries, including the most important of the maritime and trading nations. It followed the lines previously recommended to the Cabinet and met satisfactorily the specific points raised in the Cabinet's discussion on 28th November, 1946. The Convention had been presented to Parliament in May as a White Paper (Cmd. 7412) and had provoked no comment. The Minister now proposed that the Secretary-General of the United Nations should be formally notified that His Majesty's Government accepted the Convention. It would come into force when it had been ratified by twenty-one countries, including seven who each had at least 1 million gross registered tons of shipping.

The Cabinet—

Authorised the Minister of Transport to arrange for the Secretary-General of the United Nations to be notified that His Majesty's Government accepted the Convention concluded at Geneva on 6th March, 1948, for the establishment of a Maritime Consultative Organisation as a specialised agency of the United Nations.

5. The Secretary of State for the Colonies informed the Cabinet that there had been no marked change in the situation in Malaya in July. Terrorist activities had continued, and over thirty persons had been murdered by bandits during the month. The Commissioner-General, South-East Asia, had now reported that he had conclusive evidence that the Malayan Communist Party was actively responsible for planning and directing this campaign of violence and terrorism. This was now well-known in Malaya and the local Government were being criticised for failing to take action against the Party. The Commissioner-General therefore proposed that the Party, together with certain other political parties with Communist connections or sympathies, should be proscribed on the ground of their subversive activities. He had made it clear that there was no question of imposing restrictions on political opinions or discussion.

The general view of the Cabinet was that, in the light of the information received from the Commissioner-General, the Malayan Communist Party should be declared an illegal organisation. The House of Commons should be informed of this decision in advance of the debate on Colonial Affairs on 22nd July. The Commissioner-General should be asked to provide fuller information regarding the nature of the evidence implicating the Malayan Communist Party in the present wave of terrorist activities.

The Cabinet—

(1) Agreed that the Commissioner-General, South-East Asia, should be authorised to declare the Malayan Communist Party, and certain connected parties, to be illegal organisations.
(2) Invited the Secretary of State for the Colonies to ask the Commissioner-General for fuller information regarding the evidence implicating these parties in the present campaign of violence.

(3) Invited the Secretary of State for the Colonies to consult with the Prime Minister regarding the terms in which the decision noted in Conclusion (1) above should be announced in Parliament.

Cabinet Office, S.W. 1,
19th July, 1948.