CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Monday, 4th November, 1946, at 11 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.
The Right Hon. HUGH DALTON, M.P., Chancellor of the Exchequer.
The Right Hon. LORD JOWITT, Lord Chancellor.
The Right Hon. VISCOUNT ADDISON, Secretary of State for Dominion Affairs.
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 following were also present:
The Right Hon. JOHN WILMOT, M.P., Minister of Supply (Item 5).
The Right Hon. HECTOR McNEIL, M.P., Minister of State (Items 1-6).
The Right Hon. WILLIAM WHITELEY, M.P., Parliamentary Secretary, Treasury (Items 7-8).

Sir ORME SARGENT, Permanent Under-Secretary of State for Foreign Affairs (Items 1-6).

Secretariat:
Sir EDWARD BRIDGES.
Sir NORMAN BROOK.
Mr. W. S. MURRIE.
Mr. C. G. EASTWOOD.
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On 25th October the Cabinet had discussed the complaint to be made by the Government of India at the General Assembly of the United Nations about the treatment of Indians in South Africa, and had agreed that the United Kingdom Delegation should be instructed to support the view that this matter was one of domestic jurisdiction, which, under Article 2 (7) of the United Nations Charter, was not appropriate for discussion by the Assembly. The Delegation had now reported that this view was likely to be opposed by several leading members of the Legal Committee of the Assembly, and that the Indian case was expected to find substantial support in the Joint Commission of the Political and Legal Committees, to which the matter had been referred. The Attorney-General himself was not convinced that the argument that the matter was "essentially within the domestic jurisdiction" of South Africa could be sustained. He thought that, if this point were referred to it, the International Court of Justice might give a decision adverse to South Africa. The Delegation proposed, unless instructed to the contrary, to support Field Marshal Smuts's proposal to refer the matter to the International Court, but they were impressed by the danger that this line would adversely affect the United Kingdom Government's relations with India.

The Secretary of State for India said that there was very strong feeling in India about the treatment of Indians in South Africa. If our representatives at the General Assembly took a line which was regarded as unfavourable to the Indian case there would be serious repercussions in India. He still considered that they should be instructed to remain as completely neutral as they could, not only on the merits, but also on the legal issue whether the matter was one in which the United Nations was competent to intervene.

The Secretary of State for Dominion Affairs said that, as a leading member of the United Nations, we could not remain neutral on the question of jurisdiction. And from the point of view of the British Commonwealth, it was important to secure a decision that a matter of this kind was outside the jurisdiction of the United Nations. If our view on this point was not accepted by the Assembly, we should argue that the International Court of Justice should be invited to give a ruling.

Other Ministers spoke in support of this view. The point at issue was not the merits of the Indian case, on which there might be two opinions, but the expediency of its being discussed by the United Nations. Ministers thought it most important to avoid setting a precedent for intervention by the United Nations in matters like this, which had hitherto been regarded as within the domestic jurisdiction of sovereign States. Once such intervention began, it would be difficult to set limits to it. Other Governments should see the weight of this argument. Thus, the United States Government would hardly welcome discussion by the United Nations of the rights of negroes in the United States. And in India itself there were questions of differential treatment between different communities which the Government of India would not wish to have discussed by the General Assembly.

The Secretary of State for India said that, in spite of these considerations, he would have preferred that our Delegation should take no part in the discussion of this matter at the General Assembly.

The Cabinet—

Reaffirmed their earlier decision that the United Kingdom Delegation at the General Assembly should express no opinion on the merits of the question, but should support the view that this was a matter of domestic jurisdiction, which, under Article 2 (7) of the United Nations Charter, was not appropriate for discussion at the Assembly. If this view was not accepted, they should support the claim that the question of jurisdiction should be referred for
War Crimes.

(Previous Reference: C.M. (46) 85th Conclusions, Minute 4.)

Trial of German Industrialists.

2. The Prime Minister recalled that at an earlier stage it had been contemplated that there should be a second international trial of war criminals at which a number of German industrialists would be indicted. It was now known that the United States authorities were opposed to this suggestion, and it might be assumed that a second international trial would not be held. The United States authorities were, however, proposing themselves to hold trials of war criminals in the United States Zone; and they had asked us to surrender to them for trial five German industrialists now in the British Zone. It could be argued that, as we did not wish a second international trial to be held and did not ourselves propose to try these men as war criminals, it would be convenient for us to surrender them to the Americans on the understanding that they would try them swiftly and that a British observer would be present. On the other hand, we should thereby be setting a precedent which might prove inconvenient if at a later stage the Soviet Government asked us to surrender someone who, in our view, was unlikely to get a fair trial in the Soviet Zone.

Discussion showed that it was the view of the Cabinet that we should do nothing to support the holding of a second international trial and, in general, should advocate a policy of discontinuing trials for war crimes. At the same time it was important that we should not appear to be sheltering German industrialists whom the United States authorities were anxious to put on trial. Any later demands for the surrender of war criminals to other occupying Powers could be dealt with as they arose.

The Cabinet—

Agreed that the Commander-in-Chief of the British Zone in Germany should be authorised to surrender to the United States authorities the five German industrialists whom they desired to put on trial in the United States Zone as war criminals.

India.

Establishment of Interim Government. (Previous Reference: C.M. (46) 89th Conclusions, Minute 1.)

3. The Secretary of State for India said that the Marquess of Salisbury proposed to ask, by Private Notice Question in the House of Lords on the following day, that a White Paper should be issued on developments in India since last July. He had it in mind, apparently, that the Paper should set out the correspondence and negotiations leading up to the formation of the Interim Government.

The Secretary of State said that certain parts of this correspondence had been published locally on the initiative of the Indian leaders themselves, and it would be difficult to refuse to make this available here. At the same time, it would be inexpedient to publish all the correspondence or to give a full account of the negotiations.

It was the view of the Cabinet that this request should be refused. In the course of the formation of any Coalition Government there were bound to be exchanges, both verbal and written, which could not advantageously be made public—at any rate while that Government remained in office. This consideration should satisfy the House of Lords.

The Cabinet—

Invited the Secretary of State for India to resist the request for the publication by His Majesty’s Government in the United Kingdom of a full account of the negotiations leading to the establishment of the Interim Government in India.
Palestine.

4. At the Cabinet’s meeting on 25th October the Secretary of State for the Colonies had referred to the possibility that the Jewish Agency would make a public declaration dissociating themselves from terrorist activities in Palestine and had suggested that, if such a declaration were made, it would be expedient to release the Jewish leaders who had been held in detention in Palestine since 29th June.

The Cabinet now had before them a memorandum by the Secretary of State for the Colonies (C.P. (46) 414) reporting the resolutions adopted by the Inner Zionist Council on 29th October. One of these denounced terrorism and called upon the Jewish community in Palestine to deny all assistance and support to the extreme terrorist groups.

The Secretary of State for the Colonies said that the resolutions as a whole were not as satisfactory as could have been wished; but in this particular resolution the Council had taken a courageous stand against terrorism, which had been reinforced in public speeches subsequently made by senior members of the Jewish Agency. There were signs that representative Jewish institutions in Palestine were now anxious to re-educate the Jewish community towards a disavowal of violence. The Jewish leaders could not be detained indefinitely without trial; the resolution adopted by the Council provided a logical ground for authorising their release, and, if this opportunity were not taken, another might not occur for some time. He therefore proposed that the High Commissioner should be authorised to release the detained Jewish leaders on 5th November. Authority should also be given for the release of three Palestinian Arabs now detained in the Seychelles and for the return to Palestine of two others who had been released from the Seychelles on health grounds but had hitherto been excluded from Palestine. These decisions, if approved by the Cabinet, would be announced simultaneously in Jerusalem and in a statement in the House of Commons.

The Cabinet—

Approved the proposals put forward in C.P. (46) 414 for the release of the Jewish leaders detained in Palestine, and for the release and readmission to Palestine of certain Palestinian Arabs who had been detained in the Seychelles.

5. The Cabinet considered a memorandum by the Lord President (C.P. (46) 401) covering a report by the Chancellor of the Exchequer on the import programme for 1947. This report had been approved by the Ministerial Committee on Economic Planning, subject to the points noted in paragraphs 2 and 3 of the Lord President’s covering memorandum about (i) the continuance of petrol rationing; and (ii) the need for further study of the extent to which buyers of our exports could be required to pay for them in goods or convertible currencies.

The Chancellor of the Exchequer said that he must impress upon his colleagues the extreme gravity of the situation with which the Government would be faced unless drastic action were taken to improve our overseas balance. On account of the delayed effect of the feeding-stuffs crisis in 1946, the rise in American prices and the heavy rate of military and political expenditure overseas, we were exhausting far too rapidly the loans from the United States and Canada and our other prospective resources of external finance for 1947 and 1948. We had been buying too much, and not selling enough, in the hard-currency countries (North America, Sweden and the Argentine). From July 1947 onwards, sterling would be convertible for the purpose of current transactions; and the currency of many of the European countries to which we were selling would not be convertible. With the hard-currency countries, therefore, we should have an adverse balance, against which we...
should not be able to offset a favourable trade balance with these European countries. If present tendencies remained unchecked we should find ourselves, by 1949, if not earlier, unable to pay our way without imposing such drastic cuts on imports as would utterly discredit the Government. This situation must be averted by a programme of vigorous action under three heads:—

First, we must practise a strict economy in imports from hard-currency countries. With this object in view the Treasury had drawn up the import programme for 1947 set out in paragraph 18 of Appendix B to C.P. (46) 401. The Chancellor proposed that this should be approved, subject to an increase of £10 million in the programme of supplementary food imports.

Secondly, there should be no relaxation in the export drive; and the export target for the second half of 1947 should be fixed at 150 per cent. of 1938 exports in terms of volume.

Thirdly, the Treasury should at once undertake, in consultation with the other Departments concerned, an intensive study of the prospects of improving the trade balance in the period 1947-50 by—

(i) developing exports to hard-currency countries, if necessary at the expense of exports to other countries;
(ii) developing alternative sources of imports in the sterling area and in Europe;
(iii) examining home food production with a view to reducing dollar expenditure on food;
(iv) reviewing oil policy with a view to reducing dollar expenditure on oil; and
(v) considering how far buyers of our exports could be required to pay for them in goods or convertible currencies.

In general discussion, the Minister of Fuel and Power said that there were some factors in the situation which might have the result that the eventual outcome would not be so grave as had been suggested by the Chancellor of the Exchequer. Our overseas balance was at present disturbing mainly in respect of dollar countries. The main cause of this was the increase in the level of United States prices, which was largely due to the action of the United States Government in abandoning price control. It was possible that the level of prices in the United States might drop. Another important factor was the high level of our military and political expenditure overseas. Was it not conceivable that this might be substantially reduced, both in total and in the proportion representing dollar expenditure? Again, the calculations in the memorandum assumed a reduction in the value of our invisible exports. These consisted largely of shipping earnings. Was it not conceivable that these might rise rather than fall as time went on?

Discussion then turned on the proposal that petrol rationing should be continued.

The Minister of Fuel and Power said that the additional imports required to enable him to abolish petrol rationing represented an expenditure of $30 million a year. Against the general background of possible changes in our overseas balance this was a relatively small additional expenditure. He attached importance to the early abolition of petrol rationing. There was already a considerable amount of evasion and it was impracticable to tighten up the administration of the rationing scheme. A breakdown of petrol rationing might undermine public confidence and co-operation in other rationing schemes and bring into disrepute the whole structure of the economic controls. When he had proposed the abolition of petrol rationing in July last (C.M. (46) 66th Conclusions, Minute 7), the Cabinet had been impressed with the argument that without petrol rationing it would be difficult to ensure the equitable distribution of tyres. No difficulty was now raised on that score. Ministers had also been warned that the Governments of Australia and New Zealand would press for the abolition of petrol rationing in these countries. New Zealand's position had been met; but the Australians were now asking for an
additional annual supply of 6 million gallons of petrol in order to enable them to abolish rationing.

Discussion showed that it was the general view of the Cabinet that, in the circumstances described by the Chancellor of the Exchequer, petrol rationing in this country must be continued for the time being. In view, however, of the extent to which the rationing scheme was being evaded, it was desirable that it should be brought to an end as soon as practicable; and, in the review of oil policy proposed by the Chancellor among his remedial measures, a determined effort should be made to find means of influencing world supplies and consumption of petrol so as to permit the early abolition of rationing in this country.

Other points made in the discussion were:—

(a) The proposed imports of films in 1947 represented an expenditure of £17 million in hard-currency countries. Would it not be possible to reduce this by promoting increased production of British films?

The Prime Minister said that he would be glad if the President of the Board of Trade would let him have a special report on this point.

(b) Would it be possible to restrict overseas expenditure by tourists? The expenditure on imported films represented only 8s. per head per year, while tourists were now allowed to spend £75 per head per year.

The Chancellor of the Exchequer said that he had resisted heavy pressure for a higher allowance than £75. This was, however, a point which he would continue to watch.

(c) Early warning should be given to the public of the consequences to our economy of failure to redress our balance of payments. While it would be impracticable to publish the full statistical picture set out in C.P. (46) 401, every effort should be made to bring the main facts home to the public, both as a spur to production and as an explanation of the continuing restrictions on imports.

The Cabinet’s conclusions were as follows—

(1) The import programme for 1947 should be as set out in paragraphs 14–18 of Appendix B to C.P. (46) 401, subject to an increase of £10 millions in the programme of supplementary food imports.

(2) The export target for the second half of 1947 should be provisionally set at 150 per cent. of 1938 exports in terms of volume.

(3) Petrol rationing in the United Kingdom should be continued for the present, subject to the results of the special review of oil policy to be undertaken in pursuance of Conclusion (4) below.

(4) The Treasury should arrange, in consultation with the other Departments concerned, for an immediate study to be made of the remedial measures described in subparagraphs (i)–(v) above.

(5) The Chancellor of the Exchequer should consider how the broad facts of our overseas balance could best be presented to the public.

6. The Cabinet had before them:—

C.P. (46) 411: a memorandum by the Chancellor of the Exchequer covering a draft Exchange Control Bill and a proof of an explanatory White Paper which it was proposed to publish simultaneously with the Bill; and

C.P. (46) 410: a memorandum by the Solicitor-General drawing attention to certain features of the Bill which were likely to excite criticism.
The Chancellor of the Exchequer said that the main principles of the Bill had been accepted by the Lord President's Committee and the draft approved by the Legislation Committee. The Bill contained extremely wide and drastic powers; but the Solicitor-General, his own advisers in the Treasury and the Bank of England, and the Director of Public Prosecutions were all agreed that without such powers, the operation of which could be varied at short notice by order, the Government would not have a sufficiently flexible instrument to counter the attempts at evasion which would undoubtedly be made, and would be handicapped in their efforts to tackle the grave problem of the overseas balance to which he had drawn attention in the discussion recorded in the preceding Minute. Similar powers had been available for the last seven years under the Defence (Finance) Regulations, and there had been no serious complaints about the way in which they had been used.

The Solicitor-General said that, although he had thought it right to draw attention to certain features of the Bill which would excite criticism in Parliament and would not be liked by the Courts, he agreed that the control could not be enforced with powers less stringent than those proposed in the Bill.

The Home Secretary said that during the discussion in the Legislation Committee he had criticised certain provisions of the Bill on the ground that the courts would be disposed to put the narrowest possible construction on the language used. Having gone into the matter further, he was now satisfied that there was no alternative to including these provisions in the Bill.

The Lord Chancellor said that he could recall no peace-time legislation containing such drastic powers, but he believed that the Bill could be justified by reference to the difficulties of our overseas balance in the next few years. The Chancellor of the Exchequer might consider whether he could not meet some of the opposition by providing for the appointment of an advisory body, on the analogy of the Consumers' Councils under the Coal Industry Nationalisation Act and the Central Health Services Council under the National Health Service Bill, with the function of presenting an annual report on the exercise of the powers conferred by the Bill.

In further discussion, attention was drawn to the difficulties likely to be encountered in securing the Bill's passage through the House of Lords, and to the desirability of ensuring that its objects were not misunderstood in the United States.

The Chancellor of the Exchequer said that he would consider the suggestions which had been made in the discussion. He had already arranged to give advance information about the Bill to the Secretary of the United States Treasury, and he would see that the arguments in favour of this legislation were properly presented in the Press when it was published.

The Cabinet—

(1) Approved the draft Exchange Control Bill and agreed that a White Paper in the form of the proof annexed to C.P. (49) 411 should be published simultaneously with the Bill.

(2) Took note that, before the publication of the Bill, the Chancellor of the Exchequer would seek an opportunity of giving the public a general picture of the overseas financial situation in relation to the powers sought in the Bill.
The Cabinet had before them a joint memorandum by the Home Secretary and the Secretary of State for Scotland (C.P. (46) 407) proposing that legislation should be introduced to amend the Third Schedule of the House of Commons (Redistribution of Seats) Act, 1944, so as to give the Boundary Commissions wider discretion to preserve existing local government areas in carrying out the redistribution of seats.

The Home Secretary said that the provisional recommendations of the Boundary Commissions, which were based on the application of the rules in the Third Schedule, had been widely criticised on the ground that, in order to obtain the correct mathematical results, the Boundary Commissions had had to dismember constituencies which were bound together either by existing administrative arrangements or by historical ties. He had discussed the matter informally with the Speaker and the Deputy Chairman of the Boundary Commission for England, and he understood that the Commissions would welcome a wider discretion to preserve the integrity of existing local government areas. He therefore hoped that the Cabinet would authorise him to introduce an amending Bill at an early date. Once this had been passed, the Boundary Commissions would have to be asked to make a fresh review of constituencies, and he proposed that this review should be based on the distribution of the electorate shown in the register published on 15th October, 1946, and should be completed in time to enable a Redistribution Bill to be introduced early in the 1947-48 Session. Meanwhile, it was desirable that the enquiries which were now being held into the objections made to the published recommendations of the Boundary Commissions should be stopped, and for this purpose he desired to make a very early statement of the Government’s intentions.

The Parliamentary Secretary to the Treasury said that the proposals in C.P. (46) 407 would be welcomed by all parties in Parliament.

The Cabinet—

Approved the preparation of a Bill to amend the House of Commons (Redistribution of Seats) Act, 1944, on the lines proposed in C.P. (46) 407; and authorised the Home Secretary to announce, immediately after the opening of the new Session of Parliament, that the Government intended to introduce such legislation at an early date.