



(c) crown copyright

*Printed for the Cabinet. January 1947***SECRET.**

Copy No. 44

C.M. (47)**1st Conclusions****CABINET 1 (47)***CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W. 1, on Thursday, 2nd January, 1947, 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. ERNEST BEVIN, M.P., Secretary of State for Foreign Affairs.

The Right Hon. ARTHUR GREENWOOD, M.P., Lord Privy Seal.

The Right Hon. Sir STAFFORD CRIPPS, K.C., M.P., President of the Board of Trade.

The Right Hon. A. V. ALEXANDER, M.P., Minister of Defence.

The Right Hon. LORD JOWITT, Lord Chancellor.

The Right Hon. J. CHUTER EDE, M.P., Secretary of State for the Home Department.

The Right Hon. VISCOUNT ADDISON, Secretary of State for Dominion Affairs.

The Right Hon. LORD PETHICK-LAWRENCE, Secretary of State for India and Secretary of State for Burma.

The Right Hon. J. WESTWOOD, M.P., Secretary of State for Scotland.

The Right Hon. A. CREECH JONES, M.P., Secretary of State for the Colonies.

The Right Hon. G. A. ISAACS, M.P., Minister of Labour and National Service.

The Right Hon. E. SHINWELL, M.P., Minister of Fuel and Power.

The Right Hon. ELLEN WILKINSON, M.P., Minister of Education.

The Right Hon. ANEURIN BEVAN, M.P., Minister of Health.

The Right Hon. T. WILLIAMS, M.P., Minister of Agriculture and Fisheries.

The following were also present :

The Right Hon. VISCOUNT HALL, First Lord of the Admiralty.

The Right Hon. JOHN STRACHEY, M.P., Minister of Food.

Mr. J. B. HYND, M.P., Chancellor of the Duchy of Lancaster.

The Right Hon. Sir HARTLEY SHAWCROSS, K.C., M.P., Attorney-General.

Sir ORME SARGENT, Permanent Under-Secretary of State for Foreign Affairs.

Secretariat :

Sir NORMAN BROOK.

Mr. C. G. EASTWOOD.

CABINET 1 (47)

CONTENTS.

| <i>Minute No.</i> | <i>Subject.</i> | <i>Page</i> |
|-----------------------|--------------------------------------------------------------------------------------------------|-------------|
| 1 | Peace Treaties Italy. Trieste. Balkan States and Finland. Forces of Occupation. | 3 |
| 2 | Germany | 5 |
| 3 | Austria Preparation of Peace Treaty. | 6 |
| 4 | United Nations.... Meeting of General Assembly. | 6 |
| 5 | Food Supplies from the United States. | 8 |
| 6 | Future Meetings | 8 |

Peace
Treaties.
(Previous
Reference:
C.M. (46) 87th
Conclusions,
Minute 2.)

1. *The Foreign Secretary* reported on the proceedings of the Council of Foreign Ministers in New York on completion of their work on the Peace Treaties with Italy, Bulgaria, Hungary, Roumania and Finland.

The Foreign Secretary first recalled some of the difficulties which had prolonged the discussion of these Treaties. The decision, taken at the Potsdam Conference, that the peace settlements with the ex-enemy satellite States in South-East Europe should be discussed first, had meant that the Council was faced from the outset with the determination of the Soviet Union to establish an exclusive influence over those States. Our bargaining position had been greatly weakened by the fact that most of the territorial claims of the Soviet Union had been conceded, before the discussion of the peace settlements began, by undertakings given at Three-Power Conferences during the war. In the light of subsequent events it was unfortunate that we had ourselves renounced in advance any claim to territorial advantage as a result of the war; for, if we could have asserted our right to retain Cyrenaica, we could have spared ourselves our present difficulties in retaining a foothold elsewhere in the Mediterranean. Throughout the discussion of the Treaties much embarrassment had been caused by the early ruling that decisions were to be taken only by those members of the Council who had been parties to the Armistice with the particular State concerned; and this and other questions of procedure had proved a fertile cause of delays, both in the Council of Foreign Ministers and at the Peace Conference in Paris. In view of all these difficulties it was satisfactory that the discussions had at last been completed; and it was gratifying that the memorandum submitted by the United Kingdom Delegation on the Italian Treaty had in the end been adopted as a basis for all these Treaties.

Italy.

In the discussions on the Italian Treaty it had been our objective to re-establish a democratic Italy in Western Europe with frontiers adjusted in accordance with strategic, ethnic and commercial considerations, while ensuring that Italy was made to pay for her action during the war and was prevented from repeating it. The adjustment of the Franco-Italian frontier had been accompanied by an agreement for joint control over the water and hydro-electric resources in this part of the Alps which should remove a cause of friction and facilitate economic development on both sides of this frontier. The Treaty incorporated the agreement reached between the Austrian and Italian Governments about the South Tyrol; and in this area also there was some hope of joint action in respect of water resources which would materially assist the economic development of the whole region. The cession of the Dodecanese to Greece had in the end been approved. The Treaty provided for the protection of the property of Italians in ceded territories.

Agreement had been reached on the disposal of the Italian Fleet. The Foreign Secretary said that he would himself have preferred an arrangement by which those warships which were not to be returned to Italy would have been sunk. We were, however, bound by an undertaking given at the Tehran Conference that some Italian warships should go to the Soviet Union; and in the end we had been compelled to accept a plan for sharing the Italian Fleet between the main belligerents. He now understood that the Admiralty were proposing to use for target practice the battleship which was to be allotted to us under this plan. He hoped that they would not proceed with this proposal. *The Prime Minister* undertook to enquire into this.

It had proved impossible to reach agreement about the disposal of the Italian colonies. The Treaty provided that Italy should renounce her claim to these territories; and that, if after a year the Four Powers had failed to reach agreement about their disposal, a final decision should be taken by the General Assembly of the United Nations. Meanwhile the territories would remain under our administration.

Trieste.
(Previous
Reference:
C.M.(46)68rd
Conclusions,
Minute 2.)

The discussions had clearly shown that Trieste and Venezia Giulia could not be given either to Italy or to Yugoslavia without creating an irredentist movement. The Council had therefore adopted the line proposed by the French Delegation for the Italo-Yugoslav frontier; and had proceeded to discuss means of establishing an international régime for the port and city of Trieste. The agreement eventually reached was admittedly a compromise, which would work satisfactorily only if there were goodwill on the part of the Governments of Italy and Yugoslavia. There was, however, some hope of a better understanding between them on this issue. It was natural that critics should draw unfavourable comparisons with Danzig; but it was to be remembered that, while Danzig had served only Poland, Trieste was a commercial outlet for many countries other than Italy and was particularly well placed to fulfil the function of an international port. There were great possibilities of economic development throughout the countries of the Danube Basin, for which Trieste would provide an outlet to the Mediterranean. There would also be advantage in developing a southward flow of trade, through Trieste, from Austria and Southern Germany. Ever since the unification of Germany under Bismarck there had been an excessive tendency to draw her commercial strength northwards towards the Baltic; and it would be useful to redress this balance by developing a southward outlet through Trieste to the Mediterranean.

Balkan States
and Finland.

In the discussion of the draft Treaties with Bulgaria, Hungary, Roumania and Finland our main objects had been to safeguard British interests, to open up trade in South-East Europe and to see that these ex-enemy satellite States received no better treatment than Italy. The Governments of Bulgaria, Hungary and Roumania had realised that their countries could not survive if they became solely dependent on the economy of the Soviet Union; and, if we took full advantage of the Treaties and handled the situation carefully, we now had a good prospect of re-establishing our trading connections with these countries.

The Treaties included a provision on the freedom of navigation on the Danube, and agreement had been reached for a Four-Power declaration for a Danubian Conference. This should assist in promoting economic development throughout this area. The Foreign Secretary said, however, that it would in his view be necessary to concede a right of cabotage to riparian States.

We had tried to keep the reparation provisions within reasonable bounds and had succeeded in getting them spread over a term of years. The Soviet Government had already been collecting reparations from these countries under the armistice terms which they had imposed; but there were some indications that they were beginning to realise that the exaction of heavy reparations was incompatible with the re-establishment of a healthy economy.

The Treaties included provisions for the protection of Jewish rights and interests in Roumania and Hungary which should have the effect of reducing the flow of illegal Jewish immigrants from those countries to Palestine.

The Treaties imposed limits on the armed forces to be maintained by these States. These limits were satisfactory in relation to the armed strength of Greece. They might, however, be frustrated by the creation of an organised militia; and there were signs that such a para-military force was being created in Bulgaria.

We had been unable to secure all the provisions which we had sought with a view to restoring the pre-war position of the British oil companies in Roumania.

Forces of
Occupation.

The Treaties provided that all Allied occupation troops should be withdrawn from Italy and the Balkan States within 90 days after the signature of the Treaties. It was hoped, therefore, that the Soviet Government would no longer maintain troops in these countries of South-East Europe on the ground that they were guarding the lines of communication of their forces in Austria. For our part we had arranged that our communications to our

troops in Austria should in future be maintained through the United States Zone of Germany and not through Italy. If Soviet troops were thus withdrawn from Bulgaria, it would become politically impossible for us to keep British troops in Greece. Our forces in Venezia Giulia would also be substantially reduced. We had agreed with the United States authorities that for the international garrison of Trieste we should each provide a force of 5,000; and this would be the limit of our military commitment in this area. If the conclusion of these Treaties resulted in a general withdrawal of occupation forces from Italy and South-East Europe, it would make a substantial contribution towards the easing of our man-power situation.

Germany.

(Previous
Reference:
C.M. (46) 105th
Conclusions,
Minute 2.)

2. *The Foreign Secretary* said that the Council of Foreign Ministers had agreed to meet in Moscow on 10th March to discuss Germany. They had further agreed to appoint special Deputies who would at once begin, in London, preparatory work for this meeting. The Deputies were, in particular, to ascertain and report to the Council by 25th February the views of Allied States who had common frontiers with Germany or fought in the common struggle against Germany. There would be great advantage in thus ascertaining at an early stage the views of Governments not represented on the Council of Foreign Ministers. It should mean that all the claims and views of interested States would be known before work began on the preparation of a draft Treaty; and, when the time came to hold a full Peace Conference, a draft could be laid before it which took account of those views and claims. This should avoid some of the difficulties which had arisen at the Peace Conference in Paris.

It had also been agreed that the Control Council for Germany should submit a report, for consideration at the Moscow meeting, on its work on demilitarisation, de-nazification, democratisation, economic principles and reparations. The Foreign Secretary had asked that, under the last two heads, the Control Council should report on the total value of goods taken out of Germany, either in reparations or in commercial exports, since the beginning of the occupation. There were indications that the Russian Zone of Germany was rapidly becoming a deficiency area. Yet the Soviet Government were pressing their demand for reparations to the value of \$10 billion from current production in Germany. They could not obtain so large an amount unless much of it came from the Western Zones. It was possible that the United States Government might be tempted to go some way towards meeting this Russian demand, as the price for an effective agreement for treating the whole of Germany as an economic unit. This was a development which would have to be carefully watched; for it was vitally important that we should not be involved in any further expenditure (particularly in dollars) in addition to that to which we were already committed by the agreement for the economic fusion of the British and United States Zones. In the discussion at Moscow the Soviet Government might be prepared to make some concessions on the economic side in order to obtain reparations from current production and to retain their foothold in the combined Anglo-American Zone. We should, however, be well advised to refuse any concessions which failed to meet our full requirements about the treatment of Germany as an economic unit, including a full accounting by the Russians for all that they had already taken out of Germany in reparations or commercial exports. The agreement for the economic fusion of the British and United States Zones would give us an opportunity to restore the economic life of our Zone and a fair chance of recovering our expenditure on it; and it would improve our bargaining position *vis-à-vis* the Soviet Government.

The Control Council had also been asked to report to the Moscow meeting on the establishment of central administrations in Germany, and the political future of Germany would be discussed at this meeting. On this there was at present a wide divergence of

view. The French were concerned to prevent the creation of a strong centralised Germany. The Soviet Government, on the other hand, seemed likely to favour a strong central Government which they would hope to convert to communism. We ourselves favoured a federal system under which large powers would rest with the provincial Governments. The attitude of the United States Government was uncertain.

It should be among our aims at the Moscow meeting to secure a reduction in the forces of occupation in Germany. If means could be found of securing really effective co-operation between the four occupying Powers, it should be possible to evolve a system of administration which would enable the national armies now maintained in Germany to be reduced and drawn further back from the Zonal boundaries. There were dangers in maintaining the present arrangement by which four national armies confronted one another at close quarters in Germany; and it was important that no opportunity should be lost of relieving the anxieties to which this situation gave rise, particularly in countries adjacent to Germany.

The Foreign Secretary said that on the whole the progress made in the preliminary discussions of Germany at the New York meeting had been satisfactory, and the prospects for the Moscow meeting were encouraging.

The Secretary of State for Dominion Affairs said that he would be glad if some machinery could be devised to keep Dominion Governments in touch with the progress of the work of the special Deputies in preparation for the Moscow meeting, so as to give them an opportunity of making their views known at an early stage in the formulation of policy. *The Foreign Secretary* agreed that this was a point which should be considered by his Department and the Dominions Office.

Austria.

Preparation
of Peace
Treaty.

3. *The Foreign Secretary* said that the Council of Foreign Ministers had also agreed that special Deputies should be appointed to proceed with the preparation of a Treaty recognising the independence of Austria and to hear the views of States interested in the Austrian problem. Their report would be considered at the Council's meeting in Moscow on 10th March. There was some reason to hope that the Soviet Government were now prepared to conclude a Treaty with Austria in the fairly near future.

United Nations.

Meeting of
General
Assembly.

4. *The Foreign Secretary* gave the Cabinet an account of the proceedings at the General Assembly of the United Nations. He paid tribute to the work of the United Kingdom Delegation, which had been strong and effective and sufficiently numerous to ensure the proper presentation of our case at all the various meetings. Some of the other Delegations, notably the Russian, had been hampered by the lack of sufficient representatives for this purpose.

The Assembly had achieved a great deal of positive work. Public attention had been directed mainly to the *General Disarmament Resolution* which had resulted from a Soviet motion calling for returns of the numbers of Allied troops in other United Nations countries. The Foreign Secretary had argued that the number of troops which each country would feel bound to maintain would depend very largely on the extent to which they had confidence in the system of security evolved by the United Nations. This argument had had some effect. He had already set in hand a study of constructive proposals for a scheme of disarmament. It was important that this should be completed soon, and he invited his colleagues to arrange for their Departments to give any co-operation which was necessary for the completion of this study.

The Attorney-General said that the Soviet Government had tried to obtain international prestige by taking the initiative in this matter. We had recovered the initiative in the Assembly and we should strive to retain it in the Security Council. It was

important, therefore, that we should be ready with constructive proposals; which we should prepare in consultation with Dominion Governments, some of whom had taken an active and useful part in the proceedings at the Assembly.

Much would turn on the question of sanctions for the breach of any disarmament agreement and on the use of the veto in that connection. The Baruch plan for the control of atomic energy provided that the veto should not be used and, if the United States Government insisted on retaining this provision in the plan, it would involve a departure from the enforcement procedure of the United Nations Charter. Some protocol to the Charter would, therefore, be required; and it would be advisable for us to consider whether we should not seek to have included in such a protocol an obligation on all States to come to the assistance of any State which was the victim of aggression. There was no such provision at present in the Charter.

The Foreign Secretary said that there had been a discussion at the Assembly on *the use of the veto*. He did not himself favour the abolition of the right of veto, if only it could be secured that it was not improperly used. To this end he had tried to persuade the representatives of the Five Great Powers to come to an understanding as to the circumstances in which it should be used. This attempt had failed; but M. Molotov had given him some grounds for hoping that we might in the future have less cause to complain of the Russian use of the veto.

On the question of *the régime in Spain*, there had been strong pressure for some positive action against the Franco Government. In the result, while diplomatic relations would not be broken, Ambassadors and Ministers Plenipotentiary would be withdrawn. The Foreign Secretary said that he had been anxious to avoid the imposition of sanctions against Spain. This would have been of considerable disadvantage to our trade; and we should also have been expected to take a considerable share in the policing of the arrangements.

In discussion it was suggested that it would be useful if the Cabinet could have before them a statement showing the economic implications of imposing sanctions on Spain and an estimate of the share which we should be expected to take in policing the arrangements and of the measures which this would involve.

The Foreign Secretary undertook to arrange for such a statement to be prepared.

The Foreign Secretary said that the Assembly had set up the *Trusteeship Council*, and *trusteeship agreements* had been approved in a satisfactory form. Under the Charter, Powers administering non-self-governing territories (other than trusteeship areas) were under an obligation to forward information about those territories to the United Nations Secretariat. There had been a move at the recent Assembly to establish machinery for the regular discussion of this information. We must be careful that this did not place us in an unfair and invidious position. He was discussing this question with the Colonial Secretary.

The Assembly had considered two questions affecting South Africa. As regards *the treatment of Indians in South Africa*, the Indian Delegation had won a moral victory by securing the rejection of the proposal to refer the point at issue to the International Court, and the passage of a motion inviting the two countries to discuss a solution which could be presented to the next Assembly. The proposal by the Union of South Africa to incorporate *South-West Africa* had only been supported by the United Kingdom Delegation, and a motion was eventually passed by a very large majority inviting South Africa to turn South-West Africa into a trusteeship area and to present a draft agreement to the next Assembly.

The Foreign Secretary said that the discussions on these two subjects had, he thought, brought home to the South African Government the strength of feeling in the world about their native policy. The discussions might have served a useful purpose.

Agreement had been reached on a resolution setting up an *Economic Commission for Europe* and on the *constitution of the International Refugee Organisation*. A resolution had also been passed on *relief after the termination of U.N.R.R.A.* This last resolution was on lines acceptable to the United Kingdom. We had been criticised because we had found it necessary to set a limit to the financial assistance which we could offer. This was essential, however, if we were to conserve our slender resources of foreign exchange; for in this respect we were in no better plight than some of the countries seeking assistance.

Agreement had been reached on *the scale of contributions to the budget of the United Nations*. The scale fixed seemed reasonable. The United States contribution had been fixed at 39.89 per cent. of the total for the next two years. The controversy as to the *site of the United Nations* had been settled through the offer by Mr. J. D. Rockefeller of an area on East River in the city of New York.

Food.

Supplies from
the United
States.
(Previous
Reference:
C.M.(46)106th
Conclusions,
Minute 1.)

5. *The Foreign Secretary* recalled that the Cabinet had asked him to make representations to the United States Government while he was in America about the supplies of foodstuffs required for the United Kingdom, the British Zone in Germany and India (C.M. (46) 91st Conclusions, Minute 1). He had held discussions on this subject with United States Ministers and, while matters had not been finally settled before he left the United States, he understood that on the particular points at issue a satisfactory conclusion had now been reached.

He suggested that in future greater use should be made of the United States Embassy in London as a channel for the discussion of such matters as these. He believed that it would often be possible to bring more influence to bear on the United States Government through this channel than through special representations in Washington.

Future Meetings.

6. *The Prime Minister* thanked the Foreign Secretary for the long and interesting review which he had given (as summarised in Minutes 1-4 above) of the proceedings at the Council of Foreign Ministers and the General Assembly of the United Nations. The Cabinet would wish to have an opportunity for further discussion of some of the issues raised in this review. There were also other aspects of foreign policy on which, he knew, the Foreign Secretary desired an early opportunity of full discussion with his colleagues. There was, in particular, the whole question of our position in the Mediterranean and the Middle East and the specific problems of Egypt and Palestine, which the Foreign Secretary had reserved for separate discussion. He therefore proposed that the Cabinet should hold further meetings on foreign policy during the following week. A meeting would be held on Monday, 6th January, at which the Cabinet could discuss points arising from the report which the Foreign Secretary had made at the present meeting. Other aspects of foreign policy would be discussed at later meetings.

*Cabinet Office, S.W. 1,
2nd January, 1947.*

G.R.

