CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 27th October, 1949, at 10.15 a.m.

Present:
The Right Hon. C. R. Attlee, M.P., Prime Minister (in the Chair).
The Right Hon. Herbert Morrison, M.P., Lord President of the Council (Items 1-5).
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. T. Williams, M.P., Minister of Agriculture and Fisheries.
The Right Hon. A. V. Alexander, M.P., Minister of Defence.
The Right Hon. Ernest Bevin, M.P., Secretary of State for Foreign Affairs.
The Right Hon. J. Chuter Ede, M.P., Secretary of State for the Home Department.
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.
The Right Hon. J. H. Wilson, M.P., President of the Board of Trade.

The following were also present:
The Right Hon. G. R. Strauss, M.P., Minister of Supply (Item 4).
The Right Hon. William Whiteley, M.P., Parliamentary Secretary, Treasury (Items 1-5).

Sir Gladwyn Jebb, Foreign Office (Items 5-6).

Secretariat:
Sir Norman Brook.
Mr. A. Johnston.
Mr. S. E. V. Luke.
## CABINET 62 (49)

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

The Cabinet were informed that the Justices of the Peace Bill should have passed through all its stages in the House of Lords by the middle of November. It was recognised that, in the time then remaining before the end of the Session, it might not be possible to pass a Bill of this importance and difficulty through all its stages in the House of Commons. It was, however, agreed that every effort should be made to get the Bill passed into law before the end of the Session.

2. The Foreign Secretary said that, as good progress had been made with the reorganisation of the Greek army and as further outbreaks of disorder now seemed less likely, this was a suitable moment at which to withdraw the British troops from Greece. He had already conveyed to the United States Government a preliminary warning that this possibility was being considered; and this had unfortunately led to a premature disclosure of his proposal in the United States Press, where it had been wrongly represented as part of the Government's economy plans. Subject to the Cabinet's concurrence, he now proposed formally to notify the United States Government and other Commonwealth Governments, and thereafter the Greek Government, that the British troops in Greece would shortly be withdrawn.

The future of the Anglo-American Military Mission in Greece should be considered separately. Its future size would turn largely on the contribution which the Greek Government were prepared to make towards its cost. He proposed in the first instance to ascertain the views of the United States Government about the future of the Mission.

The Cabinet—

(1) Agreed that the British troops in Greece should now be withdrawn; and invited the Minister of Defence to make the necessary arrangements.

(2) Authorised the Foreign Secretary to notify this decision to the Governments of the United States, the other Members of the Commonwealth and Greece.

3. The Prime Minister said that the members of the Cabinet would share his great regret at the death of Mr. J. R. Clynes, whom they had known for so many years as a loyal colleague and a tireless worker for the Labour movement. There would be many who would be glad of an opportunity to attend a Memorial Service in his memory; and he had enquired whether the Home Office were proposing to arrange for such a service to be held. He had been informed that, although the Scottish Office had arranged a Memorial Service for Mr. Joseph Westwood, the Home Office had never before assumed responsibility for arranging a Memorial Service for a former Home Secretary and considered that it would be contrary to precedent for them to do so on this occasion.

In discussion there was general agreement that, while it would be appropriate that a Memorial Service should be held for Mr. Clynes, it would be undesirable to seek to establish a presumption that it was the duty of a Government Department to arrange Memorial Services for its former Ministers. On the present occasion it would be more appropriate that the Trades Union Congress or the Labour Party should undertake the responsibility for arranging a Memorial Service.
The Cabinet—

Invited the Chief Whip to ascertain whether the Trades Union Congress or the Labour Party would be prepared to take the initiative in arranging a Memorial Service for Mr. J. R. Clynes.

4. The Cabinet considered a memorandum by the Minister of Supply (C.P. (49) 211) on the question whether the House of Commons should be advised to insist on retaining in the Iron and Steel Bill the provision, now at issue between them and the House of Lords, which contemplated that the industry would be brought under public ownership on 1st May, 1950.

The Minister of Supply recalled that, under the Bill as it left the House of Commons, the vesting date was to be 1st May, 1950, or such later date not more than eighteen months after the entry into force of the Act as the Minister might by order determine. It was now evident that it would be quite impracticable to carry out the transfer by 1st May, 1950, and the Minister would shortly be compelled to admit publicly that this was so. It would therefore be unrealistic for the House of Commons to insist on retaining this date in the Bill and, by so insisting, to make it impossible to reach any agreement with the Lords which would enable the Bill to be passed into law during the current Session. While he appreciated the political difficulties involved, the Minister thought that the balance of advantage lay on the side of deleting the date from the Bill and reaching some acceptable compromise with the Lords which would enable the Bill to become law before the end of the year.

In the ensuing discussion it was argued, in favour of retaining this date in the Bill, that when in their earlier discussions they had resolved to join issue with the House of Lords on this point the Cabinet had been aware that it would not in practice be possible to transfer the industry to public ownership by 1st May, 1950. For the Government now to withdraw from this position, which they had deliberately taken up, might be regarded as a capitulation to the House of Lords. Moreover, it might be construed as an admission that the Opposition were justified in their claim that this Bill should not be passed until the electorate had had a further opportunity to express their views upon it. It might well be that it was impracticable to bring the steel industry under public ownership before the General Election; but it was politically important that the Government should be able to argue that the delay was due to the resistance which the House of Lords had offered to the passage of the Bill. There might be positive political advantages for the Government if the House of Lords rejected the Bill in the present Session and thereby delayed its passage until shortly before the Election.

On the other side it was argued that the Government would be open to criticism for insisting upon a vesting date which they admitted to be unrealisable in practice, and choosing to lose the Bill this Session rather than make any concession to the Lords on this point. Further, if the Bill had to be passed for the second time under the new Parliament Act procedure in the 1950 Session, an awkward situation might arise if the Lords on that occasion refrained from rejecting it and merely delayed proceedings upon it until the end of the Session. In that event it might be necessary to bring the Session to an end before the vesting date of 1st May, 1950; since, for the reasons outlined in the Appendix to C.P. (49) 211, it could not be assumed with certainty that the Speaker would certify an amendment inserting a date later than 1st May, 1950, as an amendment "necessary owing to the time which has elapsed since the date of the former Bill." This uncertainty would greatly complicate the arrangement of Parliamentary Business, including essential financial business, in the 1950 Session.
From that point of view there would be advantages in arriving at some agreement with the House of Lords which would allow the Bill to be passed into law before the end of the current Session.

The Cabinet—

(1) Invited the Prime Minister to arrange for a small group of Ministers to examine the Parliamentary considerations arising from the question raised in C.P. (49) 211.

(2) Agreed to resume their discussion of this question when the results of this further examination were available.

5. The Cabinet considered memoranda by the Foreign Secretary (C.P. (49) 200 and 204) on the work of the Council of Europe at its first session.

The Foreign Secretary said he had circulated with C.P. (49) 200 a comprehensive report on the first session of the Council of Europe. In C.P. (49) 204 he had made detailed recommendations on future policy towards the Council and on the line to be taken on the specific proposals and resolutions adopted by the Consultative Assembly. The Assembly’s recommendations on economic matters were discussed separately in C.P. (49) 203 (see Minute 6 below). In general, he thought that the United Kingdom Government should continue to support the Council of Europe and to play an active part in its development. But it had been agreed that we should not involve ourselves in the economic affairs of Europe beyond the point at which we could, if we so wished, disengage ourselves, and we should therefore treat with strict reserve any schemes for the pooling of sovereignty or for the establishment of European supra-national machinery. Provided that our position was safeguarded in this respect, he thought it right to adopt a positive attitude towards proposals for co-operation and his detailed recommendations on the resolutions of the Consultative Assembly were based on this principle. He thought it important to secure the early participation of the German Federal Republic in the work of the Council, and he hoped he might be able to persuade the Committee of Ministers to issue a statement to the effect that, if the German Federal Republic desired to be invited to join as an associate member and accepted the principles of the Statute, an invitation would be issued to it. It might be necessary to make a similar declaration in respect of the Saar in order to induce the French Government to acquiesce in the admission of Germany. He thought, however, that the issue of an invitation to Austria at this stage would seriously jeopardise the prospects of reaching early agreement with the Soviet Government on the Peace Treaty for Austria.

In discussion the following points were made:

(a) The Chancellor of the Exchequer suggested that the Assembly’s resolutions on economic matters should be referred to Governments with a view to action being taken on them through the machinery of the Organisation for European Economic Co-operation. He thought it would be preferable to adopt this procedure rather than to refer these proposals back to the Assembly or to refer them for examination by a Sub-Committee of the Committee of Ministers.

There was general support for this suggestion.

(b) The recommendations in paragraph 4 (d) of C.P. (49) 204 would be welcomed by the Consultative Assembly. The proposal that the Assembly should have a veto on new accessions had been inspired by the fear that the Council of Ministers might invite Spain to become a member of the Council of Europe. If some assurance on this point could be given, the proposal would not be pressed.

(c) The French Government would be less likely to press their objections to the accession of the German Federal Republic if the Assembly’s proposal for a special session was rejected.
(d) Some doubt was expressed whether it would be advisable to support the proposal for the accession of the Saar. This might create an embarrassing precedent for similar claims for the admission of parts of other sovereign States; and it was, in any event, unreal to suppose that the Saar could ever become a full sovereign member of the Council. Against this, it was argued that it would be unwise altogether to exclude the possibility that the Saar might eventually achieve political independence while remaining integrated economically with France under some form of Customs Union; and it need not therefore be assumed that, if admitted as an associate member, she would be left permanently with that status.

(e) There would be great difficulty in drafting a Human Rights Convention in a form generally acceptable to the members of the Council. In the Assembly's discussions on this subject, a number of specific proposals had been made which would be unacceptable to the United Kingdom Government.

(f) Support should not be given to those proposals of the Assembly on cultural and scientific affairs which would involve the duplication of existing bodies.

(g) In several of the countries of Western Europe there existed a state of political and social tension which their present Governments were unable to resolve; and the enthusiasm for the Council of Europe was largely inspired by the feeling that a solution for these conflicts could be found only through an appeal to some external authority. It was therefore important that we should not give every encouragement to projects for the political and economic integration of Western Europe, but should ourselves seek to make a constructive and positive contribution to it. In particular we should not discourage those on whom fell the main burden of resistance to Communist pressure by pursuing a needlessly cautious policy.

On the other hand, it was agreed that the United Kingdom, by reason of its geographical position and of its political and economic relations with the Commonwealth and the United States, could not enter into any exclusive political or economic association with Continental countries. While, therefore, our policy must not be negative or unhelpful, it must take full account of the reservations mentioned in C.P. (49) 204.

The Cabinet—

(1) Took note of C.P. (49) 200.

(2) Subject to the point recorded in paragraph (a) above, approved the recommendations made in C.P. (49) 204.

6. The Cabinet considered a memorandum by the Foreign Secretary and the Chancellor of the Exchequer (C.P. (49) 203) on the policy which the United Kingdom Government should pursue towards proposals for the further economic unification of Europe, and on the relation of the Organisation for European Economic Co-operation to the Council of Europe.

Both these questions were likely to come up for discussion at the forthcoming meetings of the Consultative Group of Ministers and of the Council of the Organisation for European Economic Co-operation, and of the Committee of Ministers of the Council of Europe. The Economic Policy Committee had agreed on 26th January (E.P.C. (49) 5th Meeting, Minute 2) that the United Kingdom Government should not involve themselves in the economic affairs of Europe beyond the point from which they could, if they wished, withdraw; and it was suggested that the developments of recent months had confirmed the importance of adhering to this policy. In paragraph 8 of C.P. (49) 203 an attempt had been made to give greater precision to it by defining the risks which the Government ought not to run in co-operating with Europe in economic affairs, and the Cabinet were invited to endorse the views expressed
in that paragraph and in the general statement of policy already
communicated to the United States Secretary of State as set out in
paragraphs 5-10 of Annex B to C.P. (49) 203. Approval was also
sought for the recommendation in Annex C that, while there should
be full collaboration between the Organisation for European
Economic Co-operation and the Council of Europe, this should be
on a basis of equality and there should be no question of subordi­
nating the Organisation to the Council.

The Cabinet were in general agreement with the recommenda­
tions made in C.P. (49) 203. In discussion, the following points
were made:

(a) The Minister of Defence said that, in considering proposals
for closer European co-operation, full attention should be given to
their defence aspects. In order to ensure that this point was not
overlooked, he suggested that paragraph 8 of C.P. (49) 203 should
be amended to indicate that the Government would not be prepared
to accept measures or proposals which might affect materially the
security or the war potential of the United Kingdom.

The general view of Ministers was, however, that it would not
be advisable to adopt so far-reaching a reservation; and that, in
any event, there was no prospect of any immediate threat to United
Kingdom defence interests from European schemes for closer
economic union.

(b) Attention was drawn to the pressing need for devising
measures to relieve the existing political and social tension in Italy.
The position would be greatly eased if arrangements could be made
for an extensive emigration of Italians to France, and it was under­
stood that this matter was under consideration by a Committee set
up by the Organisation for European Economic Co-operation. We
should also look to Italy for technicians and labour for the develop­
ment of Africa. Italians were successful settlers and pioneers; and
by invoking Italian aid in the economic development of Africa we
should go far to mitigate the political bitterness in Italy caused by
the loss of her Colonies. It was pointed out, however, that African
opinion was still very hostile to the Italians, and in many areas some
time must elapse before the Italians could safely be employed. The
preliminary surveys and investigations required in connection with
the major development projects had not yet been completed and no
large demand for European labour had yet arisen.

(c) It was proposed that other Commonwealth Governments
should be informed of the terms of the message communicated to the
United States Secretary of State. Hitherto, no public announce­
ment had been made of the principles governing our policy towards
projects for closer economic union in Western Europe, and it would
be advisable, after the forthcoming meetings in Paris, to consider
whether a statement on the subject should be made in the
House of Commons. It was possible, however, that the Economic Co-opera­
tion Administrator might press the Council of the Organisation
for European Economic Co-operation at their forthcoming meeting
to commit themselves to an expression of views on this question
which would be incompatible with the special position of the United
Kingdom, and in that case it might be necessary for the Chancellor
of the Exchequer to make a public statement at that meeting
regarding the broad lines of our policy.

The Cabinet—

Approved the recommendations made in C.P. (49) 203.
7. The Cabinet considered a memorandum by the Foreign Secretary (C.P. (49) 214) on the question of the recognition of the Chinese Communist Government.

The Foreign Secretary said that the Communist Government of the People's Republic of China had expressed a desire to enter into diplomatic relations with foreign Powers; and the Soviet Union and their satellites had already accorded de jure recognition to that Government. The case for recognising the new Government was strong, but the first step must be to consult other Commonwealth Governments and the Governments of the United States and other friendly Powers. Until these consultations had taken place it would be premature to take any decision regarding the date of recognition. Account must also be taken of the impact of recognition on United Kingdom interests in the Far East, and this could be discussed at the forthcoming Conference at Singapore of His Majesty's Representatives and Colonial Governors in South-East Asia and the Far East. He hoped it would be possible to reach agreement on this matter with the United States Government; and, if it should be decided to recognise the new Government, he thought it would be important to ensure that the Indian Government took action at the same time. In the meantime, he would feel bound to make it known that the recent statement on the subject made by the Australian Deputy Prime Minister did not correctly represent the views of the United Kingdom Government. It would be unwise to seek to make recognition conditional upon the fulfilment of specific obligations.

In discussion, it was pointed out that de jure recognition of the Chinese Communist Government would create a special problem in Malaya, since there might be some disposition among the Chinese community to assume that this would justify the cessation of punitive measures against the Communist bandits.

The Cabinet—

Approved the recommendations made in C.P. (49) 214.

8. The Cabinet had before them a memorandum by the Foreign Secretary (C.P. (49) 207) outlining the general policy which the United Kingdom Government should pursue in South-East Asia and the Far East. If the proposed lines of policy were approved, they would serve as a basis for the guidance of the forthcoming Conference at Singapore of His Majesty's Representatives and Colonial Governors in South-East Asia and the Far East.

The Chancellor of the Exchequer hoped that nothing would be said at this Conference to imply that this country would be able to continue to give financial or material aid to South-East Asia on the scale reached during the last few years. Commitments in respect of India, Pakistan, and to a lesser extent Burma and Ceylon, had been running at the rate of £200 million a year, and the present economic position of this country made it necessary to make substantial reductions in this expenditure in the future. This was part of a general reduction of unrequited exports to various parts of the world; and it involved as a corollary the agreement of the United States Government to an integrated overseas investment policy. The extent to which the United States might be prepared to buttress the anti-Communist front in South-East Asia by undertaking capital investment had been discussed in a preliminary way during the recent Washington talks and had been referred to a committee for detailed examination. It would shortly be necessary to have further discussions on this subject with the United States Government.

In discussion it was suggested that it should not be impracticable to maintain the political influence of the United Kingdom in South-East Asia while arranging for the United States to provide much of the capital investment that was required. Conditions in
South-East Asia, and in certain other parts of the world, were now so uncertain that loans could probably not be secured through the ordinary financial channels and large-scale capital investment by the United States Government might be required. The unfortunate experience which the United States Government had had in China had made them more receptive of suggestions for collaboration with this country in Asiatic affairs on the basis that the United Kingdom provided experience and the United States provided finance.

The Cabinet—

(1) Approved the Foreign Secretary’s proposals in C.P. (49) 207 as a basis for the guidance of the Conference to be held at Singapore, subject to any necessary modifications to make clear the limited extent to which this country could undertake future financial commitments in South-East Asia.

(2) Took note that the Chancellor of the Exchequer was reviewing the whole field of overseas investment policy and would endeavour to secure early agreement on the subject with the United States Government.

9. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C.P. (49) 213) proposing that legislation should be introduced during the current Session for the use of pre-war German assets in the United Kingdom to pay a dividend on pre-war claims on Germany by persons resident in the United Kingdom.

The Chancellor of the Exchequer said that there was general agreement that it would be advisable to postpone until the 1950 Session the introduction of legislation for the distribution of certain Russian and Baltic assets among British claimants against Russia and the Baltic States and of compensation by Czechoslovakia and Yugoslavia for nationalised property. He had, however, promised an early statement about the use to be made of pre-war German assets, totalling about £15 million, which were in the hands of the Custodian of Enemy Property. These assets could be paid into the Exchequer, but there were strong arguments for making them available to the pre-war creditors of Germany, whose claims totalled about £100–£120 million. The proposed Bill would set up an administrator, with whom the final responsibility would lie, and a representative advisory committee. Creditors would have the option either of making claims against specific assets or of making a claim to a share of the general assets.

There was general agreement that, in view of the precedents and of the presumption which had arisen that these claimants would receive some satisfaction, it was preferable to distribute these assets among the creditors rather than transfer them to the Exchequer. A staff rising from 100 to 200 in number would be required for handling the claims, but these administrative costs would be met from the assets.

The Cabinet—

(1) Approved the proposals in paragraphs 4–6 of C.P. (49) 213 for the disposal of pre-war German assets in this country.

(2) Invited the Chancellor of the Exchequer to bring the draft of a Bill on this subject before the Legislation Committee with a view to consideration of its introduction during the current Session.

Cabinet Office, S.W. 1,
27th October, 1949.