CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Friday, 10th September, 1948, at 11.45 a.m.

Present:

The Right Hon. C. R. Attlee, M.P., Prime Minister (in the Chair).
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. 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 (Items 1–2).

Secretariat:

Mr. W. S. Murrie.
Mr. G. M. Wilson.
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1. The Cabinet expressed their pleasure that the Prime Minister had found it possible to preside over their meeting and their hope that he would soon have completely recovered.

The Secretary of State for Commonwealth Relations said that at a meeting of Commonwealth High Commissioners that morning he had been asked to convey to the Prime Minister their sympathy and best wishes for his speedy recovery.

1. Rice Supplies for South-East Asia.

(Previous Reference: C.M. (48) 56th Conclusions, Minute 4.)

2. The Cabinet considered a note by the Foreign Secretary (C.P. (48) 218) covering a memorandum by the South-East Asia Food Committee recommending measures to meet the situation created by the interruption of rice exports from Burma.

The Foreign Secretary said that not more than 80,000 of the 400,000 tons of rice due to be exported from Burma in the last four months of 1948 was likely to be shipped. It was most desirable to avoid a severe cut in rations in Malaya and it was therefore proposed that arrangements should be made, on the lines set out in paragraph 1 of the memorandum annexed to C.P. (48) 218, for the substitution of other cereals for rice, the purchase of additional rice from Italy and the western hemisphere, and the diversion of rice intended for consumption in the United Kingdom.

In discussion the following points were made:

(a) The Chancellor of the Exchequer said that he was anxious to avoid any dollar expenditure on rice and believed it would be possible to obtain additional supplies from Siam, where there had been a heavy crop and an improvement in the arrangements for collection.

(b) Every effort should be made to meet the needs of Ceylon and India from non-dollar sources, and the Australian Government should be pressed to speed up the shipment of wheat and flour from Australia.

(c) The Indian Government claimed that, as a result of the removal of controls on food distribution, 400,000 tons of cereals would be required in addition to the 100,000 tons estimated by the South-East Asia Food Committee to be necessary to meet the deficit of rice.

(d) It would be unfortunate if the 24,000 tons of rice now in this country which it had been intended to distribute to United Kingdom consumers had to be diverted to South-East Asia, and until the effect of the other measures proposed could be assessed more accurately, the Minister of Food should hold this stock in reserve.

The Cabinet—

(1) Invited the Foreign Secretary and the Minister of Food to explore the possibility of obtaining additional supplies of rice from Siam with a view to avoiding the need for the purchase of dollar rice and the diversion to South-East Asia of rice stocks accumulated in this country for United Kingdom consumers;

(2) Agreed that the rice stocks accumulated in this country for distribution to United Kingdom consumers should be held in reserve for the present;

(3) Subject to (1) and (2), approved the recommendations in paragraph 1 of the memorandum annexed to C.P. (48) 218.
3. The Foreign Secretary recalled the sequence of events which had led to the Moscow conversations and gave the Cabinet an account of the developments since the conversations had started. On 3rd August Marshal Stalin had indicated that the Soviet Government would agree to a joint statement dealing with the removal of transport restrictions both between Berlin and the Western Zones and on transit traffic to and from the Eastern Zone, and with the substitution of Soviet Zone currency for western currency in Berlin. The statement was also to announce the resumption of negotiations about Berlin and the holding of a four-Power meeting to consider other outstanding problems connected with Germany. At subsequent meetings with M. Molotov the representatives of the Western Governments had insisted that conversations could not be held under duress, that all transport restrictions must be raised, and that, if the Soviet Zone currency were to be introduced in Berlin, it must be under four-Power control. They had at the same time agreed that, after the Berlin problem had been solved, a four-Power meeting to discuss wider issues could be envisaged. During the conversations the Soviet representatives had revealed their desire to hold up the establishment of a Western German Government, though Marshal Stalin had stated that he did not regard this as a condition of agreement on other issues. The representatives of the Western Governments had made it clear that the constitutional discussions now in progress must proceed but that these discussions did not preclude the subsequent formation of an all-German Government. The Soviet representatives had also suggested that the Western Powers had no longer any juridical right to be in Berlin, but this claim had been rejected. After a second meeting with M. Stalin, on 24th August, it had been agreed to refer certain technical issues to the Military Governors in Berlin and a directive to them had been finally agreed and despatched on 30th August. This directive was subject to the understanding that both sides reserved their juridical rights, that the transport restrictions to be removed included those imposed before 18th June, and that the functions of the Soviet Bank of Emission in connection with the regulation of currency in Berlin would be subject to the control of a financial commission of representatives of the four Military Governors. A series of meetings of the Military Governors had been held, and on 7th September the Western Commanders-in-Chief had submitted a report to their Governments setting out the three main points of disagreement. These were the Soviet refusal to admit that the financial commission should control the operations of the Bank of Emission, the Soviet insistence on controlling the trade of Berlin, and a Soviet proposal to introduce restrictions on air transport. No further progress could be made until these three points of principle had been settled, and he was now trying to obtain the agreement of the United States Government to his proposals for taking them up with the Soviet Government in Moscow. Meanwhile the Soviet authorities had made unsuccessful attempts to persuade the inhabitants of the western sectors to register for food and other consumption goods in the Soviet sector and had offered to supply fuel, electric power and raw materials to factories in the western sectors who were willing to market their produce in the Soviet Zone. More recently they had encouraged demonstrations designed to make meetings of the City Assembly impossible and there had been a good deal of organised violence. Protests about the provocative incidents had been made to M. Molotov at a recent meeting, but the incidents had since increased in gravity and the question of further representations would have to be considered. The supply of Berlin by air had been well maintained and plans were being made for continuing it, if necessary, throughout the winter months. The development of the West German constitution was proceeding satisfactorily and a draft providing for a federation of German Länder had been accepted by the main Parties as a basis for discussion. The Germans had been most anxious to associate representatives of Berlin with these constitutional developments and, although it had been made clear that full representation of Berlin on the Parliamentary Council
was impossible, Berlin representatives had attended as observers and advisers.

The Foreign Secretary said that it was impossible to forecast the outcome of the present conversations but that, in his view, the Soviet Government would probably be glad to see a settlement of the Berlin difficulties, since the existing situation was damaging to the trade of the Soviet Zone and German opinion was being increasingly alienated. He had made it clear to the United States Government that he regarded as premature any attempt to settle what line should be taken in the event of a breakdown of the conversations, but his provisional view was that it would be necessary to issue a White Paper giving a full account of the course of events. It would obviously be embarrassing to make a statement in Parliament in the coming week, when the conversations would still be in progress, and he hoped it would be possible to postpone any debate on foreign affairs until the week beginning 20th September.

The Cabinet were informed that arrangements were being made to postpone the House of Commons debate on foreign affairs until the second week of the new Session. It had, however, been thought desirable that a statement on the defence preparations which the Cabinet had approved should be made by the Government spokesman in the Debate on the Address on 14th September, since it had been regarded as certain that the Opposition would raise this matter at the earliest possible opportunity. It should be possible for the Government spokesman to explain why the Foreign Secretary was not able to make a full statement on foreign affairs until the following week and, if this were done, it was reasonable to suppose that Members would avoid raising questions connected with the international situation during the first week. There would be no difficulty in postponing a debate on foreign affairs in the House of Lords until the second week of the Session.

The Cabinet:—

(1) Took note of the statement by the Foreign Secretary about the situation in Germany and of the proposed arrangements for debates on foreign affairs in the forthcoming Session.

The Foreign Secretary recalled that at the meeting of the Brussels Treaty Consultative Council on 20th July the question of a European Assembly had been tentatively raised by the French Foreign Minister and it had been agreed that the problem should be considered further by the five Governments. On 18th August, however, the French Government, without further consultation, had announced that they supported the proposal to convene a preparatory European Assembly and they intended to approach the other Governments concerned. In fact, however, they had raised the matter only with the Belgian Government who, it was understood, had suggested that the whole problem could best be discussed by the Brussels Treaty Permanent Commission. On 27th August the State Department had announced that the French Government's initiative towards European union had their support and at a meeting early in September the European Parliamentary Congress had adopted a plan providing for a European Federation with a federal Parliament with wide powers. It seemed clear that the French Government had not studied the implications of the proposal which they were now advocating and that it would be impossible to create a lasting political union unless on the basis of common vested interests in the spheres of economics, finance and defence; and, in view of the propaganda in favour of a European Assembly both in Europe and the United States, it was essential that the position of the United Kingdom Government should be made clear. He accordingly proposed to ascertain through the Permanent Commission what precise proposal the French Government had in mind, to discuss this proposal with the Commonwealth Prime Minister's in October and, as soon as possible thereafter, to make a statement designed to show that the attitude of the United
Kingdom Government was not obstructive or selfish but was inspired by a realistic desire to secure an orderly and effective evolution towards a United Europe.

The Cabinet—

(2) Endorsed the Foreign Secretary's proposals for dealing with the campaign in favour of a European Assembly.

4. The Cabinet considered a memorandum by the Secretary of State for Commonwealth Relations (C.P. (48) 220) seeking a decision whether, in view of a statement by Mr. Costello that Eire was no longer a member of the Commonwealth, it would be right to renew the invitation to him to attend the meeting of Commonwealth Prime Ministers in October.

The Secretary of State for Commonwealth Relations explained that, when agreement on the arrangements for the proposed meeting had been reached with all overseas Commonwealth Prime Ministers, the United Kingdom representative in Eire had been instructed to ascertain informally from Eire Ministers whether it would be embarrassing to Mr. Costello to receive an invitation. Meanwhile, at a press conference in Canada, Mr. Costello had stated that the Eire Government were preparing to repeal the External Relations Act of 1936 and had implied that Eire could no longer be regarded as a member of the Commonwealth; and, when he himself had met the Eire Minister for External Affairs in Dublin on 8th September, he had been informed that, although the Eire Government were likely to decide that Eire Ministers should attend the meeting, they would require the United Kingdom Government to agree to an exchange of letters, which would subsequently be published, making it clear that Eire would not be represented as a member of the British Commonwealth and agreeing that the question of partition should be discussed at the meeting. To accept the former condition would prejudice the question whether the Commonwealth would inevitably raise difficulties with India and Pakistan, and there were obvious objections to a discussion of the question of partition at a full meeting of Commonwealth Prime Ministers.

Ministers agreed that, while the desire of the United Kingdom Government to maintain friendly relations with Eire should be made clear, the attitude of the Eire Government made it impossible to invite Eire Ministers to attend the meeting.

Points in discussion were:

(a) The Secretary of State for Commonwealth Relations would try to avoid any disclosure of the discussions which had taken place with Eire Ministers on the question of attendance at the October meeting.

(b) The President of the Board of Trade was considering what effect the repeal of the External Relations Act would have on Eire's trade.

The Cabinet—

Agreed that the Secretary of State for Commonwealth Relations should arrange for the United Kingdom representative in Eire to inform the Eire Minister of External Affairs orally that, in view of the attitude of the Eire Government, the United Kingdom Government considered that it would be embarrassing for Eire Ministers to be invited to attend the meeting of Commonwealth Prime Ministers.
Hyderabad.

5. The Secretary of State for Commonwealth Relations warned the Cabinet that within the next few days Indian Government forces might invade Hyderabad. Though the Indian Government believed that there would be no serious resistance, there might well be massacres of Non-Moslems which might lead to a general conflict between India and Pakistan. Arrangements had been made to evacuate British subjects from Hyderabad and, if the invasion took place, he would do what he could to ensure that the facts of the situation were fairly presented in this country.

The Cabinet—

Took note of the statement made by the Secretary of State for Commonwealth Relations.

Cabinet Office, S.W. 1,
10th September, 1948.