The Labour Government and the End of Empire

1945–1951

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The Labour Government and the End of Empire 1945–1951

Editor
RONALD HYAM

Part II
ECONOMICS AND INTERNATIONAL RELATIONS

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the End of Empire 1945–1951

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Abbreviations: part II

BBC	British Broadcasting Corporation
BDEEP	British Documents on the End of Empire Project
BOAC	British Overseas Airways Corporation
c & f	cost and freight
CDC	Colonial Development Corporation
CD(&)W	Colonial Development and Welfare (Act)
CEAC	Colonial Economic Advisory Committee
CEPC	Colonial Economic Policy Committee
CIGS	chief of the imperial general staff
CIO	Communist International Organisation
CM	Cabinet conclusions (minutes), Labour government, 1945–1951
CO	Colonial Office
COS	Chiefs of Staff
CP	Cabinet memoranda, Labour government, 1945–1951
CRO	Commonwealth Relations Office
CWS	Co-operative Wholesale Society
DBPO	Documents on British Policy Overseas
DO	Dominions Office (also a reference for Defence Committee)
DSIR	Department of Scientific and Industrial Research
ECA	Economic Co-operation Administration (United States)
EPC	Economic Policy Committee (Cabinet)
ERP	European Recovery Programme (Marshall Plan)
FAC	Food and Agriculture Council (United Nations)
FAO	French Overseas and Associated Territories
FO	Foreign Office
f o b	free on board
gov	governor

gov-gen	governor-general
govt	government
HMG	His Majesty's Government
IEFC	International Emergency Food Council
IEPA	Inter-European Payments Union
IFDW	International Federation of Democratic Women
ILO	International Labour Organisation
IRD	International Relations Department (Colonial Office)
ITO	International Trade Organisation
KBE	Knight Commander of the British Empire
KCIE	Knight Commander of the Indian Empire
KCMG	Knight Commander of St Michael and St George
Leg Co	Legislative Council
L of C	line(s) of communication
MCP	Malayan Communist Party
memo	memorandum
MP	member of parliament
NATO	North Atlantic Treaty Organisation
OEEC	Organisation for European Economic Co-operation
OLAA	Office of Latin American Affairs (US State Department)
ONC	Oversea Negotiations Committee
PM	prime minister
PWD	Public Works Department
RMD	Raw Materials Department (Board of Trade)
S of S	secretary of state
tel	telegram
TT	Tanganyika Territory
TVA	Tennessee Valley Authority
UAC	United Africa Company
UK	United Kingdom
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UN(O)	United Nations (Organisation)

UNRRA	United Nations Relief and Rehabilitation Administration
USSR	Union of Soviet Socialist Republics
WA	West Africa
WFTU	World Federation of Trade Unions

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CHAPTER 3

Economic Policy

Document numbers 74–137

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74 CAB 129/1, CP(45)112, Annex 13 Aug 1945

'Our overseas financial prospects': Cabinet memorandum by Lord Keynes[1] [Extract]

[This appreciation was circulated by Dr Dalton, chancellor of the Exchequer, with a covering note saying he was anxious that colleagues should be 'informed, without delay, of this most grim problem'. Attlee made a statement to the Cabinet on 16 Aug stressing the need to treat the detailed figures and indications of possible lines of approach to the US government 'as matters of the utmost secrecy'. He added that there were also 'one or two striking phrases in the Memorandum (e.g. in paragraphs 27 and 28) which might have unfortunate consequences, if used outside the circle of confidential Ministerial discussions' (CAB 128/1, CM 23(45)4). Lord Keynes's memorandum has been printed in full in *DBPO* series I, vol III, no 6.]

1. Three sources of financial assistance have made it possible for us to mobilise our domestic man-power for war with an intensity not approached elsewhere, and to spend cash abroad, mainly in India and the Middle East, on a scale not even equalled by the Americans, *without having to export* in order to pay for the food and raw materials which we were using at home or to provide the cash which we were spending abroad.

2. The fact that the distribution of effort between ourselves and our Allies has been of this character leaves us far worse off, when the sources of assistance dry up, than if the rôles had been reversed. If we had been developing our exports so as to pay for our own current needs and in addition to provide a large surplus which we could furnish free of current charge to our Allies as Lend-Lease or Mutual Aid or on credit, we should, of course, find ourselves in a grand position when the period of providing the stuff free of current charge was brought suddenly to an end.

3. As it is, the more or less sudden drying up of these sources of assistance shortly after the end of the Japanese war will put us in an almost desperate plight, unless some other source of temporary assistance can be found to carry us over whilst we recover our breath—a plight far worse than most people, even in Government Departments, have yet appreciated.

4. The three sources of financial assistance have been—

(a) Lend-Lease from the United States;
(b) Mutual Aid from Canada;

---

[1] J M Keynes, fellow and bursar, King's College, Cambridge; leader of UK delegation which negotiated the American loan in Washington, September–December 1945; died April 1946.

(c) Credits (supplemented by sales of our pre-war capital assets) from the Sterling Area (including credits under Payments Agreements with certain countries, especially in South America, which are outside the Area, but have made special agreements with it).

5. In the present year, 1945, these sources are enabling us to overspend our own income at the rate of about £2,100 millions a year, made up roughly as follows (these figures were compiled on the assumption that Lend-Lease and Mutual Aid would continue on the basis of recent provisions until the end of 1945):—

	£ millions
Lend-Lease (munitions)	600
Lend-Lease (non-munitions)	500
Canadian Mutual Aid	250
Sterling Area, &c..	750
	2,100

(The Mutual Aid, amounting recently to about £500 millions a year, which we ourselves are according is here treated as part of our own domestic expenditure. From some, but not all, points of view this should be deducted from the above.)

6. This vast, but temporary, assistance allows us for the time being to over-play our own financial hand by just that amount. It means, conversely, that others are under-playing their hands correspondingly. How vividly do Departments and Ministers realise that the gay and successful fashion in which we undertake liabilities all over the world and slop money out to the importunate represents an over-playing of our hand, the possibility of which will come to an end quite suddenly and in the near future unless we obtain a new source of assistance? It may be that we are doing some things which are useless if we have to abandon them shortly after V-J, and that our external policies are very far from being adjusted to impending realities.

7. To sum up, the overseas balance in 1945 is estimated as follows:—

	£ million		
Imports excl. munitions	1,250	Exports	350
Munitions received under Lend-Lease and Mutual Aid	850	Net invisible income and sundry repayments, &c.	100
Other Government expenditure overseas	800	Government receipts from United States and Dominions for their forces and munitions ...	350
Total expenditure overseas ...	2,900	Total income overseas	800
		Deficit	2,100
			2,900

These estimates have been compiled on the assumption of a continuance of the Japanese war and Lend-Lease to the end of 1945. But the early termination of the Japanese war is likely to reduce Lend-Lease aid by more than it reduces our expenditure; so that, apart from some new sources of aid, the financial position is more likely to be worsened than improved in the short run . . . .

18. The conclusion is inescapable that there is no source from which we can raise sufficient funds to enable us to live and spend on the scale we contemplate except the United States. It is true that there are sundry resources which have not been taken

into account in the above. For example, we still have some capital assets which could be gradually realised; and we have an expectation of some further aid from Canada. But the above calculation assumes that we have reached equilibrium by the end of 1948 which we have no convincing reason to expect, and also that we have by that date drawn down our ultimate reserves to the minimum. Moreover, the reader may have noticed that I have almost altogether omitted any reference to the vast debt of between £3,000 and £4,000 millions which we shall be owing to almost every country in the world. In other words, it has been tacitly assumed that we have found some way of dealing with this which allows us to discharge nothing in the three years 1946–1948 taken together and, in fact, to add £150 millions to it. Moreover, the assumed rate of growth of exports is wildly optimistic, unless our methods change considerably. The conclusion holds, therefore, in so far as any firm conclusion can be based on such precarious material, that there remains a deficit of the order of $5 billions which can be met from no other source but the United States.

19. It is sometimes suggested that we can avoid dependence on the United States by a system of semi-barter arrangements with the countries from which we buy. This, however, assumes that the limiting factor lies in the willingness of overseas markets to take our goods. Whatever may be the truth a few years hence, this will not be the position in the early post-war period which we have in view here. The limiting factor will be our physical capacity to develop a sufficient supply of export goods. Barter arrangements assume that we have goods to offer in exchange; and that is precisely what we shall lack in the next two years. At present the boot is on, and pinching, the other leg—the countries from which we buy are trying to make their sales to us contingent on our accepting barter terms, under which we supply goods which they want but which we unfortunately are unable to provide . . . .

24. To an innocent observer in the Treasury very early and very drastic economies in this huge cash expenditure overseas seem an absolute condition of maintaining our solvency. There is no possibility of our obtaining from others for more than a brief period the means of maintaining any significant part of these establishments, in addition to what we shall require to meet our running excess of imports over exports and to sustain the financial system of the Sterling Area. These are burdens which there is no reasonable expectation of our being able to carry. Yet there are substantial items within the £800 millions which will not be automatically cut out merely as a result of the defeat of Japan.

25. Even assuming a fair measure of success in rapidly expanding exports and curtailing Government expenditure overseas, it still remains that aid of the order of $5 billions is required from the United States. We have reason to believe that those members of the American Administration who are in touch with our financial position are already aware that we shall be in Queer Street without aid of somewhere between $3 and $5 billions and contemplate aid on this scale as not outside practical politics. But this does not mean that difficult and awkward problems of terms and conditions do not remain to be solved. The chief points likely to arise are the following:—

(i) They will wish the assistance to be described as a *credit*. If this means payment of interest and stipulated terms of repayment, it is something we cannot undertake in addition to our existing obligations with any confidence that we can fulfil the obligations. It would be a repetition of what happened after the last war and a

cause of further humiliation and Anglo-American friction, which we should firmly resist. If, however, the term *credit* is no more than a camouflage for what would be in effect a grant-in-aid, that is another matter.

(ii) The Americans will almost certainly insist upon our acceptance of a monetary and commercial foreign policy along the general lines on which they have set their hearts. But it is possible that they will exercise moderation and will not overlook the impropriety of using financial pressure on us to make us submit to what we believe is to our grave disadvantage. In fact the most persuasive argument we can use for obtaining the desired aid is that only by this means will it lie within our power to enter into international co-operation in the economic field on the general principle of non-discrimination. We should not seek to escape our obligations under Article VII of the Mutual Aid Agreement, but should, rather, ask for the material basis without which it will not lie in our power to fulfil them. In my opinion we need not despair of obtaining an agreement which provides sufficient safeguards and will not seriously hamper the future development of our economy along lines freely determined by our own policies.

(iii) Bases, islands, air facilities and the like may conceivably come into the picture.

26. Nor must we build too much on the sympathy and knowledge of the members of the American Administration with whom we are in touch. It will be a tough proposition, perhaps an impossible one, to sell a sufficiently satisfactory plan to Congress and the American people who are unacquainted with, and are never likely to understand, the true force of our case, not only in our own interests but in the interests of the United States and the whole world. For the time being Ministers would do well to assume that no arrangement which we can properly accept is yet in sight; and that, until such an arrangement is in sight, we are, with the imminent cessation of Lend-Lease, virtually bankrupt, and the economic basis for the hopes of the public non-existent.

27. It seems, then, that there are three essential conditions without which we have not a hope of escaping what might be described, without exaggeration and without implying that we should not eventually recover from it, a financial Dunkirk. These conditions are (a) an intense concentration on the expansion of exports, (b) drastic and immediate economies in our overseas expenditure, and (c) substantial aid from the United States on terms which we can accept. They can only be fulfilled by a combination of the greatest enterprise, ruthlessness and tact.

28. What does one mean in this context by "a financial Dunkirk"? What would happen in the event of insufficient success? That is not easily foreseen. Abroad it would require a sudden and humiliating withdrawal from our onerous responsibilities with great loss of prestige and and acceptance for the time being of the position of a second-class Power, rather like the present position of France. From the Dominions and elsewhere we should seek what charity we could obtain. At home a greater degree of austerity would be necessary than we have experienced at any time during the war. And there would have to be an indefinite postponement of the realisation of the best hopes of the new Government. It is probable that after five years the difficulties would have been largely overcome.

29. But in practice one will be surprised if it ever comes to this. In practice, of course, we shall in the end accept the best terms we can get. And that may be the

beginning of later trouble and bitter feelings. That is why it is so important to grasp the reality of our position and to mitigate its potentialities by energy, ingenuity and foresight.

30. Shortage of material goods is not going to be the real problem of the post-war world for more than a brief period. Beyond question we are entering into the age of abundance. All the more reason not to mess things up and endanger the prizes of victory and the fruits of peace whilst crossing the threshold. The time may well come—and sooner than we yet have any right to assume—when the sums which now overwhelm us may seem chicken-feed, and an opportunity to get rid of stuff without payment a positive convenience.

75 CO 852/555/4, no 9 — 27 Sept 1945

'Financial results of the war in the United Kingdom': CO circular telegram to governors. *Enclosure*: memorandum

Considerable attention has been directed recently to the future difficulties of the United Kingdom in attaining a balance in its overseas payments. The attached memorandum seeks to explain the character of these difficulties and the way in which they have arisen and to indicate some of the possible consequences of financial and economic policy.

The coming to an end of the system of Lend-Lease, which is not in itself a primary cause of the difficulties in question but has brought them sharply to notice, has resulted, as you are no doubt aware, in His Majesty's Government entering into discussions with the United States Government covering the whole field of future financial and economic relations between the two countries. The outcome of these discussions will have a very important effect on the policy to be pursued with regard to the various matters dealt with in the enclosed memorandum, and I shall of course endeavour to keep you informed of any developments in the situation which are of special interest to the Colonial Dependencies.

Enclosure to 75

The announcement recently of the ending of United States Lend-Lease has brought sharply to notice the acute difficulties which the United Kingdom will have in the post-war period in achieving and maintaining a balance in external payments. Owing to the changes resulting from wartime financial developments, one of the most urgent preoccupations of His Majesty's Government is how to ensure that the country is able to pay in exports for its essential imports. This memorandum is intended to explain how this situation has arisen and to suggest some of its possible results. It does not call for any general action by Colonial Governments, nor does it attempt to discuss the financial effects of the war on the Colonies themselves.

2. The economic resources needed by the United Kingdom for fighting the war has [sic] been provided in two main ways, namely—

(a) internally, by the diversion of productive effort from peacetime to wartime

production and by the mobilisation of productive resources not fully used in peacetime, including labour, and

(b) externally, by the receipt, without current payment in goods or services, of supplies and services from other countries, including most parts of the Colonial Empire.

3. The mobilisation of internal productive resources, including labour, was fully described in the Command Paper Cmd. 6564 published in November 1944 under the title "Statistics relating to the war effort of the United Kingdom". It is sufficient to say here that this mobilisation was for practical purposes complete and was probably not equalled by any other belligerent country.

4. This memorandum describes the consequences of the means by which the goods and services acquired by the United Kingdom from outside for the purpose of fighting the war were financed.

5. The United Kingdom has maintained a small volume of exports throughout the war and in particular has endeavoured to maintain exports of certain supplies which have been essential to the life of the Colonies and other countries dependent on supplies from the United Kingdom, but it is common knowledge that those wartime exports have formed only a very small proportion of the value of the imports of goods and services received by the United Kingdom for the purpose of carrying on the war. A substantial proportion of these goods and services has been obtained from the United States on Lend-Lease terms or from Canada under Mutual Aid, but there has remained a vast volume of goods and services received by the United Kingdom which has had to be financed otherwise. To provide this finance, the United Kingdom has had, on the one hand, to dispose of investments owned by its nationals and scattered throughout the world valued at thousands of millions of pounds, and on the other, to incur obligations to other countries (principally the Empire countries, other than Canada, and the Middle East), also to the value of thousands of millions of pounds.

6. The effect of these two processes, which are, of course, cumulative, is a reversal in the financial position of the United Kingdom, which can only be described as revolutionary. In the six years of the war, the United Kingdom has changed from one of the major creditor countries of the world to the world's principal debtor nation. Moreover, practically the whole of this enormous debit has been required, not to provide goods or services which have been of benefit to the wealth or welfare of the people of the United Kingdom, but solely for war purposes.

7. The debts by the United Kingdom mentioned in the preceding paragraph have taken the form principally of sums in sterling standing to the credit of overseas countries (including, among others, the Colonies) in London. These sums are commonly referred to as the sterling balances. The Chancellor of the Exchequer recently reported to Parliament that they stood at the figure of £3½ thousand millions.

8. A word of explanation may be useful as to the character of this indebtedness. It is not, with small exceptions, a debt due by His Majesty's Government in the United Kingdom directly to other Empire or foreign Governments. It has arisen by His Majesty's Government making payments in sterling for goods and services provided by the recipient countries; these sterling receipts could not all be spent at the time owing to supply shortages and the unspent balances are today held by the financial institutions and individual residents in the countries mentioned in the form of

British Government securities, deposits with British banks or other forms of short term indebtedness. These holdings form, however, a debt due from the whole community in the United Kingdom to the overseas holders in the very important sense that they represent a claim exercisable at any time on goods and services purchaseable in sterling, i.e. in the main goods and services produced by the inhabitants of the United Kingdom. The various forms in which the sterling balances are held earn interest at a comparatively low rate, but, however low the average, some interest has to be paid currently on these holdings, and it represents, therefore, an addition to the total claim against sterling.

9. The ending of the war thus leaves a problem of external balance with two striking features. First, the means by which a balance has been achieved during the war are no longer available. Lease-Lend aid from the U.S.A. has already ceased, Canadian Mutual Aid will not be continued indefinitely and the sterling area countries which have been accepting payment in sterling which they have retained unspent will be less willing to go on accumulating sterling balances. Secondly, the growth of external indebtedness in the form of the sterling balances rules out a simple reestablishment of the pre-war balance of payments; that has been radically disturbed by the changes described in paragraph 6. Instead of being a recipient on balance of substantial sums in interest on overseas investments which went to pay for imports, the United Kingdom must in future make provision for payments of interest and principal on the accumulated indebtedness while our net income from foreign investments will be seriously reduced. Eventually therefore current exports must be expanded sufficiently not only to provide for payment for all our imports, a considerable part of which was before 1939 paid for by the receipts from investments, but to provide also the means of meeting these accumulated liabilities. In terms of value that means that pre-war exports must be doubled in order merely to preserve a balance on current account. Until that balance is achieved the maintenance of essential imports can be assured only by adding to the indebtedness which has one day to be repaid.

10. The immediate outlook is that for the next few years there will continue to be an adverse balance because of (1) the cessation of Lend-Lease and Mutual Aid, (2) the impossibility of immediately reducing His Majesty's Government's enormous overseas expenditure on military services and supplies, and (3) the inevitable time-lag in reconverting industry in order to expand exports. The figure of £3½ thousand millions of sterling balances will therefore be substantially increased before the United Kingdom reaches the stage even of a balance on current transactions.

11. The policy to be pursued in these circumstances is naturally one of the principal problems of His Majesty's Government. The major choice lies between (a) the reduction to the absolute minimum of any further accumulation of indebtedness, especially indebtedness in foreign currencies, which would entail, as the Prime Minister has indicated, a regime of continued strict austerity in consumption; and (b) the acceptance of external credits which would avoid that necessity for the present by piling up future obligations. Which of these courses (or any intermediate course) is adopted depends greatly upon the discussions now in progress between British and American representatives on the consequences of the end of Lend-Lease, but it can be assumed that in any event His Majesty's Government are likely to have to review very carefully any proposals for new overseas commitments in the near future. Policies to which His Majesty's Government are committed and more

especially the policy of colonial development and welfare will, of course, be continued, but the strictest economy will certainly be required in all overseas expenditure, and this is bound to have its effect in the attitude of His Majesty's Government during the next few years towards both projects for new overseas expenditure which might in other circumstances have been approved and the continuance at the present level of some forms of existing expenditure.

12. There is in fact at present equal cause for concern about any transactions which affect adversely the external balance of payments as about transactions which merely affect the national budget of State revenue and expenditure, although the early reduction of the present enormous annual budget deficit must be a major object of financial policy. From the point of view of the external balance, payments on private account are just as significant as payments out of Government funds, and it is therefore necessary to consider the over-all financial position in any issues of policy which involve, for instance, the settlement of the terms of purchase of imported products or the raising of loans by external Governments or residents abroad on the money market in this country. It is hardly necessary to add that as long as the external balance of payments is a matter of acute anxiety, some degree of exchange control and restriction of imports involving payment in difficult currencies will be necessary. Pending the result of the international discussions already mentioned it is difficult to say how severe that control may be but it may necessitate some degree of continued austerity in the Colonies as in the United Kingdom itself and the disappointment of the natural expectations of Colonial populations for more ample supplies of consumer goods.

13. It would be wrong to conclude from the above paragraphs that the financial position of the United Kingdom was desperate. In effect, the United Kingdom has fought this war with complete disregard for financial consequences, and has poured into it the accumulated capital of generations of saving. Only by doing so has the country been able to finance the enormous expenditure incurred, especially in overseas territories. Having done that, the fact must now be faced that the country is for the time being poorer than it was. There is no lack of confidence in the United Kingdom's ability to build up again a strong financial position; the White Paper already mentioned itself affords evidence of its industrial capacity and adaptability which is encouraging for the more distant future. But the rebuilding of the capital position will certainly make heavy calls upon available resources and will leave little margin for anything but essentials. It is probable that the period of greatest strain will be the next two or three years, and it will be especially important in that period so to manage affairs as to avoid the accumulation of unmanageable liabilities.

76 CO 927/1/1, no 59 12 Nov 1945

[Colonial Development and Welfare Act, 1945]: circular despatch from Mr Hall to governors. *Enclosures*: 2 and 3

I have the honour to address you on the subject of the Colonial Development and Welfare Act, 1945, which provides for increased financial assistance towards the continuation and expansion of the policy of Colonial development. A copy of the Act

is enclosed for convenience of reference. (Enclosure 1.)[1]

2. As you are aware, this Act increases the amount of money that may be provided by Parliament for schemes of Colonial development and welfare of £120,000,000, and extends the period of such assistance to 31st March, 1956. It substitutes for the former fixed maximum sum of £5,000,000 in any financial year for development and welfare, and £500,000 for research, this new total sum, which can be drawn upon at any time within the ten-year period, subject only to a maximum to be issued in any one year of £17,500,000. It further provides that the maximum assistance towards Colonial research shall not, in the aggregate, exceed £1,000,000 in any financial year. The general provisions of the Colonial Development and Welfare Act, 1940, otherwise than as just indicated, remain in force.

3. This increase in the total sum to be provided and the lengthening of the period of such assistance by a further five years mark an important turning point in the development of Colonial productive resources and the improvement of human well-being. It comes at a time when a gradual easing of the war-time shortages of materials, equipment and skilled technical and scientific personnel may be hoped for. There are great possibilities in the years that lie ahead for raising the standards of health, education, social welfare, and general well-being of Colonial peoples if these expanded services are based upon improved economic efficiency and increased production. The primary requisite still is an improvement of the economic position in the Colonial Dependencies, the utilisation of their natural resources to the greatest extent possible and the widening of opportunity for human enterprise and endeavour. As a contribution towards improvements in Colonial development and welfare, the present Act provides a substantial sum of money, but it is not intended that this sum should be taken as indicating the total Colonial need for development expenditure in the next ten years. The total cost of development that can be embarked upon may be expected to be considerably greater than £120,000,000, according to the extent to which Colonial Governments can supplement the contemplated grants whether from public funds or with the assistance of private trade and enterprise. The new Act will, I am confident, enable Colonial Governments to draw up plans of development over the ten-year period, and to achieve steady and sustained progress towards the great goal of raising the standards of living and well-being of their people.

4. You will naturally wish to know the approximate amount of assistance, out of the total sum provided under the new Act, that will be available to the territory under your administration. I have, therefore, prepared a scheme for the division of the £120,000,000. A copy of this table is attached to this despatch. (Enclosure 2).

5. The first group of allocations covers those services to the Colonial Empire which can best be provided for centrally and which are of immense value, directly or indirectly, to development generally. The total set aside for these centrally provided schemes is £23,500,000, which includes a margin for unforeseen contingencies. A list of the more important of such schemes is contained in Section I of the enclosed Statement of Allocations (Enclosure 2). The most important, financially, is research. Under the new Act provision is made for expenditure on research up to a limit of £1,000,000 per annum, but as that scale of expenditure is not expected to be reached

[1] Not printed.

for some years, owing to the shortage of first-class research staff, the total over the decade is put at £8,500,000. In this total will be included the cost of the Colonial Geological Survey of which you have already been advised. Other surveys are also provided for under Central Schemes other than Research. The "savings" of £1,500,000 thus anticipated on research are therefore available for non-research purposes and will, if necessary, be so used. Although included for convenience in this "central" budget, it is by no means intended that all research schemes will be under direct central control. In appropriate cases research grants will be made to individual Colonial Governments, but they will be debited to this general allocation for research.

6. I have thought it unwise to allocate the whole of the remaining balance to individual territories at once, since it is obviously impossible today to forecast the relative balance of the needs of all territories over the next decade. I have, therefore, set aside a sum of £11,000,000 as a general reserve, which will be available for supplementary allocations, as necessity arises, either for schemes submitted by the Colonial territories themselves or for central schemes.

7. There remains thus a total of £85,500,000 for allocation to individual territories or regional groups of territories. The allocation to each Colonial Government of a sum that represents a fair proportion of the total amount available has been a difficult task. I am satisfied, however, that the allocations which I have made are fair and reasonable. No single criterion was adopted for judging the requirements of one Colonial territory as against another. All factors which were known to be relevant were taken into account, including the size and population of the territory, its known economic resources and possibilities, the present state of development, and development schemes known to exist or to be under contemplation, and the financial resources likely to be available locally.

8. It will be understood that the allocation to each territory does not constitute an authority to spend, but lays down a sum within which it is proposed that individual schemes should be authorised, provided that schemes which are in themselves suitable for assistance and fall within an approved general plan are put forward. Subject to the qualification that Colonies possessing responsible government are by the terms of the Act excluded from its provisions, and that the position might therefore be modified within the period covered by the Act, it makes possible the planning of the development programmes of each Territory for the next ten years, on the basis of the funds estimated to be available. The money available will be the allocation under the Act, shown in the attached table, together with the Dependency's own estimated resources for development purposes, *i.e.*, from surplus balances, future revenue surpluses or the proceeds of public loans. The poorer Dependencies have, of course, less prospect than the richer of drawing upon local resources—in some cases no such prospects can be counted on at all—but allowance has been made for these variations in determining the allocations under the Act. The main purpose of development planning should be to ensure that all the resources available are used to the best advantage, that the whole field of possible development and welfare is surveyed, and that the sums to be devoted to each project are determined, so that the programmes form a well-balanced whole.

9. The determination of the broad programmes of development requires close co-operation between Colonial Governments and His Majesty's Government. The initial preparation of such plans is best done in the Colonial Dependencies, but they

will require to be carefully reviewed by a central organisation able to take the widest point of view before they are accepted as the framework of future development. Many Colonial Governments have at my request already prepared comprehensive plans covering all the development work which they would propose to undertake during the next ten years. I ask that those which have not completed such planning should do so as soon as possible and that those which have already submitted plans should consider whether any revision of them is necessary in the light of this despatch and the allocations now made.

10. I have included in the memorandum attached to this despatch (Enclosure 3) various detailed suggestions on the preparation of comprehensive plans, together with a number of other points of detail which will arise in the administration of money under the new Act. The essence of the procedure I propose is that each Colonial Dependency should first draw up a plan covering all the objects of development and welfare expenditure which are thought desirable, without attempting in the initial stage to limit this to the exact amount of the resources estimated to be available. It is essential if sufficiently comprehensive planning is to be achieved that on the one side there should be taken into account all the resources likely to be available, whether from Colonial Development and Welfare assistance, from local revenue sources or public loans or from any other source, and on the other that the plans should include all likely major developments on the expenditure side, including important increases in the recurrent expenditure of Departments dealing with public health, agricultural and other developmental services as well as strictly capital expenditure. This comprehensive plan should, however, be realistic and the proposals included in it should be graded in a few broad priority categories, so that whatever amount of money is in fact available can be devoted to those developments which are regarded as of the highest importance. This procedure is necessary, as the resources from which development may be financed over the ten-year period, other than the Colonial Development and Welfare allocation, cannot of necessity, be precisely estimated in advance. Colonial Governments should, however, couple with their comprehensive plans an approximate estimate of the total resources which they do expect to be able to devote to development, including, of course, the present allocation from Imperial funds under the Colonial Development and Welfare Act.

11. In the formulation of estimates of local resources there is one factor that should be specially borne in mind. The contribution to be made from the Imperial Exchequer is a real burden on the United Kingdom taxpayer, to be borne at a time when the resources of the United Kingdom, external as well as internal, have been heavily strained. All parts of the Empire have shared in the sacrifices and burdens of war, but the financial burdens borne by the United Kingdom have been very much greater than those which have fallen on any other part of the Commonwealth. They have been greater absolutely, and they have entailed a most serious worsening of the external financial position of the United Kingdom quite unparalleled in any other part of the Commonwealth or in any Allied country. In spite of the manifold difficulties confronting the United Kingdom on all sides, the additional effort necessary to provide the funds set aside under the Colonial Development and Welfare Act will be gladly made because of the desire to see Colonial development and welfare advanced, but it is equally expected that the Colonial Dependencies will play their part in the joint effort, as it is indeed in their own interests to do. Rates of taxation vary considerably from one Colonial territory to another, and it is important that

direct taxation borne mainly by the richer members of the community should be reviewed, if this has not been done recently, so as to ensure that local revenues are making an adequate and fair contribution towards the cost of the development and advancement of the territory.

12. A proper balance between different objects of development and welfare, already referred to in paragraph 8 above, is fundamental to a wise development policy. The dual title of the Colonial Development and Welfare Act clearly indicates its purpose, namely, parallel progress in the development of the resources of the Colonial Dependencies and in the improvement of the welfare of their people. The first object is the more fundamental since without economic development it will be impossible for the Dependencies to maintain from their own resources the improved standards which are desired for them; but in the meantime the social services must be improved and in many cases this improvement in the social services will contribute indirectly to economic development and general advancement. I emphasise the fundamental character of economic development, because the possibilities of expansion in the social services are commonly immediately apparent and, as a matter of administrative organisation, are directly the concern of particular departments, while economic development is at once a more general responsibility and a sphere in which the desirable course is less easy to determine. The relative roles played by the two parts of a general programme will vary from Dependency to Dependency, but the most careful attention should everywhere be given to the improvement of the productive efficiency of the Dependency's resources as a whole, both human and material.

13. As already indicated, when plans have been drawn up locally on the above lines it will be important that they should be carefully reviewed at the centre. I am considering what strengthening of the machinery of the Colonial Office will be necessary in order to ensure that such a review is carried out effectively but expeditiously and that the best advice will be available. I shall give special consideration to the best means of securing the most competent review of possibilities of economic development and the means of promoting it. It may be necessary for me to suggest how machinery in the territories can be strengthened.

14. In the preparation of plans, and indeed in all work connected with them, it is of the first importance that the interest of the inhabitants of the Dependency should be aroused and their opinion consulted and their co-operation secured wherever possible. A great part of the value of the assistance given by the new Act will be lost if the developments financed or assisted by it are regarded merely as an activity of "Government" and not as the concern of the ordinary people of the country. The establishment of Development Committees containing unofficial representation is one obvious means of ensuring due public participation, and such Committees have I know already been formed in many of the Colonial Dependencies.

15. The need to prepare a comprehensive plan for each Dependency does not, of course, entail the holding up of all development while plans are being prepared or revised. On the contrary, the passing of the new Act is clearly the signal for an intensification of effort. Having regard, however, to the schemes already initiated under the 1940 Act and to the difficulty which must still for some little time longer exist in obtaining the staff and materials needed to carry out large programmes of work, I feel sure that progress in the long run with development programmes will be hastened and not delayed if the main immediate emphasis is on the completion of

general plans for each Dependency rather than the submission of unrelated proposals for the approval of individual new schemes. Nothing that I have said, however, should prevent any Colonial Government from submitting such schemes in advance of the general plan where these are clearly of immediate urgency and will ultimately be included in the general plan.

16. It will be observed from the attached table of allocations that provision has been made in certain instances for regional allocations in order to provide for schemes which are of a regional character and for services which may be common to the area in question. I regard it as important not only that governments in a given area should consult freely with one another in respect of their development plans but that consideration should be given to the possibility of encouraging, when appropriate, development upon a regional basis. This applies especially to such areas as East Africa, Central Africa and the West Indies. Colonial territories in close geographical proximity should find it of advantage, where development, research, communicattions, higher education and several other services are concerned, not only to proceed with schemes administered separately by the territories themselves, but also to plan in regional terms. They would thereby carry out their own developments in the full understanding of regional needs and of the necessity for fitting their programmes into the regional picture. I have not thought it necessary at this stage to make a regional allocation for West Africa but I trust that the Governments of the Colonies in that area will continue to advance the recognition of the regional outlook in economic development, communications, higher education and research.

17. I propose that this despatch should be presented to Parliament as a Command paper and I will notify you, in due course, of the date of publication.

18. In conclusion, I have only to reiterate my conviction of the opportunity which is presented to all concerned with Colonial administration in this new chapter of Colonial development; my deep sense of the great responsibility whichs rests upon us to see that the resources made available, including those made at real sacrifice by the people of the United Kingdom, are wisely and economically used; and my confidence in the co-operation of Colonial peoples and officials alike in the discharge of that responsibility so as to bring permanent advantage and improvement to the whole Colonial Empire and enable it to play an increasingly important part in the world's affairs.

Enclosure 2 to 76: Allocation of funds available under the Colonial Development and Welfare Act, 1945

Summary

Central Schemes, including Research	£23,500,000
Allocations to Colonial territories	£85,500,000
General Reserve for supplementary allocations	£11,000,000
	£120,000,000

I. *Allocations to central schemes*		
i. Research[1]	£10,000,000	
less amount estimated to be unspent during period 1946–56	£1,500,000	£8,500,000

ii. Centrally administered schemes	
(a) Higher Education	£4,500,000
(b) Training Schemes for the Colonial Service	£2,500,000
(c) Geodetic and Topographical Surveys	£2,000,000
(d) Aeronautical Wireless Communications[2]	£1,000,000
(e) Meteorological Services[2]	£1,000,000
(f) Other Central Schemes, such as the Central Nutrition Unit, Contributions to the Imperial Forestry Institute, Higher Training in Social Sciences, etc.	£1,000,000
	£20,500,000
iii. Margin for Supplementary Allocations to Central Schemes	£3,000,000
	£23,500,000
II. *Allocations to colonial territories*	
West Indies	
Barbados	£800,000
British Guiana[3]	£2,500,000
British Honduras	£600,000
Jamaica	£6,500,000
Leeward Islands	£1,200,000
Trinidad[4]	£1,200,000
Windward Islands	£1,850,000
West Indies—General[5]	£850,000
	£15,500,000
South Atlantic	
Falklands	£150,000
St. Helena and Ascension	£200,000
	£350,000
Fiji and Western Pacific	
Fiji	£1,000,000
Western Pacific	£800,000
	£1,800,000
Far East	
Hong Kong	£1,000,000
Borneo and Sarawak	£1,500,000
Malaya	£5,000,000
	£7,500,000
Indian Ocean	
Ceylon[6]	——
Mauritius	£1,750,000
Seychelles	£250,000
	£2,000,000

Middle East	
Aden and Protectorate	£800,000
Palestine and Transjordan[7]	£1,000,000
	£1,800,000
Mediterranean	
Cyprus	£1,750,000
Malta[8]	£50,000
Gibraltar	£100,000
	£1,900,000
West Africa	
Gambia[9]	£1,300,000
Sierra Leone	£2,600,000
Gold Coast	£3,500,000
Nigeria	£23,000,000
	£30,400,000
East Africa	
Somaliland	£750,000
Kenya	£3,500,000
Uganda	£2,500,000
Tanganyika	£5,250,000
Zanzibar	£750,000
East Africa—General	£3,500,000
	£16,250,000
Central Africa	
Nyasaland	£2,000,000
Northern Rhodesia	£2,500,000
Central Africa—General	£1,000,000
	£5,500,000
South Africa	
High Commission Territories	£2,500,000
Total	£85,500,000
III. *General reserve*	
General Reserve	£11,000,000*

* The General Reserve will be available for both central schemes and colonial schemes.

[1] Including Geological Survey.
[2] Subject to determination of the degree of Colonial liability.
[3] To include any subsidy to British Guiana Airways Service to interior.
[4] To include any subsidy to British West Indian Airways.
[5] To include any allocation that may be made to the Bahamas.
[6] Provision may be required for existing commitment in respect of Hydro-electric scheme.
[7] Provisional.
[8] Token figure.
[9] Of the Gambia allocation £500,000 to be earmarked for drainage, rehousing and slum clearance at Bathurst.

Enclosure 3 to 76: Memorandum

I. *Central schemes*. (*See* paragraph 5 of despatch.)
The following is a list of the schemes for which finance is being provided apart from the allocations made to individual Colonies or groups of Colonies and for which no provision need therefore be set aside in colonial comprehensive plans.

(1) All research schemes.
(2) Scheme for the improvement of the geological survey of the Colonial Empire. This scheme will be treated as a research scheme.
(3) Proposals now under consideration for the provision of higher education facilities in the Colonial Empire. (*See* Cmd. 6647, 6654, 6655).
(4) A training scheme for assisting selected scholars from the Colonies to qualify for the Colonial Service. (Under consideration.)
(5) Assistance towards post-graduate training of candidates both from this country and from the Colonies for the Colonial Service, both administrative and technical. (Under consideration.)
(6) Scheme for a geodetic and topographical survey of the Colonial Empire.
(7) Scheme for the provision and improvement of aeronautical wireless communications and aeronautical meteorological services. This scheme will not include provision for airfields or other air facilities. Provision for these latter purposes should, therefore, continue to be included, where assistance is required towards them from the Colonial Development and Welfare Vote, in the plans submitted by Colonial Territories.
(8) A scheme for the establishment of a central nutrition organisation for the Colonial Empire in London.

The above list of schemes may be amended or added to later but is given to Colonial Governments for their general guidance. Inclusion of any scheme within the above list, does not, of course, mean that the financing of services already in existence in the Colonies for objects connected with any of the above will necessarily be modified.

II. *Preparation of comprehensive plans*. (*See* paragraphs 8 to 15 of the despatch.)
(1) *Expenditure side*
(a) The object of the plan is to give an outline sketch of the developments proposed in the Colony over the next ten years, regard being had to its general financial status. The plan should embrace all schemes considered necessary for the above purpose without reference to the particular source from which they will be financed. For further comment on this latter point see under (2) below.
(b) The plan need be drawn up in broad outline only. Indeed this is desirable in order to avoid unnecessary waste of labour at the preliminary planning stage. Schemes to be included within the plan can be worked out in detail later. This procedure will not, as hitherto, entail any risk of the Colony's not receiving its full allocation of Colonial Development and Welfare assistance. While, however, schemes included in the plan need not be worked out in detail at the beginning, the best approximate estimate possible should be given of the cost of each scheme. Otherwise there will be no means of assessing either the total cost of the plan or whether it is well balanced.

(c) It is contemplated that the total cost of the schemes included in the expenditure side of the plan may normally be somewhat in excess of the resources now foreseen to be available, but the schemes included in the plans should be divided into a few broad priority categories. This is needed in order to give elasticity to the plan so that whatever the amount of resources (within broad limits) proves in the end to be available, the work undertaken under the plan will cover the more essential needs of the Colony first. Adequate attention to measures designed to conserve and develop the fundamental natural resources of the Colony is particularly important because no object of development is likely to have greater long term benefits to the community concerned. These remarks, however, are not intended to imply that the same proportionate allocation of expenditure as between different main objects will be appropriate in the case of each Colony. Local circumstances obviously must be the finally deciding factor in each case.

(d) Balance is desirable, not merely between different fields of expenditure, but also in regard to individual schemes. Individual schemes which involve too large a proportion of the total cost of the development programme carry with them obvious dangers. Similarly, plans should not be composed of a large number of small schemes, the inter-relationship of which has not been carefully considered and co-ordinated.

(2) *Revenue side of the plan*

(a) *Items to be included.* The financial side of the plan should include the following:—

(1) The allocation of assistance under the Colonial Development and Welfare Act, to which reference is made in paragraph 7 of the despatch which accompanies this memorandum.

(2) Such part, if any of the Colony's estimated surplus balances at the beginning of the ten-year period covered by the new Act, *i.e.*, 1st April 1946, as it is considered legitimate to allocate to the development programme.

(3) Such sums, if any, as it is reasonably expected can be set aside during the ten-year period from future revenue sources having regard to possible increases of revenue during the ten-year period from development or increased taxation.

(4) The proceeds of any loans which the Colonial Government proposes to seek permission to raise in London in order to finance the development programme.

(5) The proceeds of any loans which the Colonial Government expects to be able to raise locally for the same purpose.

Obviously not all the above sources of finance will be available in each Colony, and most of the estimates in the case of items other than the Colonial Development and Welfare allocation can, at this date, be guesses only. Nevertheless, Colonial Governments will doubtless agree that it is desirable in framing development plans to make the best estimate possible of all the resources likely to be available. The estimates should, of course, later be revised from time to time to keep them as realistic as possible.

(b) *Use of Colonial Development and Welfare allocation.* As all sums issued from the Colonial Development and Welfare Vote, whether by way of free grant or of loan count equally against the total sum provided by the Act, it is clear that

Colonies will benefit more by taking their assistance in the form of grants rather than loans. This does not, of course, mean that it would be legitimate for a Colony to ask for a free grant of the whole cost of schemes which are clearly suitable for finance by means of loan, *e.g.*, schemes which are expected to be revenue earning. Where a scheme is financed by a publicly issued loan, consideration could be given to the grant of assistance from the Colonial Development and Welfare Vote in the form of a free grant of interest over an initial period on the loan capital employed in the scheme.

Since it is impossible to foresee all objects for which schemes may be required over so long a period as the ten years covered by the new Act, it is suggested that in framing their plans, all Colonial Governments, in addition to making provision for specific objects in priority categories on the lines suggested above, should retain at the outset a proportion of their Colonial Development and Welfare funds unallocated to specific projects, so that it may be available to meet unforeseen excesses of expenditure on approved schemes, and in order to avoid any danger that all resources will be so fully mortgaged that nothing will be available for contingencies.

(3) *Submission of comprehensive plans*

As soon as each Colonial Government has prepared its comprehensive plan it should be forwarded to the Secretary of State so that it may be considered by him in consultation with his Advisers. It is not expected that this consideration should cause any delay in carrying out the development programme, since, as stated in the despatch, it will be open to Colonial Governments to continue to submit urgent schemes for approval before the whole plan has been settled.

III. *Submission of individual schemes*

Colonial Governments are already fully familiar with the procedure to be followed in the submission of individual schemes for assistance under the Colonial Development and Welfare Act, since this procedure is already in operation for schemes submitted under the Colonial Development and Welfare Act, 1940. The following suggestions are, however, made in the light of previous experience with schemes submitted under that Act:—

(1) *Technical advice*. The importance of basing schemes on the best technical advice scarcely needs emphasis. Many Colonial Governments, however, will now be planning to undertake considerable works and in the case of such larger works and particularly works of a specialised character—such, for example, as hospitals, irrigation works, water supplies, electricity developments and slum clearance schemes involving town planning—the desirability of obtaining the best technical advice is particularly great. In cases where it is considered advisable for expert advice to be obtained from outside the Colony, the cost of obtaining such advice may reasonably form the subject of an application for a free grant from the Colonial Development and Welfare Vote.

(2) *Revenue earning schemes*. As explained in paragraph 2(b) of Section II above, free grants will not normally be made from the Colonial Development and Welfare Vote to cover the whole cost of schemes, such as housing, electricity and urban water supplies schemes, from which Colonial Governments or local authorities may expect in due course to derive some revenue. In such cases the appropriate

form of assistance would be a grant of the whole or part of the interest payable during the initial years on loan monies or in some cases a free grant of a portion of the cost.

It is also usually an equitable arrangement from the point of view of the general community that those persons who obtain direct benefit from schemes should be made to pay at least part of the cost by such means as, *e.g.*, payment of a rate rather than that the whole cost of the work should fall either on the general body of taxpayers in the Colony or on the Colonial Development and Welfare Vote as the case may be.

(3) *Maintenance of works and residual expenditure*. Many schemes, whether of a capital or recurrent nature, involve continuing expenditure after the period covered by the scheme itself comes to an end. The extent of the residual charges should be estimated carefully in order that the Colony's budget will not be excessively overloaded with recurrent charges on works or services which are not revenue earning.

Needless to say, the maintenance of works which have been constructed with Colonial Development and Welfare assistance is a matter for which adequate provision should be made. Colonial Governments will readily appreciate the moral obligations of communities who receive such financial assistance and will doubtless take steps to see that the works which are undertaken with such assistance are kept in a good state of repair.

(4) *Division of cost of schemes*. The procedure contemplated in this memorandum and accompanying despatch is that Colonies should draw up programmes of development and welfare to be financed partly by means of the allocation of Colonial Development and Welfare assistance which is now being communicated to them and partly from the other sources specified in Section II (2) of this memorandum. This procedure will not exclude arrangements whereby certain schemes are financed wholly from the Colonial Development and Welfare Vote and others from local sources. Nevertheless there is a certain advantage in arranging that, particularly where recurrent expenditure is involved, a contribution towards the cost of the schemes should wherever possible be made from sources other than the Colonial Development and Welfare Vote. The fact that a contribution is being made towards recurrent expenditure on a scheme from the beginning reduces the burden of adjustment when Colonial Development and Welfare assistance towards the particular scheme in question has come to an end, while the payment of a contribution towards any scheme from local sources removes any danger that the scheme may be regarded solely as a creation of the Imperial Government, in the efficient execution of which the local community have no interest.

77 CO 537/1378, nos 16 & 18 1 July & 1 Aug 1946

[Colonial sterling balances]: minutes by S Caine. *Annex*: CO submission to Working Party

Mr. Creech Jones

You asked for a note on colonial sterling balances and certain other points. The matters of preference and trade policy are Sir G. Clauson's responsibility and I have

passed on your note to him to deal with those aspects. This minute is, therefore, confined to the sterling balance position.

The so-called sterling balances have a fairly definite, but not entirely logical meaning. In the main the phrase is intended to cover what are called quick liabilities in this country to overseas countries, that is holdings here by overseas governments, institutions and private individuals, either in the form of cash or in securities which are immediately saleable and could, therefore, be converted quickly into cash and spent. The accepted figures, therefore, include all the cash and security holdings of overseas governments and currency authorities, e.g. foreign and dominion central banks and colonial currency boards and commissions. They include also the U.K. assets of overseas banks and overseas branches of British banks. They are theoretically deficient in that they do not include the direct cash and security holdings of private persons. These are excluded not because they are really different in substance, but because of the statistical difficulty of getting information about them and no doubt because in practice they are thought to be comparatively unimportant in amount.

The latest figures as at 31st March 1946 show that colonial territories (including Southern Rhodesia) held just short of £800 million, that is between 20% and 25% of the total. The Colonies taken as a group are in fact the largest holders of sterling balances after India. This £800 million is made up of three roughly equal categories, i.e. currency holdings £249 million, government funds including loans to H.M.G. £286 million and commercial banking funds £257 million. Among individual Colonies and groups of Colonies, the leading holders were, Malaya £123 million, Palestine £119 million, West Africa £109 million, East Africa £100 million, Ceylon £80 million.

The holding of balances of this kind is not, of course, a new thing in colonial finance, although their magnitude has greatly increased during the war. The currency funds are the reserves against colonial currency issues, which always have been held predominantly in London and which automatically increase with the increased circulation of money in the Colonies, is dependent on the level of prices [sic]. The government funds consist partly of working balances and surpluses held in reserve and partly of a great variety of sinking fund and other special funds held under statute or otherwise. Special loans to H.M.G. are, of course, a war time feature. The commercial banking funds are reserves of colonial banking institutions against their local deposits which in practice they find it most convenient to hold in London. (The proportion of banking funds so held in this country has increased during the war because of the reduction of outlets for the use of banking funds in the Colonies and to the diminution of purely private trading operations.)

Under the American Loan Agreement, H.M.G. is under a general obligation to negotiate with all holders of sterling balances arrangements by which if possible some portion of the sterling balances will be cancelled and arrangements made for the gradual release of the balance. The Secretary of State put in a paper to the Cabinet while the loan negotiations were going on pointing out that it would be virtually impossible politically to make any cancellation of colonial balances and we believe that other Ministers were very much disposed to agree. The Treasury have just assembled an Interdepartmental Working Party to consider the colonial balances as one of the items on their list and one meeting of the Working Party has been held. We have pointed out the great difficulties of any formal cancellation of colonial

balances which would look extremely odd as an off-set to our development and welfare policy and I do not really think that we shall have much difficulty in establishing that cancellation is not practical politics for the Colonies. It may, however, be necessary as a gesture to concede some formal temporary handing over of part of the currency reserves against a promise that they will be made available at a later date for development purposes (this is full of complexities, but there is no [sic] general acceptance that this will be technically feasible with no real danger or loss to colonial finances, apart from the loss of interest on the balances so dealt with).

It is more likely that we shall have to come to some formal arrangement on the question of the rate at which Colonies may be permitted to spend their existing balances. The kind of arrangement at present favoured interdepartmentally is that we should say to each Colony or regional group that they must not reduce their total balances below certain agreed figures over the next five years. The Colonies would then have to take steps by import control to check expenditure if they were in danger of over-stepping the mark. I think it is quite likely that such an arrangement could be safely made because with the increase which is now going on in produce prices, the probability is that for some time to come the Colonies will go on adding to their existing balances, that is they will not be able to spend even their current earnings, let alone the accumulated money. As already remarked, the currency balances and a good deal of the others go up automatically as prices rise and the amount of money in circulation increases. We should, moreover, have no difficulty in getting the Treasury to agree that any such limitation of the rate of expenditure would be relaxed if a Colony were in special economic difficulties (e.g. if Mauritius had another hurricane).

The main point of any arrangement with the Colonies is that it should set a good example in form for arrangements with more difficult balances like India and Egypt and we by no means despair of being able to agree an arrangement which would be satisfactory to the Treasury in form without involving us in any cost in substance. There is, however, one school of thought in the Treasury which would like to get from the Colonies some contribution in substance towards war costs as well as an arrangement which is satisfactory in form and it may, therefore, be necessary to take the matter to Ministers at a later stage to see that the Colonies are not in fact seriously prejudiced.

S.C.
1.7.46

I attach two papers which have emerged from the working party on colonial sterling balances set up at the Treasury request (the interim papers collected for that working party are registered in the sub-file 16479/63). I understand that the Treasury are now submitting these two papers to the Chancellor of the Exchequer who will then decide what action he wishes to propose to colleagues. I think, therefore, that the Secretary of State ought to see them at the present stage, although no action is required until he hears from the Chancellor.

The general background is explained in the opening of the first of the two papers attached here, i.e. No. 17.[1] Because both of our obligations under the American Loan Agreement and of the hard necessity to limit as much as possible the ability of overseas countries to take exports from the United Kingdom without paying for them

[1] Not printed.

on the nail, it is necessary to consider in respect of the Colonies, as well as other overseas holders of sterling balances, two things, i.e. whether any part of the existing balances can be cancelled, and if so how much, and what limitations should be imposed on the speed at which the remaining balances are used for current expenditure in the next few years. On the second point, we believe that we can come to a reasonable understanding with the Treasury, by which the colonial balances would not be run down too quickly. Indeed if the present trend of general prices is maintained, it is quite likely that this will constitute no problem, because the circulation of money in the Colonies will be maintained or increased and the various reserves held against it in London will therefore be in little danger of being reduced. There are a number of technical problems connected with any control of the running down of these balances, but the only one with which the Secretary of State need be troubled at present is that, in order to maintain such control, it will be necessary to continue in existence at least a minimum of control of imports into the Colonies. That will, of course, be unpopular, but I think its necessity can be adequately explained to the public.

Much more controversial is the cancellation of balances. The Treasury have felt it necessary to maintain the proposal that there should be some cancellation of colonial balances. The purpose of the second paper put in by the Colonial Office is to set out the reasons why we think any such cancellation quite impossible. We have, of course, reserved the Secretary of State's position in this, but I hope that in due course when it gets to ministerial level, we shall have no difficulty in convincing other Ministers of our case.

S.C.
1.8.46

Annex to 77

The paper which is being submitted by the Working Party on Colonial Sterling Balances sets out the Treasury view that some part of the existing balances ought to be cancelled. This paper explains the reasons why the Colonial Office consider any such cancellation impossible. It should be explained at the out-set that the issue has not been submitted at the present stage to the Colonial Secretary who has, however, already expressed his views in a paper submitted to Ministers in November, 1945. (GEN. 89/9)

2. Politically, any sort of cancellation would be diametrically opposed to all recent declarations of policy by all parties. It would mean exacting a forced contribution from territories which, it has been repeatedly declared, it is the intention of His Majesty's Government to assist as generously as United Kingdom resources permit. Reference need only be made to the White Paper on Colonial Development published in 1940, to the speeches by Ministers during the passage of the Colonial Development and Welfare Acts in 1940 and 1945 and to speeches from all parts of the House of Commons in the annual debates in recent years on the Colonial Office Estimates. The general sentiment of all those speeches has been that we ought to do more for the Colonies and not less.

3. That is the broad political difficulty. There would almost certainly be insuperable obstacles in detail to any action on a common formula for the

cancellation of sterling balances. Such cancellation would normally require legislation in all territories affected and it is impossible to believe that every one of the Legislatures, most of which have a legal or conventional independence in financial matters, would accept any common scheme put before them. The alternative would be an Imperial act imposing a species of taxation on the Colonies in a fashion not attempted since 1776 and beyond the scale of anything done before that.

4. It is indeed impossible to contemplate as a real possibility any common formula solution. The circumstances of the Colonial territories are nothing like uniform and every one of them presents special features which either constitute overwhelming arguments against any cancellation whatever or would at least necessitate sharp discrimination in the application of such a policy. Examples are:—

(a) Palestine. Although Palestine's sterling balances are large, the Government itself has no surplus in hand whatever, having used up its pre-war surplus, together with the proceeds of largely increased taxation and local borrowing, in meeting special war-time expenditure. Much of this has been the cost of subsidising the cost of living which would otherwise have risen still further owing to the very high prices fixed for Palestine's imports (in which fixing Palestine has been treated with little generosity). Other special features of Palestine's financial situation are the very high portion of her balances held in the form of commercial banking funds and the fact that a substantial portion originated in gifts and loans to Jewish organisations, largely from American sources. On the political side the difficulties of exacting any contribution from Palestine at the present moment are sufficiently obvious.

(b) Malaya and Hong Kong. These territories were substantial holders of sterling before the war and have not of course increased their holdings significantly since 1941, apart from additional currency holdings against new issues of currency since liberation. They will now have to call on all their reserves to meet essential rehabilitation expenditure and it is only too probable that His Majesty's Government will have to help further, as is already being done for Hong Kong by way of loans-in-aid.

(c) Malta. Part of Malta's holdings consists of the grant of £10,000,000 already paid over by His Majesty's Government towards Malta's war damage expenses and the recent decision to increase the grant to £30,000,000 is a clear recognition of the complete inability of the Colony to meet those expenses itself.

(d) East and West Africa. Between them these territories hold a little over £200,000,000 or approximately £6 per head of population. Bearing in mind that the sterling balances include cover for practically every penny of cash or bank deposits held in these territories, this figure represents in effect the whole cash resources of these people and can hardly be regarded as excessive when compared with the cash and bank deposit holdings of this country, amounting to £135 per head.

5. Reverting, however, to the general case for cancellation, it must surely be based on some ground of equity and not simply on a particular interpretation of the obligation to "adjust" the balances, arising from the American Loan Agreement. It has been suggested elsewhere that a large proportion of the sterling balances accumulated by present holders represents the proceeds of excessively high prices charged during the war for goods and services supplied by them. The Colonial Office

would not agree that there is any foundation for this suggestion in the case of the Colonies. Nearly all their main products have been bought in bulk by His Majesty's Government at prices designed to cover actual costs plus pre-war profit margins. As will be apparent from the attached table[2] of comparative increases in the prices of imports into the Colonies and the prices of their exports during the actual war period, this policy successfully prevented the Colonies from benefiting by high prices; on the contrary the net change in the terms of trade was adverse to them, the prices of their imports going up more than the prices of their exports. It further emerges from these figures that the increase in Colonial sterling balances from 1939 to date, which, so far as statistics are available, appears to be an increase of about 200 per cent., has done little more than correspond with the average increase in the prices of imports into the Colonies. That is, in terms of purchasing power the sterling balances of the Colonies have no greater value than they had before the war.

6. It is far more true that the Colonies' balances to-day represent the results of deprivation of supplies by either voluntary or enforced saving during the war. They accepted from the outbreak of war a system of licensing of imports and they submitted to rationing of petrol, newsprint and other things which has resulted in a diminution in the scale of consumption comparable, after allowing for the difference in conditions, with that in this country. This restriction of supplies was undertaken consciously and deliberately and with the knowledge that it would lead to an accumulation of financial balances which Colonies were encouraged to believe could be spent after the war. The general under-lying policy was set out in a circular despatch issued by Lord Moyne on the 5th of June, 1941.[3] This despatch, in which the Treasury concurred, explicitly encouraged Colonial Governments to build up surplus balances which could be used after the war for development purposes.

7. In pursuance of this policy, Colonial Governments have been encouraged in the preparation of their long-term development plans to take the maximum account of the contributions they can draw from their own accumulated surpluses as well as the grants to be made under the Colonial Development and Welfare Acts. This policy again was clearly stated in the Secretary of State's circular despatch of the 23rd[4] of November, 1945, and has been given explicit effect in the approval accorded to individual plans (with full Treasury agreement). A particularly striking case is that of Nigeria for which a development plan involving a total expenditure over ten years of £55,000,000 was approved last year of which £23,000,000 is to be drawn from Colonial Development and Welfare funds and the balance from Nigerian surpluses and future revenue and from new loans estimated at £10,000,000.

8. There are important technical reasons for some of the Colonial accumulations of sterling. Part of the Government funds held in London represent automatic cover for local savings, e.g. in local savings banks which, especially in the light of war-time savings campaigns, must be accorded equal security with savings in the United Kingdom itself. Part of the increase of commercial balances is simply a reflection of the increased liquidity of local banks due to the running down of commercial trading stocks and the financing of much trade directly by Government purchasing

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[2] Not printed.

[3] See BDEEP series A, J M Lee & P Rich, eds, *Colonial policy and practice, 1925–1945*.

[4] Sic; see 76.

organisations. The technical considerations are particularly important when it is borne in mind that owing to the close integration of Colonial monetary systems with the United Kingdom and the almost complete absence of local money markets, virtually the whole of Colonial reserves of every kind, public and private, are held in London.

9. If cancellation were to be attempted on the scale suggested, i.e. £100,000,000, it is possible that a substantial part of it, perhaps a half, could be secured by diversion of funds from the currency reserves. But, as noted in the principal submission of the Working Party, this would have no effect on the actual purchasing power of the Colonies and if it were desired to have such effect, it would be necessary to raise at any rate the greater part of whatever sum were involved by new taxation. It is difficult to see how that could be done except in the form of capital levy. Leaving aside the enormous and perhaps insuperable practical difficulties of such levy and all questions of equity, it is to be noted that the greater part of capital assets in the Colonies is owned by United Kingdom companies and individuals, so that much of the real burden would be transferred to a selected group of concerns in this country.

10. Finally, it is necessary to consider some possible or probable consequences of action of the kind suggested in the field of future Colonial economic and financial policy. In the first place, Colonies would have to try to strike much harder bargains in the sale of their products. Hitherto, nearly all their main products have been sold in bulk to His Majesty's Government at prices based on actual costs. It is not felt that a tight restriction to an actual cost basis can in any case be any longer maintained but hitherto it has not been policy to aim at securing the highest price which might be obtained in a sellers' market. If, however, Colonies were to suffer cancellation of their balances, there would be the strongest possible incentive to them to increase their current incomes by securing the highest possible prices for their products. Secondly, the act of cancellation of the kind suggested would be bound to be a considerable shock to the intricate financial and monetary relationships now existing between the Colonies and the United Kingdom and the more advanced Colonies at any rate would almost certainly try to increase their financial independence as rapidly as possible. They might indeed find it necessary to interpose controls and restrictions on the movement of funds to London which, bearing in mind the large net dollar earning power of the Colonies, would be very much to the disadvantage of the United Kingdom. Taking the most general view, London has hitherto been the banker of all the Colonies and a bank is not likely to get new business if it attempts to confiscate deposits already made.

11. The desirability in the interests of all concerned of regulating in orderly fashion the speed at which the Colonies attempt to spend their accumulated balances is not disputed; and it is believed that that regulation can be achieved by continuing the existing policies of controlling imports and of maintaining high levels of taxation. (The latter point is constantly pressed upon Colonial Governments in the discussion of their development finance and the Colonial Secretary has just issued a further circular telegram on it.) But the Colonial Office believe that, as explained above, the outright cancellation of balances would be contrary to declared developmental policy; would be unjust, and unfair between one Colony and another; would constitute a gross breach of faith to Governments which have been officially encouraged to build up surplus balances; and would be fundamentally unwise in the long-term economic and political interests of the United Kingdom itself.

78 CO 852/989/3 14 Jan–18 Nov 1947

[Marketing of colonial produce]: minutes by E Melville[1], S Caine, Sir G Clauson, Mr Creech Jones and Mr Rees-Williams

Mr. Caine

As you know, I have been giving some thought recently to certain issues which have come up in the attempt to apply in practice the general principles of marketing policy laid down by the Interdepartmental Working Party on the Prices of Colonial Products and subsequently accepted by Ministers.

These principles, although concerned chiefly with the circumstances in which it would be reasonable to negotiate long term contracts for Colonial products with the buying Ministries here, were based on certain broad assumptions which have, I think, been overlooked, if not actually set aside in the case of certain recent deals with the Ministry of Food and the Board of Trade. The assumptions were (a) that the Colonies were entitled to a fair commercial deal on the basis either of current world market values or of a long term undertaking to provide an assured market at a reasonable price; (b) that the Colonies should not discriminate between buyers, i.e. that Colonies should accept the best commercial offer, from whatever source it was forthcoming, taking account of course of the factor of assured market given by a long term contract.

These assumptions are, in fact, inter-related. Colonies can only get a fair return on exports if they are free to sell to the highest bidder, either on a spot sale or on the basis of a long term contract. (In practice, it is doubtful whether this criterion can ever be satisfied by long term commitments, except of the most flexible kind. Our experience to date with long-term contracts which attempt to fix prices for a period ahead has been unhappy.)

Some of the arrangements for the sale of Colonial commodities to which we are committed at present violate one or other of these basic assumptions. I think that it might be useful, therefore, to take stock of the position now and to ask, if necessary from the Secretary of State, for instructions on the general line which we should follow in future marketing negotiations.

The worse case which I have so far come across is that of *Nigerian goat skins*. During the war, and until the breakdown of international allocations for hides and skins, all Nigerian goat skins were allocated to the U.K. by means of the Nigerian export licensing control. They were bought by the Ministry of Supply from shippers at negotiated prices which were, on the whole, rather low. When international allocations ceased some six months ago, bids from American users began to come in, America having had a fairly substantial share of the trade before the war. These bids were at prices higher than the U.K. price but could not of course be accepted because of the export licensing control which remained. As a result of representations from the American trade and the American Embassy, the Board of Trade made an effort to justify their position by attempting to negotiate contracts with each of the shippers. This would have at least been defensible on commercial grounds and might have obviated the need for export licence control. The shippers, however, refused to play

[1] CO assistant secretary, 1946, head of Production and Marketing Dept 'A', Agriculture.

seeing a chance of better prices on the American market; and, as an alternative, the Board of Trade have now agreed to release 20 per cent of monthly shipments for sale to American buyers. We do not yet know how this arrangement will work; but it seems clear that the American price will still be higher than the Board of Trade price and that there will therefore be considerable pressure from both shippers and American buyers to increase the American quota. There may also be demands from other potential buyers for a share of the supply. The question is whether this arrangement is justifiable either on grounds of Colonial interest or in the light of our non-discriminatory obligations in connection with I.T.O. and our declared principles of Colonial policy.

A similar case exists in *Gold Coast mahogany*. There a war-time arrangement was made to allocate supplies between the U.K. and the U.S.A., the former taking 40 per cent of shipments. A maximum price was in force. A short time ago the Board of Trade said that they wanted to modify this arrangement in order to get more Gold Coast mahogany, and the Governor at the same time pressed for the removal of price control. The upshot of the discussions, which have been at the Ministerial level, is that as from the 1st February it is proposed to allocate, by Gold Coast export licensing control, 34 per cent of shipments to the U.S.A. and 66 per cent to the U.K. At the same time, price control will be removed. It is almost certain that this will create a situation similar to that now existing in Nigerian goat skins and that higher prices will be bid by the United States than the Timber Control here is prepared to pay. Since the U.K. share of supplies will be guaranteed at 66 per cent there will be no incentive for the Timber Control to bring their buying price into line with the American price. Again the question arises whether this unilateral attempt at allocating a Colonial supply is either in the interests of the Colony or compatible with I.T.O. and the U.K.'s general Colonial obligations.

There are various other instances both on the Board of Trade and Ministry of Food side where a similar tendency is being displayed on the part of the U.K. as a buyer to consider that she has first claim on Colonial exports and that it is permissible to establish this claim at less than the world market price through the use of the Colonial export licensing system and other governmental sanctions. The whole of the *East African sisal* crop, for example, is being sold to the Board of Trade at a price which is considerably below the world market price; this in spite of the fact that only about half is consumed in this country. This is, of course, the tail-end of a wartime arrangement; but it seems bad business for East Africa to have to continue it until the end of 1947. For the present there is no international ground for challenging the right of the Ministry of Food to secure the whole of the output of *West African palm products*; but if I.E.F.C. controls are modified, as they may well be this year, then similar issues will arise in connection with the disposal of this crop. In the case of *cocoa*, where the West African Produce Control Board's selling price has followed the New York market, the Ministry of Food and Treasury are exercising strong pressure upon us to conclude a long term contract with the Ministry of Food which would, in fact, aim at securing U.K. requirements of West African cocoa over a period of shortage at an advantageous price as compared with free market values. For Jamaica and Cameroons *bananas*, the Ministry of Food is proposing to pay substantially less than what they may have to pay for Canary bananas. This is probably an exceptional case. But it may still evoke criticism of Colonial exploitation.

It seems that we in the Colonial Office must have regard to two main considera-

tions in deciding our line on these problems. The first is the commercial interest of the Colony concerned. This we can expect the Colonial Government or Colonial producer to press in the first instance. But as representing Colonial interests in London we must be ready to give them every possible assistance in presenting their case and where necessary to argue it on their behalf. The second consideration concerns the Colonial Office as part of H.M.G. It lies in ensuring that the practical application of our Colonial policy shall be consistent with the statements we make about it. We have been at particular pains to deny recently that there is an element of exploitation in our Colonial economic policy. There is prima facie evidence of exploitation if we subscribe to any marketing arrangement which does not, all things considered, constitute a good business deal for the Colonial producers concerned. It seems to me therefore that in considering any concessional arrangement with the U.K. whether under a long term contract or otherwise, we must calculate most carefully the balance of advantage to the Colony and must decide in favour of it only if the advantages to the Colony of the arrangement contemplated clearly outweigh the disadvantages of departing from strict commercial practice. I feel, both as regards long term contracts and as regards export control arrangements, that the onus of proof why they should be entered into or maintained must normally rest with the buying Ministry. We must always dissociate ourselves from any arguments advanced by these Ministries which savour in any way of exploiting the special position of the U.K. to the disadvantage of the Colonies.

There is, however, a third consideration of a more general kind which may provide yet other argument against concessional deals with the U.K. That is the consideration of H.M.G.'s international obligations to avoid discriminatory trade practices, a fundamental point in the I.T.O. discussions. I appreciate that no specific undertakings have yet been given (except in connection with the American loan which does not affect this issue) and that it might be argued that the period in which we now stand – the interim period between war and peace – is one in which certain discriminatory practices which would not normally be allowed can possibly be justified. The fact remains, however, that the whole of H.M.G.'s discussions on international commodity policy have been based on the assumption that export trade will normally be non-discriminatory and that regulations on the quantity or direction of exports will be imposed only under special conditions, and as a result of international agreement e.g. in connection with an international commodity agreement, or an international allocation arrangement. H.M.G. has defended (without carrying general conviction) its long term contract procedure against criticism on this ground. But a defence has been possible at all only because the contracts in question were freely negotiated and could therefore be argued to represent a reasonable commercial deal. To *impose* conditions on sales of Colonial products, even under the cloak of a long-term contract is quite another matter and our defence is bound to carry even less conviction with international critics. Where, therefore, there is any doubt as to the wisdom, on grounds of Colonial interests, of favouring the U.K. as buyers of Colonial products, our case for resisting pressure from buying Ministries would seem to be reinforced by the general international argument against export discrimination. Against this battery of argument consideration of shortages or price control policy in the U.K. cannot surely prevail; especially having in mind the relative poverty of the Colonies and their complete exposure to fluctuations in the world market prices of essential imports.

The purpose of this lengthy note at this stage is first to ask for guidance whether the general principles set out above should, in fact, be the governing principles in future discussions with the buying Ministries here; and second to suggest that we should consult the policy making departments for views particularly on the question of discriminatory treatment against foreign buyers of Colonial produce. The simplest way might be for you to write semi-officially to Mr. Helmore of the Board of Trade, copying the letter to Sir E. Hall-Patch in the Foreign Office (qua international relations generally) and Sir H. Broadley in the Ministry of Food. I doubt whether we will get anywhere at this stage by bringing in the people with whom we normally negotiate on Colonial sales, e.g. R.M.D. of the Board of Trade, or the Commodity Divisions of the Ministry of Food; but they will, of course, have to be instructed on the lines of any new policy decisions which may be reached as a result of the proposed correspondence.

E.M.
14.1.47

I need not add much to Mr. Melville's statement of a problem which is becoming of dominating importance. With the collapse of the war-time systems of international allocation and control of commodities in scarce supply, the buying departments here are faced with a rapid rise in prices resulting from the re-establishment of competitive buying, and it is perhaps natural that in self-defence they are trying to secure supplies at lower cost for the benefit of the United Kingdom from Colonial territories in which H.M.G. is able to exercise political control or influence. On our side, however, we have, as Mr. Melville points out, to consider both our obligations as trustees to Colonial producers to see that they are not exploited and our obligations under the draft I.T.O. charter and other international declarations not to discriminate between consuming countries. I think the principles we ought to follow may be summarised as follows:–

(1) We should co-operate to the full in any truly international scheme for control of commodities in scarce supply and should continue as in the past not merely to refrain from any initiative directed towards the termination of such schemes of control, but to lend all our influence in support of their continuance or, if necessary, their re-institution.
(2) Where, however, no such international control exists, and we must face the probability that nearly all the war-time allocation schemes will disappear before long, we must, in the interests of Colonial producers and in order to preserve non-discrimination, follow the general level of prices established in competitive markets when these cover a very substantial part of the whole trade (that is, we would not take account of the small competitive markets at present existing in genuinely free sugar say in South America or the Middle East, but we would take account of the free market in cocoa in America which consumes something approaching half the total world output).
(3) This would not rule out bulk sales to the United Kingdom, but would necessitate those sales being at prices duly related to current world prices, and would make very difficult any sale over a long period of years.

Mr. Melville's minute was drafted before the latest move by the Minister of Food on cocoa which has brought that particular problem to a head, and may be the occasion

for bringing the whole problem to the early notice of the Cabinet. I think we must see a little further where we are going to get to on cocoa, but, if the Minister presses for reference to the Cabinet, I think that probably our answer should be to ask for a reference of the whole situation dealt with in Mr. Melville's minute to interdepartmental discussion, in the first place on the official level, but, in due course, at the Ministerial level.

S.C.
15.1.47

I entirely agree with Mr. Caine's remarks. But I might perhaps draw attention to one particular aspect of the matter which is likely to be our principal source of trouble. In present conditions fixing the export prices of Colonial products to world market prices, which means, for most of the commodities in which we are concerned, American market prices, is not so much hitching one's wagon to a star as hitching it to a Chinese cracker. There is a very high degree of instability in American market prices and this instability is likely to continue. On the whole American market prices are already below the best. For example, over the last year or so there has been an enormous rise in American cotton prices followed by a substantial fall, and cotton prices continue to move frequently and substantially, sometimes in one direction and sometimes in another. Similarly, other prices such as that of wheat, after an enormous rise have come down a bit. In other cases, for example cocoa, oil seeds and hard fibres, prices are still about at peak and might go further up before they come down again. It is to be hoped that when the machinery for commodity management which has been devised as part of the International Trade Organisation gets going prices of commodities brought within its scope will be steadied, but it will be some time before all the commodities concerned are handled in this way.

Meanwhile, we must continue to exercise control of the marketing of Colonial products and interpose a shock-absorber between the world price and the local price. Nothing causes greater confusion and misdirection of effort than frequent changes of local prices. One really good thing which came out of the war was that local prices have been steadied and insulated from world prices. This involves some arrangement like either the cocoa marketing machinery, or Government purchase and resale, or, in the case of organised plantation industries, sales by a body representing the industry as a whole. When this arrangement is made, it is possible for the purchasing and reselling authority to fix an internal price and keep it stationary for quite a prolonged period and, if it has to alter it, do so gradually and by small stages, but this internal price must be below the initial world price so that the authority can build up a fund to protect it against loss if the world price suddenly nosedives below the internal price. Where there is an active local opinion the authority may well be in difficulties if the world market price is substantially above the internal price because there may be a demand to increase the latter, even though the authority is convinced that the long term world price is likely to be below it and therefore feels compelled to retain the margin and build up a fund so as to let the internal price down gently later. We have seen this kind of agitation in the Gold Coast already with cocoa.

As things are at present, purchasing authorities are not likely in the short-run to get into the kind of difficulty which is likely to be the most serious one in the long run, that is a fall of the world price below the current internal price, and its persistence on that low level. Provided that a sufficient fund is built up during the

present phase to give the purchasing authority time to let down the internal price gently, no harm will be done, but Colonial Governments are certainly not in a position to afford indefinitely to keep up internal prices above the world level; all they can do is to absorb the shocks and average out.

The conclusion which I reach is that the interests of the Colonial Empire demand that we should not be too good natured to the purchasing departments of His Majesty's Government. Even if present world prices are much above cost of production in the Colonies, and indeed above the highest internal prices which Colonial Governments regard as compatible with preventing inflation, we should still charge the full market price and bank the proceeds against a rainy day later. This is, I understand, already a policy approved by the Cabinet. All that we have to do is to see that it is carried out in individual cases, but I do not underestimate the difficulty which we shall have in doing this where world prices are so high as to bring the Treasury in to support the purchasing departments on the ground of balances of payment considerations.

On the point of non-discrimination, I think we can get away for some time longer with the policy of directing essential supplies to this country, even when there is an insistent demand from foreign countries. If the world rationing plans go to pieces, it will not be because we have tried to run out of them, but because other countries, and in particular the United States, have done so. We are quite entitled to look after ourselves so long as things are in short supply provided (i) that what we do is in effect to run unilaterally a rationing scheme on the lines which would have been followed if it had been an international one and (ii) that we do not use the rationing scheme to victimise the Colonies in matters of price. But this state of affairs will only continue for about a year. When the International Trade Organisation comes into existence, the only way of getting out of the obligation of non-discrimination will be to have a commodity arrangement which will take over the job of rationing, and which will not be necessarily as indulgent to the claims of the United Kingdom as we are now.

G.L.M.C.
16.1.47

It is now 8 weeks since the Secretary of State instructed that consideration of the draft Cabinet Paper on this file should be deferred pending the improvement in the general atmosphere for its discussion. There have been some developments in the interval but none, I think, that justifies any substantial change in the Paper or gives us any reason to feel greater confidence than we did when the Paper was drafted that we shall gain our objective or get substantially nearer to it by inter-departmental discussion at the official level.

In so far as the Treasury were behind the buying Ministries in enforcing a policy of low prices for Colonial products, there has been a slight softening of heart on one particular issue which this general problem raises namely, the Colonies' dollar earning capacity. As I told you, the Treasury now appear to be inclined to suggest drawing a line between Colonial commodities of which we are, as an Empire, net exporters and those of which we are as an Empire, net importers. The net export commodities they would agree to being traded at the highest market price possible, even if this involved raising prices against the U.K. (although on this issue they are still hankering after some sort of long-term contract arrangement which would, in fact, give the U.K. a price advantage as compared with foreign powers). For net

import commodities, on the other hand, the Treasury plan would involve a low price policy even if this meant Colonies having to accept less than what might be argued to be a fair world market price.

In fact, this apparent softening of the Treasury heart is little more than an attempt to confirm the present price arrangements and as such is, therefore, quite unacceptable to us. In cocoa, for example, (a net export) prices are high both to the Ministry of Food and to foreign powers. In oilseeds (a net import) the price, at any rate in West Africa, is well below fair world valuation. These are two of the largest commodities concerned, but the pattern is roughly similar throughout the whole field of Government traded exports. On the buying Ministry front, there has been a slight advance in the increased price of sisal which has now been confirmed, and an increased price is being paid for tin. Broadly speaking, therefore, the Board of Trade and Ministry of Supply are, so far as price policy is concerned, pretty well in line with our wishes. The only difficulty with these Ministries arises out of their insistence in having a specified part of Colonial production reserved by export licensing or other means for the U.K., and in the case of sisal for the Dominions as well. This is a slightly separate issue and I think it was always our intention that we should concede it in return for the acceptance of our major claim that the price paid for all purchases, whether allocated or not, should be based on a fair world valuation.

The Ministry of Food remains on the whole unrepentantly opposed to our main claim, although we have I think succeeded in ringing from them a rather reluctant acceptance of the principle of a stabilisation fund. I am sending forward separately the file about buying prices for groundnuts from which you will see that the best we have been able to do is to induce them to pay, in addition to the producer price, an equivalent margin for stabilisation to that which is already in existence for palm kernels and palm oil. In other words, they are still refusing to accept our claim that their buying price should be based on a fair world valuation. Similar difficulties continue to arise with other oilseeds, e.g. copra, and we shall shortly be resuming discussions about the future sugar price arrangements. It would, therefore, be of the greatest assistance to this Department if a ruling could be obtained at the Ministerial level on the major question posed in the draft Cabinet memorandum [below, 79], namely, whether Colonies should expect to receive the full world market price, calculated on the best information available, for all exports irrespective of the destination to which they are shipped . . . .

E.M.
15.5.47

Secretary of State

As Mr. Melville's minute above explains, our difficulties with regard to the fixing of prices of Colonial products are not diminishing, and it would be very helpful if it were now possible to circulate the proposed paper to the Cabinet and get some decision on principle. You are aware of the several references which have been made lately in both Houses of Parliament to some of the apparent anomalies and inconsistencies of our arrangements. It would be very helpful indeed if we were able to put forward some consistent principles on which prices were henceforward to be fixed in bulk deals between H.M.G. and Colonial producers, and interdepartmental discussion has not so far produced any serious challenge to the equity of the principles set out in the draft paper. It would, of course, also be very useful indeed to

have such principles agreed before the forthcoming African Conferences when the subject is bound to be raised.

We have as it happens several important Colonial economic matters which require Ministerial attention in the near future, that is this subject, the proposed Colonial Development Corporation, and the Colonial sterling balances, on which I shall be sending forward the file very shortly. The three subjects are by no means necessarily inter-linked, but they do impinge on one another and, although the question of precise tactics in handling them *vis-à-vis* other Ministers and the Cabinet as a whole obviously needs thought, I am inclined to think that the balance of advantage lies in getting all three subjects before Ministers more or less simultaneously. That is, I do not suggest that they should necessarily be considered all at the same meeting of the Cabinet insofar as Cabinet discussion will be necessary, but that it would be useful to get other Ministers who are not familiar with Colonial economic affairs to consider each subject while the others are fairly fresh in mind.

There is from the Departmental point of view no need to make any revision of the draft paper, but I think you wanted to consider it in some detail.

S.C.
19.5.47

I have kept this by me because I am not yet clear about the wisdom of raising this matter at this moment in the Cabinet. Moreover, the debate on Cocoa prices a week or so ago has disturbed M.Ps. & we may find that the principles we want confirmed, questioned by Ministers. The other two matters are going forward but I feel it wise to hold this paper up a little longer.

A.C.J.
4.6.47

Mr. Rees-Williams
Secretary of State

You will remember that at the meeting of the African Governors' Conference which was addressed by Sir Stafford Cripps,[2] the point was raised of the fairness of the prices being paid by His Majesty's Government for certain Colonial products. The general policy in that matter was much discussed earlier this year and the draft memorandum at No. 17[3] was prepared for submission to the Cabinet. The Secretary of State decided at the time that in view of the development of the economic situation it would be inopportune to raise the general issues last summer, and the memorandum was, therefore, put aside. I am, however, now circulating the file again since it may be felt that this discussion gives an opportunity to raise the issues of policy again. The practical recommendations were contained in paragraphs 25 to 27 of the memorandum enclosed with (17).

S.C.
17.11.47

It seems to me that the recommendations in paras 25 to 27 are too vague. There are few well-established free markets now. It appears to me that what we should aim at is

[2]See part 1 of this volume, 66.

[3] See 79.

(1) *bulk selling* e.g. of cocoa or ground nuts (2) *bulk buying* by the Ministry of Food (3) of an *independent assessment* of price by an authority representing the various interests and (4) *the price* not to go entirely to the primary producer but to be retained in part by the selling agency or Board as a cushion to level off future prices, for research, relief of indebtedness etc. I do not feel it right either that the primary producer should receive far too little for his produce or that the British consumer caught in swirling upwards world prices should be forced to pay exorbitant prices. If the above suggestions are agreed to then the producer, assured of a steady market for years to come, can well afford to take a price below the fictitious price at the moment. I believe this matter should be raised now in Cabinet and not merely the price part of it; in other words the whole of my (1) (2) (3) & (4) hang together.

D.R.R.W.
18.11.47

79 CO 852/989/3, no 17 Mar 1947

'Prices of colonial export products': draft Cabinet memorandum by Mr Creech Jones. *Annex*: CO note on price fixing

I attach a Note on the fixing of prices for His Majesty's Government's bulk purchases of Colonial exports. I invite my colleagues' careful attention to this Note, for it deals with a question of primary importance in the discharge of our moral responsibility for the welfare of the dependent Colonies, and one which is already attracting political attention in this country and which is capable of breeding international criticism of the most damaging kind.

2. Though the argument is, I fear, long the point at issue is simple. There are cases in which Colonial producers are to-day receiving from His Majesty's Government substantially less than current market prices, and there are others in which they are being compulsorily denied access to the most favourable markets.

3. This is a legacy of arrangements which had every justification in war-time. Now their only justification is the financial advantage of the United Kingdom. I well know how important it is that our overseas payments should be kept to a minimum; but I cannot believe that this justifies action which is contrary to the policy of opposition to Colonial exploitation for which the Labour Party has always stood and which we have established in Chapters XI and XII of the United Nations Charter, as general international policy.

4. In my view, the guiding consideration in negotiating the bulk purchase of a Colonial product should be its current world market value as nearly as that can be estimated in the absence of fully operating commercial markets. We should not, by means of Colonial export licensing or other controls, force sales to this country at less than a fair market price. I recognise the danger that acceptance of these rules may adversely affect the United Kingdom's balance of payments, but consider that this danger can best be met by broader arrangements for dealing with the disposal of Colonial sterling balances.

5. I believe that international opinion will regard our actions in this matter as a crucial test of the sincerity of our oft-proclaimed principles of Colonial Trusteeship. I believe also that, if we even *appear* to be abusing our political sovereignty to secure financial advantage to ourselves at Colonial producers' expense we shall irretrievably

damage our relations with the dependent Empire and teach its peoples to think that they can get fair treatment only by complete political independence.

6. I invite the Cabinet to endorse the recommendations in paragraphs 25 and 26 of the Note.

Annex to 79

I. *Facts of the position*

(a) *Pre-war marketing structure*

Before the war, the prices of most Colonial export products were normally determined by the play of supply and demand in free international markets, most of them being dealt in at auctions or by organised international commodity exchanges. The system was by no means perfect in all respects (prices of Colonial exports were, like those of other primary products, subject to severe fluctuations both day-to-day and cyclical); and plans are now being elaborated, both internationally and territorially, to remedy that evil but it had the great merit of providing a yardstick by which export values could be easily determined. Moreover as supplies moved freely on to the international market in accordance with the play of competitive market forces, it was possible to state with absolute sincerity that freedom of access to Colonial raw materials was guaranteed to any buyer of any nationality who was prepared to pay the current international price.

(b) *War-time adaptations*

2. The war completely changed this marketing structure. Auctions, where they had existed, closed down and terminal [sic] markets disappeared or were severely restricted. United Kingdom Ministries became bulk buyers of Colonial raw materials and food stuffs for the use of the United Kingdom and the Allies. Purchase procedure varied from one commodity to another, contracts being made variously with Colonial Governments, *ad hoc* marketing boards or large commercial companies, as convenience dictated; but by the end of the war all important Colonial exports were subject to one form or another of bulk purchase.

3. In fixing export prices under these circumstances, neither the pre-war yardstick of internationally established values, nor the usual criterion of competitive buying was available. For some products which continued to be sold in substantial quantities to the United States, the war-time ceiling prices in that country provided some independent measure of value; but in the case of most Colonial plantation and mining products purchased in bulk by His Majesty's Government the formula adopted was one of pre-war market value plus additional war-time costs as assessed from time to time. This formula worked well enough under war conditions and gave reasonable satisfaction to the Colonial producers concerned as well as to the buying Ministries.

4. For peasant crops the absence of detailed figures of money costs rendered the adoption of a similar basis impracticable; and bulk purchase prices were fixed by reference to a complex of factors including the need for stimulating or discouraging production, the competitive demands on labour and land of other export commodities and of domestic food crops and the effect of earnings from cash crops on the peasant's real purchasing power, having regard to the available supplies of consumer goods.

5. In the upshot, the prices of most Colonial products at the end of the war showed proportionately smaller increases than those which had taken place over the same period in the prices of essential imports into the Colonies. It would, however, be unprofitable to attempt to strike a balance sheet for the war period between, on the one hand, the contribution of Colonial producers to the Allied war effort through the provision of large (and often vital) quantities of strategic materials and foodstuffs at prices on the average very much lower than might have been secured in a competitive market, and on the other hand, the multifarious contributions of the United Kingdom and the rest of the United Nations to the maintenance of supplies and the defence of the Colonies themselves. Both contributions must be considered as part of the general pooling of resources which won the war. Neither the Colonies on the one side nor His Majesty's Government on the other should be regarded as having a credit balance in hand which could be used to justify specially favourable treatment in future business deals.

(c) *Post-war developments*

6. With the gradual freeing of national and international controls, and especially with the removal of United States price ceilings and import licensing during 1946, something approaching an international market for many Colonial exports began to be re-established. There was a steady and substantial rise in the world prices of most primary products; and the world prices of most Colonial products rose to a level considerably higher than that being paid under United Kingdom bulk purchase contracts. The Colonies were meantime having to pay the full world price for their imports, including those from the United Kingdom, with the result that the terms of trade between the Colonies and the rest of the world tended to move against the former. The war-time method of determining prices for Colonial plantation and mining exports on the basis of cost of production therefore became unattractive to Colonial producers. Equally the arbitrary method adopted during the war for fixing the prices of peasant crops became untenable.

7. The following table shows, for a number of Colonial plantation and peasant crops, His Majesty's Government's bulk purchase prices in 1945 and to-day, as compared with estimated present world values. It will be seen that in all cases there has already been a fairly substantial increase in United Kingdom buying prices. But present world values are in all cases still above, and in some cases substantially above, the current United Kingdom buying prices. Excluding rubber (which is now sold wholly through commercial channels) and cocoa (for which prices are determined by the American market) this is the situation of all the major Colonial agricultural products and of some non-agricultural products. This poses the first problem with which this Note is concerned.

8. The second problem concerns the reservation of the whole, or of arbitrarily determined portions, of Colonial export surpluses for the United Kingdom. During the war, a comprehensive system of export licensing was introduced in the Colonies under Defence Regulations, originally to deny supplies to the enemy, but later to enable Colonial exports to be directed to consuming countries in accordance with inter-Allied allocations recommended by the Combined Boards. For an increasing number of commodities such international allocation schemes have now lapsed; but in some such cases (e.g. hides and skins and timber) measures are still being taken by Colonial Governments, under the instructions of His Majesty's Government, to direct supplies arbitrarily to this country or to a limited number of approved

	1945 U.K. bulk purchase price	*Current U.K. bulk purchase price*	*Estimated current world values*
		(£ per ton)	
A. PLANTATION CROPS			
(1) Sugar (c. & f.)	19.10/–	24.5/–	27 (Cuban minimum)
(2) Sisal (f.o.b. average)	27.10/–	46*	⎧80(Mexican) ⎩95(Portuguese)
(3) Palm Oil (ex estate Malaya)	50	75	125 (U.S.A.)
B. PEASANT CROPS			
(1) Copra (f.o.b. Western Pacific)	18.5/–	29.10/–	55 (Philippines)
(2) Palm kernels (c. & f.)	17.10/–	35	?50/75
(3) Palm oil (W.A. softs, c & f.)	23.7/6.	45	?70/100

* An increase of £20 is now being offered to the East African industry.

consumers. This has resulted in Colonial producers receiving a price lower than the outside market level and in Colonial Governments having to deny (without any international dispensation) freedom of access by foreign buyers to Colonial raw materials.

II. *Discussion of the problem*

9. These developments raise an important issue of principle; namely how prices of Colonial primary products sold to United Kingdom buying Ministries are in future to be determined. To answer this question His Majesty's Government must consider not only the relative interests of the Colonies and of the United Kingdom, their relative commercial bargaining strengths and the effects of price policy on the balance of payments position, but also international obligations of two distinct kinds namely, the obligations assumed by His Majesty's Government as trustee, in the widest sense, of the Colonial Empire and the obligations implied by His Majesty's Government's declarations of freedom of access to Colonial raw materials and by their acceptance in principle of the American proposals for an international trade charter.

(a) *Practical interests of the United Kingdom and the colonies*

10. In approaching this problem, the fundamental common interests which arise from the mutual interdependence of the United Kingdom and the Colonies as part of a single political organisation must be borne in mind. It is to the advantage of neither so to manage its commercial affairs as to do serious harm to the other. But business relations between different parts of the Empire, like business relations between different sections with [sic] the United Kingdom itself, should be conducted on a business basis; and no price settlement can be considered fair which does not satisfy the commercial interests of the United Kingdom as buyers, and the Colonies as sellers, of raw materials and foodstuffs.

11. The two parties have a common commercial interest in that bulk purchasing is in many cases technically convenient to both sides; and that the security of market

obtained by it is often as valuable to producers as the security of supply is to consumers. They have also a common interest in long-period stabilisation both of the price of particular primary products and of the general level of prices.

12. But there are important counter-considerations in assessing the value of price stabilisation, either particular or general, to the primary producer.

13. First, valuable as stability in the price of his product is to the Colonial producer (especially to the small peasant producer), bulk purchase on a long term contract is not essential to secure it. The device of a territorial marketing board operating a price stabilisation fund can give the producers in a particular area a very effective cushion against price fluctuations while still permitting their products to be sold freely and without discrimination on a world market at prices varying from day to day. This method is much more flexible in operation than the fixed-price long-term contract and, although the two are not mutually inconsistent, it is in most cases preferable in Colonial interests.

14. Secondly, while the Colonies recognise their common interest with the United Kingdom, and indeed with the whole world, in preventing a runaway rise in general prices and are willing to co-operate fuliy in any general international schemes for price stabilisation, they can reasonably ask that they should not be forced to bear an undue share of the burden of holding down prices. There have been many complaints, the justice of which it is impossible to deny, that His Majesty's Government's policy of avoiding high prices operates one-sidedly. Although Colonial exports are sold to the United Kingdom at less than world prices, the Colonies have to pay fully competitive prices for the manufactured goods they import in return. However strong may be the technical and policy objections to any system of subsidised or low-price exports to the Colonies, the Colonial producer cannot be expected to regard as fair an arrangement whereby he contributes to the general good by accepting a lower price for his exports than he could get if he used his bargaining position to the full but receives no corresponding advantage of cheap supplies. His position is not like that of the home farmer who, even if he sells his crop for less than producers elsewhere are getting in world markets (and frequently of course his price is higher than that), still has the compensating advantage of buying most of his consumption goods at less than world prices, as a result of the Exchequer subsidies to the cost of living.

15. Even if these considerations are ignored and it is accepted that a stable price over a period of years is to the general advantage of both buyers and seller, there must still be a conflict of interest over the desirable average level in that period. Basically, the United Kingdom must benefit over any given period by securing imports as cheaply as possible and the Colonies must benefit by selling in the highest market.

To this country in its present serious economic difficulties, any reduction of price and consequent reduction in pressure on the balance of payments and in the burden of internal price control must be welcome. The Colonies, still desperately poor and dependent for their future development on a rise in income and the beginnings of an accumulation of capital, must equally welcome higher prices. The conflict of interest is inescapable and its resolution demands both skill and, above all, firm moral principle.

(b) *Balance of payments considerations*

16. Two highly important considerations arise under this head. First, insofar as

higher prices for Colonial Products are made immediately available for expenditure by the producer, the inflationary potential in the Colonies is increased and the strain on the United Kingdom exporting power intensified. These ill effects will, however, be greatly mitigated if, as proposed, an appropriate part of current high selling prices is withheld from the producer and put into a price stabilisation fund for use in later years of low prices. The current demand on United Kingdom exports will thus be reduced and deferred until a time when it will be more convenient and possibly even advantageous for her to supply it.

17. This stabilisation arrangement may not remove wholly the inflationary dangers of higher prices for Colonial produce; but the problem which remains merges into the wider issue of Colonial sterling balances on which separate departmental discussions are proceeding, and in respect of which there is reasonable hope that it will be possible to devise satisfactory means of preventing accumulated balances and current earnings being spent at such a rate as to embarrass His Majesty's Government. There can be no doubt that it would be much more satisfactory to Colonial interests on every ground that fair prices should be paid for current sales even if disposal were limited by an agreement not to convert the whole proceeds into goods at once.

18. The second bearing of this problem on the United Kingdom's balance of payments is that the higher the prices fixed for certain Colonial products the greater will be the amount of dollars earned by the sale of those products to hard currency countries. Many Colonial products subject to bulk purchase by the United Kingdom (e.g. cocoa, sisal and sugar) are sold for ultimate consumption in the United States of America, Canada and other hard currency areas and the proceeds go to swell the sterling area pool of dollars. In order to avoid any charge of discrimination foreign sales have to be made at prices equivalent to the United Kingdom price. A rise in United Kingdom buying prices would thus increase the hard currencies available to the United Kingdom. If, of course, the rise led also to a reduction in United Kingdom demands, so permitting greater sales abroad, dollar earnings might be still further increased. Some figures to illustrate the order of magnitude of the sums involved are given in the following table.

United States and Canadian dollar earnings on sales of certain colonial products

Commodity	*Estimated earnings 1947* $ million	*Estimated additional earnings for each rise of £10 in price* $ million
Rubber	120	12
Cocoa	50	5
Sugar	30	12
Sisal	5	1

Note: Additional major dollar earning exports include copper, tin, tea and coffee but precise figures on the above basis are not available.

(c) *His Majesty's Government's obligations to the colonies*

19. The extent to which His Majesty's Government possesses the power to control the action of Colonial Governments varies according to the constitutional position of

each; but there is certainly a wide field in which His Majesty's Government can, by exercising powers to impose price arrangements upon individual export industries, act both as buyer and as seller in the same transaction. But as seller His Majesty's Government must act in the spirit of Colonial trusteeship in the widest sense. Some of the territories have been placed under the International Trusteeship system and His Majesty's Government is accountable to the Trusteeship Council for their administration. But that is not all. His Majesty's Government played the leading part in insisting on the inclusion in the Charter of a general declaration of Colonial policy, applicable to *all* non-self-governing territories, to the effect that the interests of the inhabitants of these territories are paramount and that Colonial resources shall not be exploited for the benefit either of the holding Power or of the world at large. With this declared policy an attempt by His Majesty's Government to secure Colonial exports at under their fair value, or in preference to other buyers, is totally inconsistent. To pursue this course would inevitably arouse international criticism of the most damaging kind. His Majesty's Government would be accused of imperialistic exploitation, the only difference between it and the economic exploitation of the 19th century being that the State itself was now the guilty party.

20. It might be argued in defence of such a policy that His Majesty's Government are spending in the Colonies considerable sums of British taxpayers' money, particularly under the Colonial Development and Welfare Acts; but this argument would scarcely carry conviction before the bar of international opinion, where His Majesty's Government's expenditure on Colonial Development and Welfare has hitherto been proclaimed as a contribution made without calculation of material advantage. In any event, the Colonial Development and Welfare contributions hardly balance in amount what Colonies are losing by not receiving world prices for their products; e.g. Nigeria's loss on that account is over £8,000,000 per annum at present, while the Colony's Colonial Development and Welfare allocation is less than £2,500,000 per annum.

21. His Majesty's Government could not keep the moral lead which it has given to the world in laying down principles and developing the practice of sound Colonial administration if it could be shown that Welfare expenditure in the Colonies was not, as had been claimed, an act of benevolence but was an investment calculated to yield substantial returns in the shape of supplies of Colonial produce for the United Kingdom at below market prices.

(d) *International trade obligations*

22. Equally, the direction of supplies of Colonial products to the United Kingdom market, either by special contract arrangements or by the exercise of Government controls, on terms more favourable to the purchaser than those on which the same products were currently being offered on the international market would certainly be taken by international critics to conflict with past declarations on freedom of access to Colonial raw materials and with the principles which are now being elaborated with the United States and other foreign countries as a basis for an international trade charter. American opinion has shown itself very sensitive to any suggestion of discrimination in the marketing of Colonial products; and in the particular case of cocoa informal assurances have been given that the new West African marketing organisations will pursue a non-discriminatory selling policy.

(e) *Practical conclusions*

23. On balance, the dominant Colonial interest is to obtain the current world

market value for exports. Where a product is the subject of any general international commodity regulation scheme, Colonial producers will be entitled to whatever is the current price within the range determined by that scheme. Where there is no international scheme, the only satisfactory price for Colonial producers is the price arrived at in ordinary competitive markets or by freely negotiated buyers as between the buying Ministry and representatives of the producers. In either event, it will be the responsibility of the Colonial Government or local marketing organisation to take any necessary future steps to equalise prices actually paid to producers over periods of good and bad world market prices and to prevent unduly large payments in times of high prices creating a local inflationary situation.

24. Unless the United Kingdom's interest, as a buyer, in cheap supplies and the Colonial producer's interest, as a sell[er] in obtaining the best possible price in the export market can be reconciled on the above lines, it is certain that international issues of the most serious nature will arise and that His Majesty's Government will be subjected to international criticism to which no satisfactory answer can be given. The pressure of such criticism may well compel her to accept with considerable loss of prestige, the considerations which are advanced in the preceding paragraphs and which are developed below in the form of specific recommendations for action.

III. *Recommendations*

25. In general it is recommended that the guiding principles in settling the terms of any public trading transaction between the Colonies and the United Kingdom should be:–

(a) the payment to Colonial producers of the full market value of their products
(b) the determination of market value by free negotiation between the buyers and sellers, His Majesty's Government scrupulously eschewing the exercise of pressure or the use of constitutional powers to impose a settlement in its own interests as a consumer of Colonial products; and
(c) the making available of Colonial export products to all potential buyers on the basis either of freely negotiated contracts or of an internationally agreed allocation scheme.

26. In order to give these general principles greater precision and reduce the area for *ad hoc* negotiations, the following working rules are suggested.

(1) *Fixation of prices*

(a) Where the commodity concerned is the subject of an international commodity scheme of the type envisaged in recent I.T.O. and F.A.O. discussions, the Colonial price will automatically be fixed within the range determined by the terms of such a scheme.

(b) Where there is no such scheme but the commodity concerned is traded in a well-established free market outside the United Kingdom, prices for bulk purchases by the United Kingdom from a Colonial source of supply should follow the prices established in the free world market; provided that freely negotiated seasonal or medium-term contracts may be entered into for the United Kingdom requirements on terms similar to those which the Colonial producers or their representatives would be willing to extend to other similarly placed consumers.

(c) Where there is neither an international commodity scheme nor a well-established free market but supplies of the commodity concerned, or of competitive commodities, are being drawn by the United Kingdom from both Colonial and

non-Colonial sources, the Colonial price should be at least the parity of the minimum price being paid by His Majesty's Government for any significant proportion of the United Kingdom's total purchases of that commodity; provided again that freely negotiated contracts may be entered into on different terms if the period of the contract is different from that of the comparable purchase.

(d) Where there is neither an international commodity scheme nor a well-established free market and United Kingdom supplies are drawn wholly from Colonial sources the prices currently being received by non-Colonial producers of the same or of closely competitive commodities should be taken into full account in determining the Colonial price.

(e) In all cases, Colonial producers, or Colonial Governments acting on their behalf, should be free to set aside such sums as may be appropriate out of the prices calculated as above in price-stabilisation or other special reserves or by way of taxation for revenue and developmental purposes; indeed they should be pressed to do so in all cases in which the gross price is so high that its payment in full to producers would be likely to have inflationary consequences.

(f) "Freely negotiated" in sub-paragraphs (b) and (c) above means negotiated by regularly appointed representatives of the producers or by Colonial Governments acting in the absence of such representatives, without any use by His Majesty's Government of their special powers to enforce settlements upon Colonial Governments. It implies the right of Colonial representatives to refuse the terms offered by His Majesty's Government as a buyer and to sell their products elsewhere.

(2) *Reservation of markets by government controls*

This should normally be resorted to only if it is necessary to carry out either an internationally agreed scheme of allocation of supplies or an agreement freely negotiated with producers or with properly constituted and representative associations of producers. Other cases may be considered on their merits; but the presumption should be against artificial reservation of Colonial supplies in favour of any purchaser, bearing in mind His Majesty's Government's international obligations with regard to Colonial responsibility, "free access" and non-discrimination.

27. If the above principles are approved, it is suggested that existing price arrangements should be re-examined inter-departmentally and the necessary steps taken to bring practice into line with approved policy. Any conflict of interests which may in future arise between Colonial producers and a United Kingdom Government buying agency should be reconciled in the light of these same general principles.

80 CAB 129/19, CP(47)169 2 June 1947

'Planning for expansion': Cabinet memorandum by Mr Morrison (lord president of the Council)

In the Chancellor's memorandum on the Import Programme 1947–48 (C.P. (47) 167) brief reference is made in paragraph 33 to the importance of making every effort to *create* new sources of supply. This is a vital point. Our economic recovery is being strangled by shortages of raw materials, fuel and food. These shortages are dragging on far longer and more dangerously than we expected. They underlie many of our

other troubles. For example, our dollar shortage is largely due to the continued inability of non-dollar countries to send us the supplies they should. Many of our man-power difficulties are due to failures in supply of materials or fuel or plant. All our planning will be brought to nought and economic crises will recur unless we can recreate the ample flow of supplies of commodities which is the life-blood of our economy.

2. From time to time since the war, efforts have been made in this direction. A number of Ministers have been working in their various fields with some success. In the case of cereals, the 1946 World Food Supplies Committee, under the Prime Minister's Chairmanship, was instrumental in securing effective world-wide measures to conserve the use and to expand the output of food grains beyond anything thought possible in so short a time. For example, the sown wheat acreage in the United States, which was thought incapable of expansion, has been forced up from an estimated 69 million acres in the spring of last year to an estimated 76 million acres now. Largely as a result of this expanded acreage the 1947 American wheat crop promises to reach the remarkably high total of 1,250 million bushels, and this, together with the promising Russian crop, is transforming the world cereals outlook. There is good reason to hope that world famine has been averted. Moreover as coarse grains are no longer having to be diverted so largely for human food we are now able to resume the rebuilding of our livestock, and to see more bacon and eggs on the horizon. We are also able to look forward to ending the strain of famine prices on our balance of payments. Without the intense world-wide pressure exerted by His Majesty's Government through so many channels this result would not have been possible. In particular, the Foreign Secretary's appeal to the United Nations London Assembly, the Conference of European Ministers of Food and Agriculture convened in London in April 1946, the creation at the instance of the Foreign Secretary of Lord Killearn's special organisation in South-East Asia, and the influence exerted through all our diplomatic posts, got the world grain problem put high on the agenda where it most mattered.

II

3. This is a most heartening example. Would it not be well to examine in turn the other essential commodities which are in acutely short supply and to make an extra effort now to assist the Ministers concerned by putting behind them the whole force and authority and drive of the Government?

4. I will not attempt to deal here with fuel, since the Prime Minister's Fuel Committee already exists to achieve these purposes in respect of fuel supplies.

5. I suggest that a similar governmental effort should be made in respect of steel, timber, oilseeds and fats and such other materials and commodities as are likely to form bottlenecks in our recovery or to involve us in unnecessarily high expenditure of foreign exchange. Looking at the matter from another angle, we should survey the areas of the world which are lagging in their contribution to supplies of food and materials, such as Russia and her satellites, Indonesia, China and South-East Asia generally and the Argentine. We might also further extend and accelerate the measures already being taken to stimulate suitable production in the colonial empire.

6. In the case of foreign territories, no United Kingdom Government Department

has, of course, any actual responsibility or formal voice in the amount of production. We can, however, as in the case of wheat and rice, intervene effectively in various indirect ways if we chose to do so. For this purpose we need first-hand information from experts on production—farmers, scientists, and engineers, for example—as distinct from the expert buyers whose contacts are mainly with middle-men and Governments. Overseas producers, like our own, are handicapped by being unable to satisfy particular needs of machinery and equipment, transport, technical advice and in some cases no doubt encouragement and incentives. The right types of expert, given strong diplomatic and publicity backing, could be put into the field as effective teams at all points where a big influence could be exerted. Necessary equipment and supplies could be advantageously promised even at some sacrifice to ourselves in return for vitally-needed imports to this country. In this connexion I welcome the mission to Moscow by the Secretary of Overseas Trade and a party of officials, which shows how much can be done in a short time to begin to clear away difficulties even where they are greatest. We shall never get the stuff without going after it in a big way and with the will to win.

7. We are in danger of making the worst of both planning and *laissez-faire* worlds if we leave the expansion of overseas supplies too much to the self-interest of producers who have little incentive in present conditions and are up against heavy odds. The Minister of Food has been developing, in such examples as the Canadian Wheat Contract and in the Tanganyika groundnut scheme, the type of planned attack which might well be more widely adopted. Indonesia, for instance, could undoubtedly supply us with hundreds of thousands of tons of some of the commodities we most need during the next few years if the Foreign Secretary could bring the Dutch to cease their virtual blockade on Indonesian exports and if the Minister of Food could send people in to talk business with those who are in a position to deliver the goods, including sugar, rice, copra and other products.

III

8. There are great opportunities which we should use of whipping up production of vital materials and food-stuffs overseas through world-wide propaganda and through United Nations agencies. Of all the innumerable international conferences and meetings hardly any seem to be wholly or even principally concerned with this vital job of planning more supplies.

9. If we can step up world production of food-stuffs and materials, and get on top of our fuel difficulties the whole outlook for the future will be changed. Productivity can then be much increased. There will be more elbow-room, less frustration and less need for detailed controls. The incentive for productive effort will be improved. World political stresses will be eased. Trade and financial agreements will be assisted. The appalling prices we have to pay for our imports will fall. There is no other direction in which the reward of effort, now and on a governmental scale, can be so great.

IV

10. I therefore ask my colleagues to agree:–

(a) to impress on their Departments that the highest priority should be given to

all measures capable of expanding supplies of vital and scarce raw materials, fuels and food-stuffs by unorthodox as well as orthodox methods and overseas as well as at home;
(b) that the Ministers immediately responsible should carry out searching reviews of "danger list" commodities starting with timber and timber products, steel, oilseeds and fats, and (after consultation with other interested Ministers and myself) should report in each case to the Lord President's Committee, or where necessary to the Cabinet, on the world statistical position and prospects of the commodity, the steps taken or proposed to bring about expansion and the steps which have been proposed but ruled out on various grounds;
(c) that the Secretaries of State for Foreign Affairs, Dominions, Colonies and India should be invited to arrange at the appropriate stages for the urgency of expanding supplies of scarce commodities both in general and in particular to be brought at a high level to the attention of the Governments with whom they deal;
(d) that the Secretary of State for Foreign Affairs should be invited to arrange for British representatives on United Nations and other bodies to expound this theme on every suitable occasion and to press for methods of expanding supplies of vital commodities to be placed on the agenda of all international bodies which may be in a position to assist either by action or by giving a lead to world public opinion; and
(e) that I should arrange, through the Overseas Information Services Committee, for suitable publicity to be put out on this theme on the maximum practicable scale.

81 CAB 129/19, CP(47)175 6 June 1947

'Development of colonial resources': Cabinet memorandum by Mr Creech Jones

My colleagues are already seized of the importance of increasing production in the Colonies. I have been considering the machinery for this and am convinced of the need for securing not only the provision of basic social services and public works and utilities but also the promotion of enterprises which increase production of foodstuffs and materials in short supply, to the joint advantage of the United Kingdom and the Colonies. The funds of the Colonial Development and Welfare Act have had perforce to be used for the first purpose. What is now urgently necessary is provision for the undertaking of *ad hoc* schemes for the development of individual agricultural and other industries.

2. This is not a task which can be efficiently discharged by the scattered efforts of small private and public organisations colony by colony. The Colonial Economic and Development Council has therefore recommended that a Colonial Development Corporation should be set up with adequate powers to promote and undertake the expansion of supplies of colonial foodstuffs, raw materials and other commodities.

3. It is clear that there would be considerable scope for such activities. The Colonial Office is at the moment investigating the possibilities, for example, of large scale development of rice in Borneo, of linseed in a variety of Colonies, of fertilisers and other minerals. I should not wish, however, to limit the functions of the

Corporation entirely to the expansion of supplies of foodstuffs and raw materials; I would give it scope to develop other industries where these show promise of being remunerative and of benefiting the Colonies or the United Kingdom.

4. The establishment of a separate organisation for each project as it arises is open to the serious objections that the initiation of projects is seriously delayed if special measures to create a new organisation have to be taken for each individually, and that there is serious loss of efficiency if available supplies of experienced and expert personnel have to be dissipated among a large number of comparatively small organisations. A special Corporation is being created to operate the East African groundnut scheme and the Minister of Food is proposing that that Corporation should be empowered to operate elsewhere also; but that is an exceptional case because of the very large scope of the groundnut scheme. I am convinced that a Colonial Development Corporation with wider functions is also required.

5. The general functions I have in mind for such a Corporation are:—

(i) to enquire into new projects and conduct and pay for investigation of a commercial character;
(ii) to operate new industries itself where appropriate;
(iii) to develop and assist *ad hoc* undertakings and to provide finance for such undertakings by taking up shares, debentures or other forms of capital either alone or in association with a Colonial Government or Governments or with Governments of other parts of the Commonwealth.

I have discussed with the Minister of Food the more detailed definition of the functions of the suggested Corporation and other provisions for its establishment and we are satisfied that adequate arrangements can be made to prevent overlapping with the Corporation to be formed under his control and that the two can conveniently be provided for in a single Bill.

6. I propose that the Corporation should have a broad representation of persons with experience in business, applied science, administration and trade union matters in the Colonies or elsewhere; and that its capital should be obtained as to the greater part by the raising of money by public issues under Treasury guarantee with a total borrowing power of £100 million, with provision for some initial contribution direct from the Exchequer. I should contemplate that new undertakings would normally be actually operated by subsidiary organisations which might be incorporated under the Companies legislation either of the United Kingdom itself or of the Colony or Colonies concerned. Such subsidiaries could then supplement the finance provided for them by the Corporation itself by issuing debentures or other stock, which would provide an opportunity for the public in the Colonies themselves to invest part of their surplus funds either in the stock of the main Corporation or in that of subsidiaries.

7. I should propose to lay it down as a principle that the Corporation should conduct its own operations and those of its subsidiaries on public utility principles, that it should aim at earning over a period of years sufficient to pay its capital charges without aiming at large profits. As its whole object would be to initiate genuinely new development, the risk of loss on individual projects would have to be faced, but the Corporation would be expected to "break even" on its whole operations over a number of years.

8. In order to provide fully for regular consultation with the Minister of Food, the

President of the Board of Trade and the Minister of Supply as well as the Treasury in the general operations of the Corporation, so that full account could be taken of the needs of this country for physical supplies and of the possibilities of improving the balance of payments position of the sterling area as a whole by developing new production, I should propose the setting up of a departmental committee which would keep in general touch with the operations of the Corporation and give it guidance on major matters of policy.

9. Legislation would be necessary to establish such a Colonial Development Corporation and, if we are not to lose much valuable time in getting ahead with the task of economic development in the Colonial Empire, it is essential that such legislation should be passed during the next session of Parliament. Account has already been taken of this and a place is reserved in the legislative programme for a Bill to establish both the Corporation discussed here and that required to operate the East African groundnut scheme. The necessary provisions will not be very long and I believe the measure would give rise to little Party controversy since the necessity of economic development in the Colonies is common ground with all Parties and the possibility of establishing some such organ of development as this has been the subject of comment, in all political quarters. I am, therefore, seeking approval in principle in order that my officials may proceed, in consultation with the Treasury and the Ministry of Food, to the detailed drafting of a Bill.

82 CAB 129/19, CP(47)177 8 June 1947

'Production of foodstuffs and raw materials in the colonies': Cabinet memorandum by Mr Creech Jones. *Appendix*: examples

The Cabinet will be interested to learn of the steps taken in the Colonial Office recently to increase production of foodstuffs and raw materials in the Colonies.

2. Colonial Governments have been repeatedly urged to do everything possible to increase food supplies both for local consumption and for export. Explicit instructions were sent out to them in the early part of 1946, when the gravity of the post-war food crisis was appreciated and these have been frequently followed up.

3. Agricultural and other economic expansion has a big place in the Ten Year Development Programmes of the respective territories under the Colonial Development and Welfare Acts. Many of the schemes are already in operation. Particulars of some of these are mentioned in the Appendix.

4. Provision under these Acts has been made for a number of centrally controlled schemes aimed at the assistance of economic development, including (a) comprehensive organisations for topographical and geological surveys and many research projects, (b) training of technical staffs etc. Provision has also been made for the restoration to full activity of the Imperial College of Tropical Agriculture, which trains agricultural workers for employment all over the Colonial Empire. An Agricultural Adviser, an expert Advisory Committee and an Agricultural Research Committee function to urge forward development work over the whole field of agriculture, animal health and forestry.

5. The Colonial Office has also paid particular attention to particular fields of production in which development projects would be of special value at the present time. Investigations have lately been systematised by the formation of an Inter-

Developmental [sic] Committee under Colonial Office Chairmanship, which is studying all the products of which we might get increased supplies from the Colonies, in consultation with the other Departments and experts in this country. It is beginning with the most urgent or promising possibilities such as tobacco in Central Africa, rice in Sierra Leone and Borneo, timber in a number of Colonies and manila hemp in Borneo.

6. Where departmental examination suggests *prima facie* a possibility of expansion, special enquiries are instituted in the Colonies, and expert missions despatched. Many Colonies are, as a result of such enquiries, examining the possibilities of linseed and soya bean production. A mission has just left to look into the possibilities of groundnut production in West Africa, following the scheme already initiated in East Africa as a result of the report of a similar mission organised last year. Experts are looking into the development of coal production in Nigeria and in Borneo, and a special mission will examine the possibilities of rice production in Borneo.

7. A number of undertakings are already in operation. My colleagues are familiar with the proposals concerning the East African groundnut undertaking. The Nigerian Government has organised a Government Corporation under local legislation to carry out the development of large ex-German Estates in the Cameroons for the production of bananas and other crops. The Nigerian Government has for many years operated the coal mines in that country.

8. I have, however, felt more and more the need for an instrument of wide and general powers to undertake specific projects of this kind and I am accordingly submitting separately a Memorandum proposing the establishment of a general Colonial Development Corporation.[1]

9. Private enterprise is also being encouraged to go ahead within the scope of our development programmes with new projects where government enterprise is difficult. In the West Indies Tate and Lyle, Ltd., in Jamaica Booker Brothers, and McConnell and Co. Ltd., in British Guiana are each spending more than £1 million on new sugar factories or the modernisation of old ones. Another example among many is the recent establishment by the United Africa Company of an up-to-date plant for the production of timber and plywood in Nigeria. My Department is facilitating these enterprises where necessary (e.g. by expansion of transport and docks facilities, etc.) and I have also, in the mining sphere, agreed to several new concessions on carefully regulated lines to mining companies to prospect and develop in areas where Government organisation cannot for some time be created. There are promising prospects, for instance, with regard to the development of lead and coal in Tanganyika.

10. Certain Colonies have had special rehabilitation problems. In Malaya the Governments have given very extensive financial and other assistance to the tin, palm oil and rubber industries. In Mauritius and Trinidad His Majesty's Government have made special grants to assist in the recovery of the sugar industry which had lost ground during the war owing to the diversion of labour either to the growth of local foodstuffs or to work on military bases. Substantial grants or loans have also been made by the Treasury to the recovery from hurricane damage in the case of Jamaica bananas and Mauritius sugar.

11. Production for the future is already being assisted by a number of important

[1]See 81.

projects of research, e.g. into the diseases which are afflicting West African cocoa, into the general problems of sugar production in the West Indies and into cotton production. It has just been agreed with the Empire Cotton Growing Corporation that a general Cotton Research Station should be set up in Uganda, to be financed jointly by the Corporation, Colonial Development and Welfare funds, and the African Governments concerned. In many Colonies experimental stations and demonstration farms have increased.

12. Yet another factor in encouraging the maximum output is the stabilisation of the marketing position so as to give the producer a firm assurance for the future. A new permanent organisation to deal with the marketing of West African cocoa has now been established and I am paying particular attention to the establishment of similar marketing organisations for other Colonial Products, e.g. palm kernels, sisal, etc.

13. There are in many areas big schemes to arrest erosion, secure fertilisers, improve irrigation and conserve water, improve animals and agricultural methods, develop co-operative practice etc. Also the general problems of the organisation of African agriculture in relation to native social conditions and customs have received much attention as this is an important factor in expansion.

14. These activities have of course to surmount many difficulties. Briefly, among the practical obstacles to rapid increase of production are:—

(a) The general infertility of land in most of tropical Africa, and the dangers of destroying the fertility by wrong methods.

(b) The shortage and comparative inefficiency of native labour and the danger of competition within any given territory of different schemes demanding labour at the same time.

(c) The shortage of technicians, including agricultural, veterinary, forestry and geological officers in the Government services.

(d) The very inadequate existing capital equipment, particularly of the African native producer, and the great difficulty of getting quick delivery of new equipment, including railway equipment, tractors and other necessities for mechanical cultivation.

(e) Difficulties in securing supplies of imported foods and consumption goods which are necessary as inducements to labour. In some Colonies, particularly in the East, the shortage of food is a very real obstacle to full productive effort.

(f) Shortage of fertilisers, of which, under the existing international allocation system, Colonies are still getting only a percentage of their ordinary requirements.

(g) Fears among some producers that the existing conditions of shortage may fairly soon be replaced by over-production as is already threatening in the case of rubber.

(h) The physical difficulty that a great many Colonial products, including palm and coconut products, cocoa, coffee, tea, rubber and sisal, are tree crops or other slow growing plants which do not come to bearing until from three to eight years after planting.

15. I should add that many territories have increased their local food supplies (e.g. Nigeria by establishing bacon and cheese factories and in Tanganyika where a meat extract factory is being built) and the higher standard of living enjoyed and the measures adopted to prevent famine all involve a bigger consumption of products.

16. I attach, in an Appendix, a few examples of particular projects included in Colonial Development Programmes, and of recent increases in Colonial production.

Appendix to 82

A. *A few examples of provision for economic development in colonial ten year development programmes*

1. *Kenya*. Provision has been made for a large number of local schemes for soil erosion, irrigation and settlement involving a total expenditure of £4,500,000.
2. *Nigeria* has made provision for the expansion of the Agricultural, Veterinary and Forestry Departments, at a total cost of £3,230,000.
3. *Jamaica* has provided for the expansion of agricultural advisory services and other features of the Agricultural Department at a cost of £1,378,000 over 10 years.

B. *Recent increases in colonial production*

1. *Timber*
   British Guiana. Total production of timber on Crown Lands has increased from an average of 1,274,000 cubic feet in 1936/40, to 2,307,000 cubic feet in 1945.
   Gold Coast. Production of hardwood has increased from an average of 5,690,000 in 1934/38 to 13,090,000 in 1945.
   Nigeria. Output of hardwood increased from 46,800 trees average for the 5 years 1934/38, of approximately 14,000,000 cubic feet, to 73,903 trees in 1945.
2. *Groundnuts*
   Production in Nigeria has increased from 228,000 tons in 1945 to 302,000 tons in 1946.
3. *Palm products*
   During the last five months purchases in Nigeria from many producers have increased to a weekly average of 7,700 tons of palm kernels and 3,900 tons of palm oil as compared with 6,700 and 3,100 in 1946.
4. *Sugar*
   Production in Jamaica has increased from an average of about 83,000 tons in the two years 1935/36 to an estimated production of 167,230 tons in 1947.
5. *Tobacco*
   Jamaica's production of cigars has increased from 4,564 lbs. in 1939 to 312,704 lbs. in 1946 and is now practically wholly supplying the demand in this country formerly met by Cuba, and so saving dollar expenditure.
6. *Tea*
   Exports from Kenya have increased from 9,600,000 pounds in 1938 to 11,600,000 in 1945, Nyasaland from 10,200,000 to 13,700,000 and Tanganyika from 300,000 to 900,000.

83 CAB 129/20, CP(47)242 23 Aug 1947

'Production of dollar-earning colonial commodities': Cabinet memorandum by Mr Thomas on balance of payments situation

At the meeting of Ministers held on the 20th August to consider various questions

arising out of the balance of payments situation, reference was made to the possibility of securing assistance in balancing our payments with the United States by increasing exports of primary products from the Colonies. I submit the following as a preliminary and general statement of the possibilities in this direction and of the action which is being taken.

2. The Secretary of State for the Colonies has already had some correspondence with the Foreign Secretary and other Ministers on this general subject, and has expressed himself as in entire agreement with the idea that we should try to re-establish, and indeed improve upon, the pre-war position in which exports of primary produce from the Colonies to America were among our principal earners of dollars, the Colonies in general having a large favourable balance with dollar countries which they spent mainly in the sterling area.

3. Practical possibilities fall under three heads:—

(i) Cases in which increased supplies could be made available at once for sale to the United States if that country were prepared to import more. The only important commodity in this class is rubber, but it is one of very great importance. American imports of rubber are being artificially restricted by the continued requirement by Government regulation that the proportion of natural rubber used by American manufacturers shall not exceed 50 per cent., the balance being synthetic. If this requirement were removed and the respective shares of natural and synthetic rubber in the market were determined by competition, a substantial increase in the purchases of natural rubber would result. Possibly America could absorb an additional 250,000 tons per annum, which alone would be worth about $75 millions. In addition, some improvement of the price would be probable. The dollar gain would not all accrue to British territories as some of the additional rubber would come from the Netherlands East Indies and possibly Siam and French Indo-China, but the improvement in the financial position of those countries would itself be indirectly to our advantage. Pressure has already been exercised on the Americans at the Rubber Study Group and elsewhere to remedy the present situation, which is contrary to the spirit of American policy in relation to I.T.O. etc., as hitherto little success has been obtained. A high level approach related to the present crisis might be more successful. In addition to the restoration of free competition between natural and synthetic rubber an attempt might be made to obtain an undertaking to purchase additional quantities to put into an enlarged strategic stockpile.

(ii) Cases in which no immediate increase in total Colonial output is possible, but increased supplies could be made available to America by restriction of United Kingdom purchases. These include cocoa, of which the United Kingdom is consuming more than before the war, and where the transfer of, say, 10,000 tons (less than 10 per cent. of our consumption) to the American market would mean earning some $6 millions. Other possibilities are sisal, West African timber, hides and skins and tin, but in the case of these raw materials it may be better that the present quantities should continue to be imported into this country with a view to ultimate re-export in manufactured form.

(iii) Cases in which there are longer term possibilities of expansion of Colonial output over a period of years, e.g. tin, copper, lead and other minerals. In these cases, one of the initial difficulties is the provision of the necessary capital equipment for the increase of production, which means an additional call on available capital goods.

4. Action which is already in hand, or is now proposed, includes:—

(i) Appeals for greater effort in production. A number of such appeals have been made to Colonial Governments and peoples in the two years since the war ended, and it would be a mistake to expect too much from any further appeals of this kind. The Secretary of State has, however, just sent out a public message to the peoples of the Colonies setting out the general facts of the economic crisis in this country and indicating how Colonial peoples can help both by economies in imports and by increasing their production. Opportunity will also be taken to emphasise again the general background at a Conference of African Governors which has already been arranged to take place in November.

(ii) Examination of possibilities of the United Kingdom releasing supplies for export to the U.S.A. The Treasury are understood to be making arrangements for these possibilities to be examined in the very near future.

(iii) Examination of particular possibilities of increased production. As a result of the correspondence with the Foreign Secretary already mentioned, a list prepared in the Foreign Office of commodities of which the United States is understood to be likely to be interested in is already under examination in the Colonial Office. The products in this category most likely to be available from the Colonies are minerals (tin, lead, copper, bauxite, diamonds, manganese, chrome), rubber, sisal and cocoa. This examination is being linked up with the systematic survey of possibilities of increasing production of Colonial products for export to the United Kingdom or elsewhere which was initiated by the Colonial Office some time ago through an Inter-departmental Colonial Primary Products Committee. That Committee is now being asked to give immediate attention to the products likely to be of special interest from the point of view of export to America. Special attention is also being given to steps which could be taken for the increase of Colonial gold output.

(iv) Expediting of projects already in hand. The two most important things here are the rehabilitation of the Malayan tin industry and the development of the lead deposits in Tanganyika. In both cases progress is held up by difficulties in securing delivery of equipment and in the latter by difficulties of securing technical staff. Other Ministers have already been asked to give help getting over these difficulties and an indication that high priority should be attached to meeting these needs would be of assistance.

84 FO 800/444, ff 34–36 4 Oct 1947

'Definition of functions of Colonial Development Corporation and Overseas Food Corporation': minute by Mr Bevin to Mr Attlee (PM/47/139)

I understand that the Parliamentary Under-Secretary to the Colonial Office has sent you a memorandum on this subject,[1] of which he has been good enough to send me a copy. The points he raises therein seem to me quite valid, but there are others.

2. We must be careful that our plans for the development of our Colonial Dependencies cannot in any way be represented as springing solely from our own

[1] See 83.

selfish interests. It is above all important that in their presentation there is no possible suggestion of exploitation of the colonial populations. In either case we may find ourselves exposed to bitter criticism in the United Nations and be obliged to defend ourselves against quite baseless charges. We know from experience that the possibilities of misrepresentation in this field are almost endless.

3. It is therefore important that in all these schemes it is demonstrable that their general purpose is the raising of the standard of life of the colonial peoples as well as that of obtaining the food-stuffs, minerals or raw materials that we need. From this point of view there would be obvious advantages if all these schemes were under the Colonial Office, particularly as the corporations are to be under government control which makes us particularly vulnerable to hostile criticism. It would be very easy for our Russian friends to make a plausible case that the main object of the Ministry of Food could not be other than that of obtaining foodstuffs at the cheapest possible price.

4. For these reasons I think the point raised by the Colonial Office is one of substance in which I am closely interested.

5. I am having this question gone into more deeply by officials and may have further suggestions to make as a result of their investigations. Meanwhile, this minute is to record my interest in this question and to invite your attention to its international implications.

6. I am sending a copy of this minute to Ivor Thomas.

85 CO 852/989/3, no 26 6 Dec 1947

[Marketing of colonial produce]: letter from Sir P Mitchell (Kenya) to Mr Creech Jones

In view of the discussions at the recent African Governors' Conference on the subject of marketing of Colonial produce, and the fact disclosed there that at any rate in official circles in the Colonial Office views are held which appear to me to conflict with the real interests of the Colonies as well as of Great Britain, I am taking the liberty of sending you a copy of a document I produced when I was High Commissioner for the Western Pacific.[1] There is matter in it which might have to be altered in the light of subsequent events, but generally speaking I would re-write it again to-day in much the same terms. I owe you an apology for sending to so busy a man such a long document, and I can hardly hope that you will read the whole of it, but the first three or four pages, and the last, contain the gist of the matter.

I realise fully that it is to the interest of the people of Great Britain to obtain tropical products at reasonable prices. Nevertheless, if we are to continue to sell to you we must be able to buy from you, and it is therefore essential that the disastrous gap between consumer goods prices and produce prices should be narrowed. In fact, it is continuously expanding for reasons which are as apparent to you as they are to us. If it is not possible intentionally and consciously to introduce a principle different from that of obtaining products at the lowest price which by any means the producer can be compelled to accept, then in countries with virtually no organisation of

[1] Not printed: 'Post-war reconstruction: note on colonial primary produce markets after the war' (February 1944).

labour, or very rudimentary organisation of labour, the production will inevitably be made cheaper at the expense either of the small producer, or of the labour employed by the larger producers. Taking the broad view, therefore, it is as much to the interest of a manufacturing country such as Great Britain as it is of a producing country in the case of Colonial products, that prices should be paid which will make it possible first to escape from the low wage economy which so mitigates [sic] against consumption of goods from industrial countries, and secondly, from a level of prices to small producers which can only be obtained by selling [sic] the fertility of the soil through wrong agricultural methods.

The whole position appears to me to be the more tragic in that, during two wars, the fact that bulk buying can be organised in a satisfactory manner to the advantage of all parties has been demonstrated. Nevertheless, in spite of the views expressed by Sir Stafford Cripps and yourself at the Governors' Conference, expressions of opinion by departmental officials indicated quite clearly that they considered that the sooner we returned to the chaotic conditions that existed between the wars, the better. It does not seem to me that it has even now been realised in a good many quarters in London that those conditions were a ghastly failure, and in themselves a large part of the cause of the poverty and misery in many countries, Northern Europe included, which in the event led to the establishment of totalitarian states and to war.

However, I must not repeat the argument in this letter. I will only hope that you may be able to find time to read it, and to consider whether, as a matter of policy, it should not be laid down that these buying contracts must be based on a policy of fair standard of living to the producer and his labourer, not out of any sentimental or soft-hearted wish to do good to other people at the expense of the British taxpayer, but as a matter of hard common sense in order that those from whom you buy may be able to buy from you. The incidental advantages to British merchant shipping are also not to be overlooked.

I have written in similar terms to Sir Stafford Cripps & Mr Harold Wilson,[2] sending them copies of this paper.

[2] President of Board of Trade, 1947–1951.

86 CO 852/989/3, no 28 — 23 Dec 1947

[Marketing of colonial produce]: letter (reply) from Mr Creech Jones to Sir P Mitchell

I have received your letter of the 6th December[1] enclosing a copy of the note you wrote while in Fiji on Colonial Primary Produce Markets after the war, and urging that bulk buying contracts should be concluded on the basis of prices fair to producers. With that and with the wider proposition that it would be to the advantage of producers to obtain much greater stability in the prices of their products than has prevailed in the past, there is, of course, no disagreement between any of those concerned here with the problem. The matter to which a great deal of thought has been given here in the light of extensive war-time experience, and what Caine very deliberately stressed in his remarks at the Governors' Conference, is how

[1] See 85.

to surmount the practical difficulties and particularly how to ensure that the prices paid are in fact fair. I do not think it is really true to say that any view has been expressed here in favour of a general return to the conditions of pre-war marketing. On the contrary, Caine indicated a number of possible devices for introducing greater stability on the assumption that no device would be found uniformly suitable for all commodities in all territories.

Bulk marketing is in many cases the most suitable of the available devices and all of us here concerned noted with appreciation the very clear statement of the part which bulk marketing can play which you made in your address to the Kenya Legislature after your return from the Governors' Conference. In many cases it suits both the producers and the United Kingdom excellently for the whole or a large part of the output to be the subject of a bulk sale to the U.K. and it so happens that it has been possible to fix up mutually agreeable contracts in respect of a number of East African products.

What has all along troubled us, however, has been the actual fixing of the prices, which in a number of non-East African cases have *not* been wholly acceptable to the producers. You will remember that Milverton stressed the apprehensions felt in Nigeria that bulk marketing arrangements have worked out grossly unfairly to producers and there is a growing and disturbing agitation on that subject in Nigeria. As it happens, we are faced with somewhat similar complaints at the moment elsewhere, e.g. in respect of Malayan tin, and you may have noticed that in Uganda considerations presumably of the same kind have led the Uganda Government to propose a reversion to free auctioning of cotton for export, although under the persuasion of the Colonial Office they have now agreed to keep on with bulk selling for the coming season.

In some of these cases the producers feel strongly that they would have been better off in an old-style free market and it was suggested, therefore, in our discussions that in fixing prices under bulk contracts some regard ought to be paid to outside market conditions. I suppose it was that suggestion which led you to fear that a general return to free markets was advocated. In fact I think there is no disagreement between us that bulk marketing arrangements on a basis of fair prices ought to be sought wherever they can serve the interests of Colonial producers as well as consumers in this country and promote greater stability. But bulk buying is a powerful weapon which can be used against as well as for the interests of producers. Those concerned in the Office have been giving much attention to the problem of ensuring that that is not done and I think we have gone a long way now towards getting the agreement of other Ministers concerned for a better basis of price-fixing for the future.

87 T 236/696, pp 40–44 3 Feb 1948

'American private investment in the colonies': draft CO memorandum by Sir S Caine

1. Gen.209/8[1] discusses American private investment in the United Kingdom. Many of the same considerations apply to such investment in the Colonies, but there

[1] Prepared by the Treasury.

are some underlying differences in basic conditions which affect the practical policy it is desirable to pursue.

2. The first basic difference is that American private investment on any substantial scale in the Colonies is normally associated with the grant of a specific concession by the local authorities. In the memorandum on the United Kingdom aspects, considerable attention was paid to the possibility of American buying-up of existing undertakings either as single entities or through the purchase of shares on the Stock Exchange. Few examples of this kind of thing have yet come to notice in the Colonies, and, insofar as purchase of shares is involved, it is of course relevant that United Kingdom companies account for the greater part of company holdings in Colonial industry (including agriculture and mining) and transactions in the shares of such companies are, of course, subject to the same rules as transactions in the shares of companies operating within the United Kingdom itself. Local companies represent a significant share of the economy in only a few Colonies and organised stock exchanges of any significance exist practically only in Hong Kong and Singapore. Nor is it likely that there will be many instances in the Colonies of American manufacturing concerns wanting to arrange, in partnership with local factories, the undertaking of the manufacture of American-type products. The form usually taken by American investment is that of an application for a concession for specific mineral deposits or the exploitation of some other local natural resources. Typical examples recently under consideration are an application by Anaconda for gold concessions in British Guiana, and an application by an American concern for special rights in connection with tuna fishing in Fijian waters. Applications for extensive concessions in the agricultural field are less common principally because in most territories there are now considerable limitations on the alienation of land for large private holdings.

3. A second basic difference is that His Majesty's Government, and through them Colonial Governments, are under special obligations as regards access of foreign powers to Colonial raw materials which make it politically difficult to put any special obstacles in the way of American investment in the development or the production of such materials. These obligations arise partly in very general form out of the Atlantic Charter, partly out of the declarations of policy contained in the United Nations Charter, and partly out of the more specific obligations attaching to Trusteeship territories such as Tanganyika.

4. Thirdly, insofar as there is any political or psychological objection to the entry of American capital, with the consequence of American control of particular undertakings, the situation is different from that of the United Kingdom in that any local political objection which there may be may apply generally to any external capital, including United Kingdom capital, and may not particularly discriminate against American. On the other hand, from the purely United Kingdom point of view, there may be even stronger objections to allowing control of individual Colonial undertakings to pass into American hands than there is in the United Kingdom, because in particular cases there may be a greater danger of political control moving in the same direction.

5. Finally, it may be felt that there are special strategic considerations with regard to the control of particular enterprises in the Colonies as it is sometimes suggested that foreign ownership might hamper the full utilisation of the products in question in time of war. It is doubtful whether there is very much in this, since what

really matters is the physical power to control and defend the undertaking in question, not its legal ownership, but there may be a sub-stratum of truth in that peace-time consultation with the managers of an undertaking of such a type is no doubt easier if it is under British management.

6. The various political, psychological and strategic considerations will have a varying incidence on the individual cases, and, looking at them quite generally, it is perhaps true to conclude that they cancel each other out. Any general conclusions which emerge therefore would flow rather from the first point of difference which has been referred to, i.e. that American private investment in the Colonies is normally in new and self-contained undertakings and not in the acquisition in whole or in part of established undertakings.

7. In the memorandum on the United Kingdom, special attention was drawn to the danger that American capital, by retaining to itself the equity of the undertaking and securing a large proportion of the capital by the issue of local debentures, might obtain an undue share of the profits at comparatively small capital risk. Hitherto, that pattern of capital structure has not normally been suggested in proposals for American investment in the Colonies. There has been if anything an inclination towards the opposite danger of American capital being put up wholly on a debenture basis and the risk capital being found locally, or of the capital even if it takes the form of ordinary shares, enjoying some form of Government guarantee. The danger here, of course, is that if the undertaking turns out unsuccessful the territory concerned, and therefore the sterling area as a whole, will be burdened with permanent capital charges in dollars without having the earnings wherewith to meet them.

8. In relation both to the United Kingdom and the Colonies, the same underlying principle probably applies that American private investment should bear its proper share of the risk of the undertaking. It should be provided on terms which make future payment of interest and return of capital in dollars contingent on the success of the undertaking. It is not unreasonable as a corollary to that to allow full enjoyment of the profits if in fact they emerge. Since, as already emphasised, American investment in the Colonies is likely to be normally in new undertakings, the element of risk is particularly large and it is therefore particularly necessary that the new capital should bear its share of that risk.

10. It is implicit in the above argument that a new undertaking which is successful in making local profits will also be earning dollars to cover the remittance of such profits. While it is possible that there are cases in which that would not be true, it is undoubtedly the case that in the vast majority of probable new enterprises at the present time, the new production resulting would be dollar-earning in the sense that it would either be saleable for hard currencies or would replace hard currency supplies which would otherwise have to be purchased by the territory itself or by other parts of the sterling area. If, however, a rare case did appear in which there was doubt whether there would be dollar earnings or savings, sufficient to cover any remittance of profits, it might be desirable to try and prevent any American investment involved.

11. The practical conclusion appears to be that, subject always to special political considerations in individual cases, we should not as a matter of general policy oppose obstacles to the investment of American capital in new productive undertakings in the Colonies, provided that, as is normally the case, the capital is put up predominantly on a simple equity basis.

88 PREM 8/733 5 Feb 1948

'Economic development in the colonies': note by Mr Creech Jones for Mr Attlee. *Appendixes*: I & II

In the discussion with Ministers on the 9th January[1], it was agreed that:–

(a) we should apply ourselves energetically to the economic development of the African and other colonies;
(b) we should prepare over-all plans for co-ordinating and intensifying development planning in the colonies and for integrating colonial plans with economic policy in the United Kingdom; and
(c) the United Kingdom should co-operate with other Powers in Africa to expedite development.

It was felt that the Colonial Office machinery for this work should be reviewed and strengthened.

2. Much development is already planned and in progress and the first need is to facilitate that and, as an even greater priority, the maintenance of the very valuable industries already established in the Colonies. Further development consists in the tackling of a number of serious obstacles to progress, including the building up of the present very inadequate capital equipment, communication facilities etc. I am attaching for the information of my colleagues appendices[2] dealing with

I. The present situation.
II. The limitations which face us and how they can be tackled.
III. The central services for development provided by the Colonial Office.
IV. Development organisations in Africa.
V. Selection, Training and Refreshing of Staff.
VI. Road Development in Africa.
VII. International collaboration in Africa.
VIII. Regional Organisation in Africa.

In this note I deal with the organisation necessary in the Colonial Office and other immediate steps for the more active prosecution of development plans.

3. I have given much attention to the economic development of our territories over the past few years, and also to the economic organisation of the Colonial Office. The appendices mentioned will show how much progress has been made in the colonies, and the many improvements made in the Colonial Office machinery. Much of what we desire is already under way. I have, however, in the light of the discussion by Ministers, again reviewed the Office machinery; and I shall indicate the further changes required if our policy is to be expedited and properly implemented. I am obliged to ask for additional personnel and for a few special appointments to strengthen the economic organisation in the Office.

4. The Economic Division of the Colonial Office is already planned to deal with:–

(a) Trade and Commercial Relations;
(b) Marketing organisation, bulk purchasing and regulation of prices of colonial products;

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[1] See 107.

[2] Appendixes III to VIII not printed.

(c) Supplies of goods, machinery etc. to colonial territories;
(d) Agricultural, industrial and mineral production and expansion;
(e) Investigation and research into new economic activities;
(f) Economic development under the Colonial Development and Welfare Act, including the provision of public utilities and economic services;
(g) Research into colonial products, pests and diseases;
(h) Public finance and currency;
(i) Control of Colonial dollar expenditure and general import policy;
(j) Communications (air, railways, roads, rivers and shipping);
(k) Liaison with the planning staffs and other economic departments of H.M.G.

5. In addition to the Administrative departments of the Economic Division of the Office there exist:–

(a) The Colonial Primary Products Committee (interdepartmental), for study of the production and expansion of supplies of all colonial commodities;
(b) The Colonial Economic and Development Council, for study of the broad aspects of development, e.g. the Colonial 10-year programmes;
(c) Advisory Committees on Agriculture, Animal Health and Forestry, Fisheries, Labour, Co-operation, Geological Survey and Trypanosomiasis;
(d) The Colonial Research Committee, the Agricultural, Animal Health and Forestry Research Committee and the Colonial Products Research Council;
(e) Directorates for the organisation of Geodetic, Topographic and Geological Surveys throughout the colonies.

The work of all these bodies is co-ordinated with the Economic Division. Liaison is also maintained with the new Colonial Development Corporation, which will be concerned with particular development projects, and with the Overseas Food Corporation. The Colonial Office is also represented on planning and other interdepartmental committees of H.M.G., such as:–

Colonial Development Working Party (under Sir Edwin Plowden)
Overseas Negotiations Committee
Export Committee
London Committee on European Economic Committee
Customs Union Study Group
Official Committee on Economic Development.

6. I now propose to organise the Economic Division of the Office into three sections as follows:–

(a) Communications, Commercial Relations and Supplies under Sir Gerard Clauson;
(b) Production, Marketing and Economic Development (including liaison with the new Corporations) under Mr. C.G. Eastwood;
(c) Finance, Intelligence and Planning and Research under Mr. W. Gorell-Barnes.

The particular new feature involved in this re-organisation is the *creation of an Economic Intelligence and Planning Section in the Office*. This Section will gather together all information about present and possible development, will work closely with the Advisory and Research Committees, and will maintain increased liaison with the planning staff of H.M.G.

7. The Economic Division will thus have under review all economic activities in, and relating to, the colonies and the broad plans for their development, and will have completed [sic] knowledge of existing and projected schemes for new development, both under the Colonial Development and Welfare Act and the new Corporations. It will set in motion the necessary investigations both for local schemes and for those of the Corporations; it will record statistics about trade, marketing, and exchange; and integrate all these matters with the economic policy of the United Kingdom. But to do this effectively, the personnel of the Department must be strengthened and it is necessary to have a *Director of Economic Investigation with a small permanent staff* to organise ad hoc investigations into particular economic projects and problems, such as the economic possibilities of a new railway project or extensive irrigation works.

8. The Division will be in charge of a Deputy Under-Secretary, Sir Sydney Caine, and Mr. Rees-Williams will make economic problems the major side of his work.

9. In addition we must improve the machinery for development in the overseas territories. Although all colonies have given much consideration to the matter, in preparing and putting into force their 10-year development schemes under the Colonial Development and Welfare Act, and have already created a good deal of local machinery, appointed special staff for development and undertaken surveys of possible projects. I have again urged Governors to review their arrangements. As my colleagues are well aware very rapid advances have been made in local self-government and it is today absolutely essential that we should proceed with the goodwill and co-operation of local legislatures and peoples, and not by any attempt to impose plans from London. I had already discussed the matter with them at the African Governors Conference in November; but I propose to arrange *a further conference in East and Central Africa and another in West Africa to stimulate interest* and to discuss practical ways of achieving our ends. I am suggesting that Mr. Rees-Williams should attend these conferences. I cannot emphasise too strongly however that any such conferences will be useless unless our representatives can go with authority to say that H.M.G. is going to give the colonial authorities all the help in its power not merely in money but in the supply of materials and men. Indeed among the *central purposes which such conferences should serve should be the establishment of machinery for assembling and screening demands for scarce materials*. We must have not merely a clear declaration of this intention but a definite administrative plan for allocating priorities to colonial needs in the spheres of iron and steel and certain crucial engineering products. The local machinery for economic development must also be made more adequate and expert; and the Colonies will equally need to extend their present arrangements for controlling the importation and distribution of essential requirements so as to give practical effect to agreed priorities for development purposes, to fit in with the central machinery of allocation in the U.K.

10. I would also propose that, to further the drive in the colonies, *special appointments of liaison officers* should be made to maintain close liaison between the Colonial Office and the executive agencies in the colonies, to co-ordinate information on the development programmes in their respective areas, to be a channel through which inspiration and guidance could flow from the centre, and to remove any obstacles in the way of implementing development plans. I should need one such officer for West Africa, at least one for East and Central Africa and others for

South-East Asia and the West Indies. I ask for authority to make four or five such appointments but would only fill the posts as men with the necessary experience, drive and tact were found.

11. It is of the great [sic] importance that there should be close links between the Colonial Office on the one side and the central planning staff, the Economic Secretariat and other central organs of government on the other including (for strategic reasons) the Chiefs of Staffs Committee. A Colonial Development Working Party has, as already indicated, been set up to examine certain problems arising in relation to development programmes. I do not wish to anticipate the findings of that body but it seems almost inevitable that *some permanent machinery should be created*, analogous to, or as part of, the Investment Programmes Committee, *to examine the priority to be given to particular schemes of Colonial development and to ensure that they do get such priority*. Probably also something like the existing Colonial Primary Products Committee will be needed permanently to ensure that the needs of the Ministries concerned with supply are brought to the notice of the Colonial Office and Colonial Administrations. I should propose also to try and secure the representation of the principal other departments concerned on the reconstituted Colonial Development Council already referred to. Finally it will be important to ensure that the Colonial Office is kept even more closely than in the past in touch with other aspects of central planning and the creation of a special Intelligence and Planning Department of the Office will, I am confident, help in that respect.

11. [sic] The Colonial Office is already very actively employed in developing collaboration in Africa with the French, Belgians and Portuguese and is preparing for discussion with the French this month on development plans and the machinery of economic collaboration. Further information on this point is contained in the note at Appendix VII.

12. The Colonial Office organisation as now recommended is shown in diagram form in the chart attached. [See next page.]

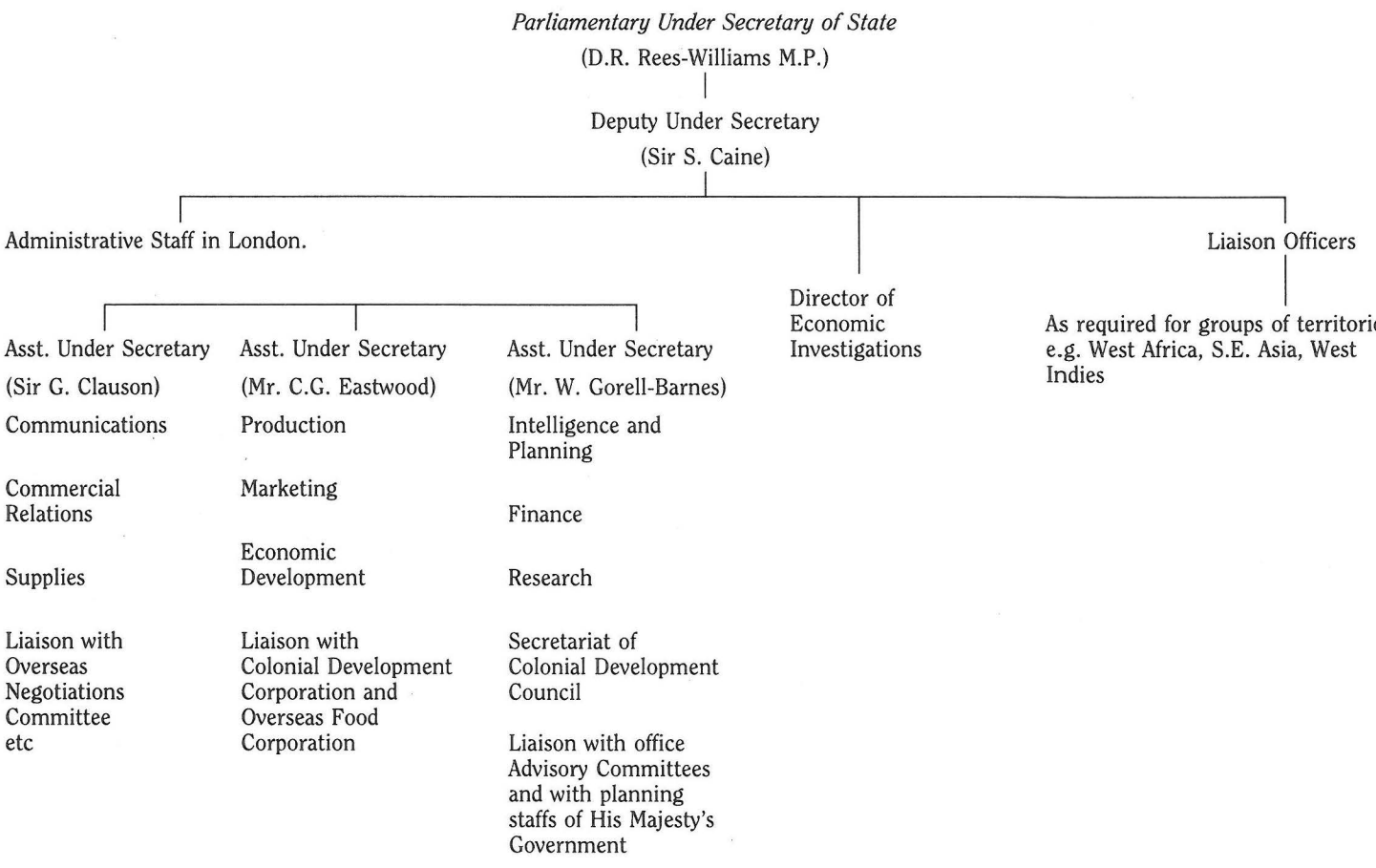
13. *Recommendations*:–

(i) The Economic Division of the Colonial Office should be strengthened by additional staff and, in particular, by the appointment of a Director of Economic Investigation and at least two Liaison Officers.

(ii) Requirements of plant and materials for development in the colonies should be given equal priority with requirements for capital development in the United Kingdom and a general directive should be given to the Departments concerned with the allocation of materials in short supply so that colonial requirements of iron and steel and other essentials for current plans and for approved new projects may be met. (The Colonial Development Working Party is already examining in detail how the machinery for allocation of iron and steel can be adapted to meet colonial needs).

(iii) Approval should be given to the two proposed conferences on economic development in Africa.

CO ECONOMIC SECTION 1948



Appendix I to 88: Colonial economic development – the present situation

Development of established industries

1. (a) The Colonies are relatively poorly developed. Nevertheless, they contain many flourishing industries and produce much that is essential to the United Kingdom and the world. For the United Kingdom, all our requirements of rubber and cocoa and a large part of our needs of fibres, vegetable oils, sugar and tropical fruits are now being met from colonial sources.

(b) The production of certain commodities has remarkably expanded during recent years. For example:–

(i) Groundnuts (Nigeria):	1945	– 228,000 tons,
	1946	– 322,000 tons.
(ii) Sugar (Jamaica):	1935/36	– 83,000 tons,
	1947	– 201,700 tons.
(iii) Hardwood (Gold Coast):	1934/38	– 5,690,000 cu ft.
	1945	– 13,090,000 cu ft.
(iv) Tea (East Africa):	1938	– 20,100,000 lbs.
	1945	– 25,500,000 lbs.

(c) Over and above what the colonies supply to the United Kingdom direct, they are earning a net surplus of dollars, after meeting their own dollar needs, of some $150,000,000 per annum.

(d) The maintenance and improvement of the established industries of the colonies, e.g.—rubber, sugar, sisal, tin, copper and gold, etc—is the first essential, and investment in individually small schemes designed to improve the efficiency and productivity of such industries is probably most likely to yield quick returns. The most striking of all recent achievements in colonial development, or re-development, has been the recovery of the Malayan rubber industry, which in 1947 produced over 650,000 tons of rubber and earned some $200,000,000 dollars, against 360,000 tons and under $100,000 tons in 1939.

Future possibilities

2. Undoubtedly there are also many new possibilities which ingenuity, labour, and above all the application of capital can bring to fruition. Examples are:–

(a) *Groundnuts*. 5,000,000 acres of virtually vacant but potentially fertile land have been found in East Africa and a further mission has now reported that similar areas totalling 2,750,000 acres exist in West Africa.

(b) *Rice*. Possibilities of creating new rice-growing areas exist in both West and East Africa and in Borneo; and of developing the already established industry in British Guiana.

c) *Cattle*. There are 25,000,000 head of cattle in Africa, predominantly poor in quality and ill-fed. Their improvement and proper use is one of the biggest tasks facing us; and although risk of infection by disease must prevent, in the foreseeable future, any export of fresh meat, a large trade in canned meat is possible.

(d) *Borneo*. The territories of Sarawak and North Borneo are very largely untouched jungle but have many possibilities of new agricultural production.

(e) *Minerals*. The copper production of Northern Rhodesia can, with enough capital, be vastly increased; new deposits, e.g. of lead in Tanganyika and monazite in

Sierra Leone, are now being brought to production; it is certain that the geological surveys I am now organising will bring many more to light.

Present development schemes and specific productive projects

3. The following is a summary of the various services to which grants or loans have been devoted under the Colonial Development and Welfare Act, 1940, *up to the 31st March, 1946*:–

Class of Scheme	*Totals*
Agriculture and Veterinary	4,794,604
Communications and Transport	4,173,066
Fisheries	207,152
Forestry	523,955
Housing and Land Settlement	2,672,531
Industrial and Development (including Public Utilities)	454,183
Nutrition	261,813
Surveys	151,482
Telegrams, Telephones and Wireless (including Broadcasting)	265,355
Water Supplies and Irrigation	6,452,117
Labour	7,250

4. The following is a similar summary of grants and loans approved under the Colonial Development and Welfare Act, 1945, up to the 31st March, 1947:–

Class of Scheme	
Physical Planning, Surveys and Census	285,477
Communications:–	
(a) Civil Aviation	53,000
(b) Ports, Harbours and Water Transport	2,871
(c) Railways	–
(d) Roads	28,943
(e) Telecommunications and Posts	40,000
Economic:–	
(a) Agriculture and Veterinary	2,254,849
(b) Fisheries	26,093
(c) Forestry	363,697
(d) Irrigation and Drainage	118,933
(e) Land Settlement	58,613
(f) Soil Conservation	56,115
(g) Electricity and Power	–
(h) Industrial Development	3,943
Social:–	
(a) Education:–	
(i) Primary and Secondary	1,399,922
(ii) Technical and Vocational	87,814
(iii) Higher	407,820
(b) Nutrition	126,695
(c) Water Supplies and Sanitation	479,037

5. In Africa a large number of *special productive projects under Government*

agencies are either already in hand or are at present under investigation. They include the following:–

(i) *East* African Groundnut Scheme, estimated capital expenditure £25,000,000.
(ii) *West* African groundnut and other products, estimated capital expenditure £25,000,000 – £30,000,000.
(iii) Rice production extensions are being examined in practically every Tropical African dependency.
(iv) Animal industry. Large potentialities exist, especially in East Africa, Northern Nigeria and Northern Rhodesia. The Tanganyika Government has recently arranged in association with Messrs. Liebigs for the establishment of a new canning factory, and similar developments elsewhere are under consideration.
(v) Cotton. Extensions of production in Nigeria, Uganda and Tanganyika are being considered. Much depends on the securing of assurances of a market.
(vi) Paper pulp. Possibilities of production of paper pulp from bamboos or grasses in East Africa are being actively examined by Government as well as by private interests.
(vii) Fertilisers. Enquiries are being made as to the best method of exploitation on Government account of phosphate deposits in Uganda and of the possibilities of synthetic production of nitrogen in that area.
(viii) Railways. Railway extensions are being made in Tanganyika to serve

(a) part of the area to be developed for groundnut production; and
(b) a new lead mine.

An investigation is planned of the possible construction of a railway link between Tanganyika and Northern Rhodesia. Everywhere the main immediate need of the railways is for re-equipment to catch up with the wastage which took place during the war.
(ix) Other possibilities which are at present under examination include the introduction of jute production in Nigeria or East Africa, the extension of tung oil production in Nyasaland, and improvement of palm oil production in Nigeria.
(x) Special mention should be made of the Cameroons Development Corporation which has been established by the Nigerian Government to take over the former German-owned estates in the Cameroons and is developing on those estates the production of bananas, palm oil, rubber and possibly tea and cocoa.

6. In non-African territories there is, for various reasons, less scope for large Government projects but investigations are at present under way into:–

(i) development of coal deposits in North Borneo.
(ii) rice developments in Borneo.
(iii) an integrated scheme for drainage irrigation and rice production and milling in British Guiana.
(iv) new settlement projects in British Honduras and British Guiana, on which the report of the Evans Commission is expected in a few weeks' time.

7. *Private productive projects*. Information about these is necessarily incomplete, because there is no obligation on private concerns to inform Government of their intentions until they reach a stage at which some specific Government action, e.g. the grant of a concession or the issue of import licences, is required. The following

are, however, a number of important projects which are in train or known to be likely to be undertaken in the immediate future. It will be noted that these include no major agricultural developments because it is the general policy of the African administrations to avoid any further large alienations of land for plantation purposes so that agricultural development may be expected to go forward on the basis either of peasant holdings or in some form of State activity, as in the East African Groundnut project. The main classes of private development envisaged are:–

(a) *Transport*. United Africa Company envisage the expenditure of £1,750,000 on the modernisation of the Niger River fleet. In nearly all territories considerable expenditure on road transport facilities is expected (see Appendix VI).

(b) *Agricultural*

(i) Messrs. Tate and Lyle are just completing a new sugar factory in Jamaica at a cost of over £1,000,000, adding 30,000 tons of sugar per annum to the Colony's capacity.

(ii) Messrs. Booker Bros, McConnell and Co. Ltd. are spending some £1,250,000 on improvements and extensions of sugar factories in British Guiana.

(c) *Minerals*

(i) Extension of mining and refining of copper in Northern Rhodesia – £3,500,000.

(ii) Lead mine in Western Tanganyika (new deposit, commencement of production dependent on railway extension).

(iii) Extension of diamond production in Tanganyika (dependent on delivery of new machinery).

(iv) Extension of gold production in the Gold Coast (new issues total £750,000 approved by the Capital Issues Committee).

(v) Cameroons mineral exploration. Negotiations are in train for this to be done by an exploration company to be found jointly by the Nigerian Government and the London Tin Corporation.

(vi) Extension of tin production in Nigeria.

(vii) Rehabilitation of tin mines in Malaya.

(viii) Systematic exploration of gold possibilities in British Guiana by the Anaconda Co. Ltd.

(ix) Extensive oil refining developments in Trinidad (estimated capital cost £10,000,000).

(d) *Timber*

(i) United Africa Company are planning to spend £2,000,000 on timber developments in the Gold Coast and Nigeria.

(ii) In the Gold Coast the firm of Glikstens are erecting a new sawmill and plywood factory.

(iii) Extensive new timber developments in British Guiana by Messrs. Booker Bros, McConnell & Co. Ltd.

(e) *Manufacturing*. A number of individual factory projects are known, e.g.

(i) Extension of soap factory in Nigeria by Lever Brothers – £250,000.

(ii) New brewery, Lagos – £300,000.

(iii) Cocoa butter factory in the Gold Coast.

(iv) Edible oil and fats factory in Uganda (Unilevers) – £850,000.

(v) Textile production in East Africa – £2,500,000 – probably dependent on

support of Colonial Development Corporation.

(vi) Cement works in Northern Rhodesia – £360,000.

(f) *General Trading Activities*. A number of firms such as the United Africa Company, the Uganda Company Limited and the leading West Indian and Eastern firms have plans for the extension of warehouse and other trading facilities. The United Africa Company in particular envisage the expenditure of £1,000,000 in the next few years on warehouses and premises.

Monetary resources available

8. The following resources are in sight for development activities:–

(a) *Colonial Development and Welfare Funds*. £120,000,000 (made up of £85,500,000 allocated to individual Colonies and regions, £23,500,000 for central services including research, and £11,000,000 for general reserve).

(b) *Local revenues*. Moneys available from local Colonial revenues, i.e. surplus to current expenditure requirements, and loans to be raised on the Colonies own credit are expected to provide over £150,000,000.

(c) *Government Corporations*. The Overseas Resources Development Bill provides for total borrowing powers of £150,000,000 for the two new Corporations.

(d) *Private enterprise*. The funds possibly available through this channel are unlimited in the sense that, if the Capital Issues Committee give approval, there is unlikely to be any difficulty in getting any reasonable amount of private capital for profitable projects in the Colonies. The large concerns already established in the Colonies are known to command very large resources themselves in their own reserves and surplus funds.

(e) *American finance*. Consideration is being given to the possibility of securing funds from American or international sources for specific projects but nothing definite has yet been put forward apart from small isolated proposals for investment through private channels. The possible sources of possible American finance are

(1) the European Recovery Programme under which, if passed by the American Congress as now drafted, it will be possible for advances to be made to help specific productive undertakings;

(2) the International Bank for Reconstruction and Development. It is known that the Bank would be interested in loans for sound projects in Colonial territories and some discussions have already been held with officials of the Bank. Such loans would require the guarantee of His Majesty's Government and possible products are now being examined.

(3) Private investment. Certain proposals for private investment on a small scale, particularly in mining enterprises, are now going forward or are under examination, but it would probably not be desirable to encourage any such investment on a scale which would lead to American private capital acquiring a dominating position in individual Colonial territories.

Appendix II to 88: Colonial economic development – the limitations and how they can be tackled

It must be made clear that development of the Colonies is hampered by considerable obstacles. These include:–

(i) The great strength of local conventions in regard to land holding and social structure.
(ii) Problems of soil infertility, water supply, bush clearance and disease eradication.
(iii) Scarcity, inefficiency and ill-health of available labour; and lack of scientifically trained men to lead and direct new enterprise and development (e.g. agriculturalists, engineers, doctors, veterinary officers, etc).
(iv) Absence of basic services, (European occupation of most of our larger Dependencies dates back barely two generations, and there is little inheritance of the long accumulation of social capital—roads, waterworks, schools, hospitals, etc.—which we take for granted in western countries).
(v) Supply of physical capital. (All new developments need iron and steel, machinery, cement and other capital materials; and also consumption goods, textiles, hardware, food for the workers engaged on local construction).

Agencies of development

2. All available agencies of development must be mobilised to overcome these obstacles. The agencies can be grouped into three classes:–

(a) Colonial Governments using funds provided under the Colonial Development and Welfare Acts, surplus from their own revenues and loans raised from the public;

(b) Special Government or semi-Government bodies, including, on the non-commercial side, University institutions and, on the commercial side, the Colonial Development Corporation, the Overseas Food Corporation, and local development corporations formed by Colonial Governments such as the Cameroons Development Corporation.

(c) Private enterprise, including the established plantation companies in rubber, sugar, sisal etc.; the big general Colonial trading companies like United Africa Company or Harrisons and Crosfield; the big mining groups; financial institutions specially interested in the Colonies, such as Barclays Overseas Development Corporation; and a multitude of smaller local business concerns.

In the case of projects sponsored by private enterprise, co-ordination can be exercised by (i) control of new capital issues, whether in London or in the Colonies; (ii) import licensing, which controls inter alia the import of capital equipment; (iii) special intervention to secure priority in the supply from this country of equipment needed for essential projects; (iv) control of the issue of new concessions of land, mineral deposits, etc.; (v) controls over the recruitment of labour.

The part of local governments[3]

3. It will be difficult for us to operate on a single centralised plan and to reconcile that with the individual territories, controlled as they are by semi-autonomous Colonial Governments. Indeed, it would not be the wish of Ministers to go back on the Labour Party policy of political advancement in the Colonies. It is, therefore, an important corollary of all our work that we must seek the co-operation of these authorities in the fulfilment of our plans. The winning of local confidence is of fundamental importance and to do this we must demonstrate that our policy is no

[3] The page containing paras 3 to 7(a) of appendix II is missing from PREM 8/733. A replacement copy has been taken from CO 537/3030, no 5.

less bound up with the progress of colonial peoples than with meeting our own problems at home.

The part of private enterprise

4. I take the view that in addition to our own Government development corporations private business is also of importance in our development plans. Many of the small, but very useful, schemes of minor improvement will fall in this field. There is ample evidence of widespread private interest in Colonial possibilities, e.g. the large extension being undertaken by some of the leading sugar concerns and a number of industrial projects known to be planned by the United Africa Company.

5. Colonial development can be co-ordinated, and broadly supervised and inspired, by a central organisation but the execution of the task is one which cannot be undertaken by any single organisation or through any single class of organisations. It involves the action of a large number of Colonial Administrations, of several Government corporations, which are themselves likely in turn to create subsidiaries, and of a host of private organisations. But there must be co-ordination and an intelligent scheme of allocation between the various purposes if available resources, particularly of such scarce capital goods as iron and steel and machinery made from them, are to be used to the best advantage.

6. It will be essential that details of the existing plans of development both for Africa and for other areas through the various agencies, public and private, already mentioned—including much fuller particulars of the physical requirements for their execution—should be assembled centrally; and that there should be machinery for settling, on the basis of that information, the priorities in demands on the resources available, whether of steel from the United Kingdom or of labour within the Colony.

The essentials for development

7. These are:

(a) knowledge of potentialities; (b) a flow of ideas; (c) adequate financial provision; (d) basic services; (e) technical staff; and (f) material resources in the form of iron and steel, plant and machinery, cement, etc. and consumer goods.

(a) *Knowledge of potentialities*. Organisations are being created for systematic topographical and geological survey of the Colonies; research work is constantly going on into new methods of production and new products; and *ad hoc* arrangements are made as necessary from time to time for specific investigations into possibilities of individual crops etc., (e.g. the missions which have drawn up the plans for groundnut developments in both East and West Africa.)

(b) *The flow of ideas*. Constant stimulus is necessary here. I am doing everything to encourage interchange between the Colonial Service and the Colonial Office and to keep the minds of both freshened by, e.g. periodical refresher courses and *ad hoc* conferences (see Appendix V). Special missions of enquiry are sent out very frequently, e.g. the Commission on settlement possibilities in British Guiana and British Honduras, whose report I am now awaiting, the rice mission recently despatched to West Africa and a mission now enquiring into the economics of the sugar industry in Mauritius. I am also able through the extensive system of Advisory Committees in the Colonial Office, to get the advice and help of outside men and women of eminence in every field of science and administration (see Appendix IV).

We have also created an inter-departmental committee on Colonial Primary Products which has already done much useful work in surveying the needs and possibilities of new production. Much in the way of new ideas necessarily comes from private sources and as already indicated there must be every opportunity to use those ideas.

(c) *Finance*. The funds available under the Colonial Development and Welfare Acts (£120,000,000 over ten years) and the new Overseas Resources Development Bill (£150,000,000 for the two new Corporations) and in the hands of Colonial Governments themselves are for the moment adequate to meet the expenditure it is in fact possible to incur having regard to the limitations of physical supplies, but active and confident planning for the future requires an assurance that additional funds will be made available if they are shown to be necessary. It is necessary also to ensure that the formalities surrounding access to Colonial Development and Welfare and similar funds are reduced to a minimum.

It is a very real possibility that our own financial resources will in the event prove insufficient for all the tasks before us. Indeed today, and for some time to come, what we invest in the Colonies is in the last analysis drawn from what we are ourselves borrowing from America. Accordingly it seems to me we must look to the possibility of direct Colonial borrowing from America either through the International Bank or under the European Recovery Programme or both. Such borrowing would have special value in providing dollars to buy capital goods not otherwise immediately available and is being currently investigated interdepartmentally.

(d) *Basic services*. All the principal Governments have drawn up, or are drawing up, ten year development programmes in which are incorporated schemes to be assisted under the United Kingdom Colonial Development and Welfare Acts as well as schemes to be financed from their own revenues or loans to be raised on their own credit. These schemes are in general directed to the improvement of the background of basic services, especially communications, agricultural services, measures of irrigation and soil preservation, education and health services. They include substantial expenditure on what is normally classified as welfare, but I cannot too strongly emphasise the fundamental economic character of such expenditure. Development is held up to-day by the shortage and inefficiency of labour, and the inability of many Colonial people to work with the intensity of stronger races. The number of workers and their ability to work is directly affected by their state of health and therefore by the medical services provided. The efficiency of workers is equally directly affected by their education and technical training. I am fully convinced, therefore, that the inclusion of these "welfare" services in the ten year programmes is absolutely justified on economic no less than humanitarian grounds.

(e) *Technicians*. Everything possible should be done to assist training both of Colonial and United Kingdom recruits. The work of establishing university colleges, technical institutes and trade instruction in the colonies is going steadily on and much has been done in the last year; but no quick and radical remedy is likely to be found for this shortage for some time.

(f) *Capital goods*. The provision of adequate supplies of materials for capital development, especially iron and steel, is the major field for early United Kingdom assistance. Difficulties are most acute with regard to unmanufactured and semi-manufactured iron and steel and certain classes of machinery, e.g. electric generating machinery and agricultural machinery, especially heavy tractors and excavators. The problem of allocation procedure to meet Colonial needs is now being urgently

examined by the special Colonial Development Working Party recently set up under the Central Planning Section. I hope that my colleagues will confirm their intention to allot a high priority to these needs and will give prompt and sympathetic consideration to the detailed recommendations of this Working Party when received. It is equally important to give high priority to Colonial needs of consumption goods. It is not simply that "incentive" goods are required in order to persuade the local inhabitants to work; the higher incomes generated by development expenditure must be matched to a considerable extent by an increased availability of consumption goods. Otherwise the Colonies will be faced with a constant threat of inflation.

Vitally necessary as it is in present circumstances for the Colonies, to limit strictly their imports from dollar sources, the dollar imports they are asked to forego must be replaced—and, as time goes on, more than replaced—by imports from other sources, particularly the United Kingdom; and I feel bound to ask that essential Colonial requirements for consumption, as well as for capital goods, be given a very high priority by those responsible for guiding our export trade.

89 T 229/220 26 July 1948

[Colonial economic policy]: letter from Sir T Lloyd (CO) to the Treasury. *Annex*: CO memorandum on 'The Colonial empire and the economic crisis' for the African Conference (AC(48)5)[1]

The Secretary of State has asked me to send you the enclosed memorandum on "the Colonial Empire and the Economic Crisis." He sends it with some diffidence because of the considerable public discussion which has already taken place on the economic problems confronting the world and because Colonial Governors have already received a number of memoranda on the matter and have taken action to cope with some of the difficulties confronting us at the present. Nevertheless, there is some danger that without wide publicity inside the territories on the essential facts of the present continuing crisis certain misconceptions of policy may arise and, consequently, some deterioration of relations between Britain and the peoples of the territories may occur. Misunderstandings are likely if a wrong approach is made in Britain and too little emphasis is given to the place of Colonial Governments and peoples in economic expansion; or when it is expected that the Colonial public should be as alive as we are ourselves to the economic situation which has come about in the world and the particular needs of Western Europe. The public here are conscious of the heavy burden they carried in the war relative to their own resources, a burden probably heavier than that carried by any other country, and yet they must continue to face sacrifice and scarcity with the promise of more to come. They do not always find it easy to understand that other people may not fully appreciate their difficulties and sacrifices.

[1] This circular letter was sent over Lloyd's signature to all colonial governors. A copy of the letter despatched to Malta was sent to the Treasury for information.

2. On the other hand, considering the great difference which as yet exists between the average standard of living of the British people and that of the vast majority of Colonial peoples, it is not easy for the latter to understand why the former regard themselves as making any sacrifice at all. There are here obvious seeds of discontent and unhappy relations if public pronouncements are not very carefully considered and handled. It is important that those overseas should realise that the war was concerned with the preservation of the freedom of the peoples everywhere and that the prosperity of Britain is an essential factor in promoting the well-being and economic prosperity of the Colonial peoples. Equally, while we are all mindful of the deep rooted loyalty to Britain in the overseas territories, a false emphasis here regarding the present economic difficulties, or an attitude which assumes that economic development of the territories may be imposed as if the territories existed to meet the present shortages and difficulties of Western Europe, may prejudice good relations and increase the political difficulties in the territories. It hardly needs to be said that there is no intention on the part of His Majesty's Government to exploit the Colonial Empire for the sake of selfish United Kingdom interests or to impede in any way the political progress of the Colonial people, even if some individual statements made or action taken under pressure of present circumstances may perhaps expose us to doubt from certain types of critic.

3. The Secretary of State is convinced that we can escape most of these misunderstandings and turn the present situation to account by using the present period of crisis and trial for the whole Empire so as to demonstrate to ourselves and to the outside world that the inter-dependence of the Colonial territories and Britain is a real and powerful thing. To this end the ready interchange of information is a first necessity. I spoke earlier about the tendency on the part of the United Kingdom to assume that everybody else automatically realises this country's present difficulties and their causes. Clearly we cannot expect the fullest understanding of our difficulties from the Colonial public unless we tell them the facts, and unless this is done we ourselves at this end are largely to blame for the misconceptions and confusions which are bound to ensue. For example, people in the Colonial Empire are no doubt apt to wonder whether the United Kingdom is really in such difficulty as is made out, seeing that the Chancellor of the Exchequer is budgeting this year for a very large surplus (though admittedly at the cost of very large taxation); and they are also no doubt tempted to believe that the assistance which the United Kingdom is deriving from the European Recovery Programme puts us in "Easy Street". The Secretary of State feels that the Colonial Office can assist in providing material to counter any such misconceptions and to emphasise the really serious nature of the present economic position.

4. The enclosed memorandum has been prepared in the Office as a first essay in this task of "telling the facts". It sets out the salient facts about the present economic and financial crisis in this country and its repercussions in the Colonial field. It is, admittedly, not intended to be a public document, and should not be quoted or referred to in any public statement. We do hope, however, that the points which it seeks to make can in one way or another be made available to the public and that, subject to any comments which you or your Advisers may have, it may be found useful as background guidance for statements in your territory.

5. We should of course be most grateful for any comments which you may like to make on the problem raised in this letter or on the memorandum itself. I do not

forecast a series of regular "bulletins" but the memorandum is intended to be a beginning of a continuing process whereby we, from the London end, will try to send periodical appreciations of the financial and economic position of the United Kingdom. One final point I would urge. The economic aspect of Colonial policy is but part of the general plan and purpose of Britain in the Colonies and in no way, in our present efforts, diminishes the importance we attach to our present and long term policies for special welfare and political responsibility. All publicity should be directed to the balanced presentation of the essential features of British policy, even if from time to time emphasis is required on one aspect or another.

I realise that in the special circumstances of Malta, and of your own position there, not all of these considerations are applicable; but as this letter and the memorandum are being sent to all Governors, we thought it would be right for you to have them.

Annex to 89

1. After nearly three years of peace, most of the world is still suffering from the consequences of the war. The restoration of normal economic life has been delayed by shortages of the materials needed for rehabilitation and by the decrease in production, particularly of food stuffs, in war devastated areas, such as the rice producing regions of the Far East, aggravated by the increase in world population.

The United Kingdom, in particular, suffers from the depletion of its internal and external resources in the war and from inadequate production as an aftermath of the war.

Production in the United Kingdom and other European countries has been inadequate for all current needs of consumption, rehabilitation and development; and this, in turn, has occasioned a high degree of dependence on supplies from the United States which is reflected in the so called world dollar shortage.

The United Kingdom normally had an adverse balance of trade with the United States, but it has in the past, been able to meet that adverse balance by exports to other countries which had a favourable balance with the United States.

Most of these countries at the present time are no better off than the United Kingdom; indeed, as the 'stop-gap' aid for Europe, given by the United States in advance of the European Recovery Programme, indicates, many countries are in an even more serious position than the United Kingdom.

The difficulties confronting the United Kingdom in the economic sphere are more fully described in Chapter 1 of the 'Economic Survey' for 1948 (Cmd. 7344) . . . .

2. The serious consequences of these developments for the external financial position of the sterling area are vividly illustrated in the statement of the United Kingdom balance of payments for 1946 and 1947 in Table X on p. 15 of this document. It will be seen that during 1947 the gold and dollar reserves of the United Kingdom (which also constitute the reserves of the rest of the sterling area) decreased by no less than £1,023 millions. Whilst the biggest component in this total decrease was the deficit of the United Kingdom with the dollar area, it is noteworthy that the deficit of the rest of the sterling area with the dollar area increased proportionately far more in 1947, and that, whereas in 1946 the sterling area as a whole received on balance £80 millions in gold and dollars from other countries, in 1947 they paid to other countries on balance, £157 millions in gold and dollars.

3. In the summer of last year, when it became clear that the drain on the United Kingdom gold and dollar reserves was accelerating at an alarming rate, measures, which it is unnecessary to recapitulate here, were at once taken by the United Kingdom Government to bring the situation under control. At the same time co-operation in these measures was sought and obtained, both from the Dominions and from the Colonial Empire. As a result of these measures there was, during the last five months of 1947, a steady decrease in the rate of drain of the sterling area reserves which reached a peak of £156 millions in August, and by December had fallen to £48 millions. The first four months of 1948 have unfortunately not shown a similar decline in the rate of drain, and it still represents an annual rate of just over £500 millions. As the total remaining gold and dollar reserves of the United Kingdom amounted at the beginning of 1948 to about £680 millions*, it is clear that still greater efforts to remedy the situation are required.

4. The European Reconstruction Programme, now approved by the United States Congress and already in process of implementation by the American administration, represents a measure of assistance by one country to peoples outside its borders, whose generosity is quite unprecedented in time of peace. Nonetheless, supremely important as this assistance is, even if the share of it enjoyed by the United Kingdom is sufficient to cover the whole of the net deficit with the Western Hemisphere of the United Kingdom and its dependent territories (which is in itself unlikely) there will still remain the problem of the deficit of the rest of the sterling area. Moreover, the European Recovery Programme is planned to last until 1952 at the latest, and, as appropriations will have to be voted annually by the United States Congress, cannot be absolutely counted upon as long as that; and, unless the present disequilibrium in the balance of payments of the sterling area can be corrected during the period covered by the Programme, the Programme will have served only to postpone, not to prevent, the inevitable crisis.

5. In these circumstances the United Kingdom Government had decided that whatever American aid may become available to them through the European Reconstruction Programme, it will be necessary for them to continue and intensify the policies upon which they embarked last autumn with a view to reducing as rapidly as possible, the drain upon their gold and dollar reserves. These policies which are fully discussed in the Economic Survey for 1948 fall under the following main headings:—

(a) Measures designed to increase production, particularly in the basic industries and in dollar earning and dollar saving industries, (see especially Chapter II of the Economic Survey).
(b) Measures to increase exports, particularly to hard-currency areas, (see Chapter I(b) of the Economic Survey).
(c) Measures to reduce imports from hard currency areas and to secure essential supplies without payment of gold or dollars, (see Chapter I(c) of the Economic Survey) and
(d) Anti-inflation measures in the budgetary sphere, in wage and price policies, and in the control of investment programmes, (see Chapter 3 of the Economic Survey and the proposals of the United Kingdom Budget for 1948.)

* Excluding the balance of the Canadian loan which may not be available, but including the whole of the South African gold loan. [See part 4 of this volume, 416.]

6. By the beginning of 1948 these policies were already beginning to meet with some success. For instance, during the first quarter of 1948 the interim index of Industrial Production (1946 average = 100) stood at 121, and there had been a particularly welcome improvement in production of coal and textiles; and during the first quarter of 1948 the volume of United Kingdom exports had reached an average of 125% of the 1938 volume. But, as indicated above, the rate at which the drain on the reserves was still continuing at that date, showed that much still remained to be done.

7. It would not, perhaps, have been surprising if, in these difficult conditions, the United Kingdom had decided that it could not continue to devote any substantial proportion of its limited resources in money or materials to Colonial Development. In fact, however, the United Kingdom is determined, despite all its difficulties, to continue to play its full part in the development of the Colonies.

The Colonial Development and Welfare Act of 1940 was amended in 1945 and the amount to be devoted from United Kingdom funds to the development of the resources of the Colonies and the welfare of their peoples, was then increased to a total of £120 millions.

Plans for the development of most Colonies, in accordance with this Act, have been framed, considered and approved, and many individual items have already been initiated. The Overseas Development Act which has now received the Royal Assent, provides for the financing from the United Kingdom funds to the Colonial Development Corporation, and the Overseas Food Corporation, to the extent of £100 millions, and £50 millions respectively, and the Secretary of State has recently addressed to Colonial Governments a despatch enclosing a Memorandum by the Chairman of the Colonial Development Corporation asking for the early submission of schemes to increase production in Colonial territories.

In a lesser degree the revised double taxation arrangements into which most Colonies have entered, have enabled considerable revenue to be transferred in many cases from United Kingdom Exchequer to the Colonies in which United Kingdom Companies function.

Finally, special consideration has been given to the improvement of existing arrangements for ensuring that there is made available to the Colonies from the United Kingdom, a fair share of the iron and steel and other capital goods, without which the finance thus made available, cannot be effectively utilised.

8. There are two main considerations which have weighed with the United Kingdom in its decision not to waver from the objective of developing the economic resources of the Colonies, and raising the standard of living of colonial peoples.

First, colonial peoples themselves are demanding a higher standard of living with the amenities which that implies and the United Kingdom Government considers it to be its duty to help to put them on the road to attain them.

Secondly, it is the considered view of the United Kingdom that the development of the economic resources of the Colonies and the possibilities of triangular trade which such development opens up, is one of the most important means by which, in the long term, it may be possible to bring the balance of payments of the sterling area as a whole, once more into equilibrium. The words "long term" are here used deliberately; for it is fully realised that increased production in the Colonies must be based on the steady improvement of their social, health and educational services and on their communications and other basic economic services as well as on the actual

initiation of new industrial or agricultural projects.

9. It must however, be recognised that although there is thus no conflict between the interests of the Colonies and the long term interests of the United Kingdom Government, the decision of the United Kingdom to continue and intensify its support for Colonial Development, does, in a short term, carry with it certain dangers against which it will be necessary to guard.

The United Kingdom Government feels sure that Colonial Governments will wish to play their full part in averting those dangers.

10. The dangers referred to in the preceding paragraph arise from the fact that development projects in the Colonies give rise, from the moment of their initiation, both to demands for capital goods and to increased incomes, which in their turn, create increased demands for consumer goods; whilst the dividends which they can be expected to bring in the form of increased production for local consumption and for export, are necessarily delayed. These increased demands for capital and consumer goods can, for the most part, only be met by imports, either from the United States and other hard currency sources, or from the United Kingdom at the expense either of United Kingdom exports to other destinations, particularly hard currency destinations, or of already inadequate United Kingdom levels of investment and consumption.

11. The United Kingdom Government, for their part, are fully aware that the finance made available for Colonial Development must be matched by supplies of capital and consumer goods if that finance is not to be rendered ineffective, and it is their considered policy to make available for this purpose, as great a quantity of supplies as can be released without creating an unbearable strain on their own limited resources and thus endangering, in the difficult years immediately ahead, both the stability of the United Kingdom itself, and amongst other things, the whole future of the policy of Colonial Development.

12. It must be recognised nonetheless, that, however great the effort made by the United Kingdom on these lines, the supplies of capital goods and consumer goods which can be made available for the Colonies are not likely to be sufficient to support, during the next few years, all the projects of Colonial Development which may in themselves, appear desirable, or to enable the increased incomes, which will be generated by the projects which are in fact initiated during those years, to be fully reflected in a correspondingly increased real standard of living. From this, certain conclusions affecting policy of Colonial Governments themselves would appear to follow.

13. First, it is essential that supplies of capital goods which it is possible to make available to the Colonies should be used for the most essential purposes; secondly, it continues to be necessary for Colonial governments to control imports, and in particular, to ensure that restraint is exercised in the importation of less essential consumer goods, especially when they have to be paid for in hard currencies; and thirdly it will be necessary for all Colonial Governments to be constantly on their guard against the dangers of inflation.

14. It follows from the first conclusion that it would almost certainly be necessary for Colonial Governments during the next few years to exercise a considerable measure of control over local investment programmes and possibly to control or supervise the use of some special categories of scarce capital goods. It follows also, that the closest attention should be paid to methods of economising in

the use of scarce materials, especially iron and steel, by adopting methods of building and engineering construction which call for the minimum requirements of such materials. Public Works Departments will, therefore, no doubt give close thought to the possibilities of changes in constructional methods and specifications with that object in view. Indeed, this consideration points to a conclusion of rather more general application—that is, that every encouragement and stimulus should be given to the undertaking of the simpler kinds of construction from purely local materials and with local and, where possible, voluntary labour, in cases in which hitherto it may have been taken for granted that more elaborate constructions requiring imported materials and paid labour forces would automatically be adopted. Clearly, there are limits to possibilities of that kind, but in many areas it has in fact been found that real benefit can be obtained from the construction say, of a very simple kind of school building or local dispensary which has thus become available a considerable time before it would have been possible to provide more elaborate buildings, having regard to the prospective availability of supplies for such more elaborate construction.

There are strong arguments for the use of such simple construction at all times, but in the present economic difficulties these arguments have special force. If local enthusiasm for simple construction of this kind can be stimulated in the less developed areas, it may be found that the local communities will give their labour voluntarily and without pay. This has been the experience of certain mass education campaigns, and quite apart from its immediate value, may provide the key for example to the adequate spread of primary education or rural health services in the future.

15. Import control has been the subject of two long saving telegrams which the Secretary of State has recently addressed to Colonial Governments. It is not, therefore, necessary to dilate upon this subject here. In most Colonial territories, the need to control imports, particularly imports from hard currency sources, should be readily understood; for they, like the United Kingdom, do not themselves dispose of the necessary hard currencies to buy all the goods which they would like to buy from hard currency sources. In territories such as Malaya and the Gold Coast, which are substantial net earners of dollars, it is, of course, inevitably much more difficult to convince public opinion of the need to restrict dollar expenditure. It will, however, be appreciated that for territories in this position to claim a right to expend all, or a greater part, of the dollars they earn would make nonsense of the whole conception of the sterling area; for there is no point in having a pool if each member takes out of the pool precisely what he pays into it. The essence of the sterling area system is rather that each member should be entitled to have his reasonable needs met from some source.

16. Turning to the problem of inflation, recent increases in the prices of primary products (rubber is the only exception among major Colonial products) and the resulting increases, not only in the wages of primary producers, but in wages generally, have already given rise to inflationary tendencies in many Colonies; and, insofar as increased incomes generated by Development programmes, as they gather pace, cannot be fully matched by increased imports of consumer goods, the danger of inflation will become more acute.

The theoretically ideal way of meeting such a situation is that voluntary personal savings should absorb the excess of purchasing power. Voluntary saving on so large a

scale may not always be possible; but, nevertheless, savings campaigns should be maintained wherever possible.

Where savings are inadequate it is the duty of the Government to act on behalf of its people and to supplement private and voluntary saving by communal and compulsory saving through increased taxation. In the present circumstances in which Colonial territories find themselves, the importance of this fundamental point can hardly be overstressed. It is commonly argued that in developing territories a high level of taxation is an evil. But that is not necessarily so, if the taxation is not such as directly to increase costs above a level which leaves a sufficiently attractive margin of profit, and if in allocating revenue from taxation due attention is paid to development.

17. On the other hand it is in the Colonies' own vital interests by direct and indirect taxation, as may be appropriate, to convert the unsatisfied (and in the present circumstances, unsatisfiable) purchasing power, into a reserve which will not only obviate the dangers of immediate inflation, but will also provide financial resources against possible lean years to come and for future development and welfare at a time when present world shortages of essential capital and consumer goods have been overcome.

It is recognised that it may be no easy matter to convince public opinion that, more than 2 years after the end of the war, it is necessary to maintain or even increase wartime levels of taxation.

The real standard of living is, however, ultimately dictated not by the levels of spendable money incomes, but by the amount of goods which can be made available for consumption. If spendable money incomes were allowed to rise faster than the available supply of goods, the only result in the end would be a runaway inflation with all the suffering and injustice which would inevitably follow in its train.

18. In the United Kingdom, where this danger of inflation has similarly been present during recent years, any large rise in the cost of necessities has been prevented by strict price control, the effectiveness of which is generally conceded to depend on an elaborate system of physical controls based on rationing.

Such a system is unsuitable for, and administratively impossible in most Colonies, and effective price control is correspondingly weakened. But even in the United Kingdom it has been found essential to supplement physical controls by fiscal measures, such as increases in the purchase tax and retention of high rates of both direct and indirect taxation. This was, for instance, the reason for the supplementary budget introduced last Autumn in the United Kingdom, and, as has been made clear in the Chancellor of the Exchequer's speech, is the main inspiration of the Budget, for 1948/49. When each of these Budgets was introduced, the United Kingdom's internal financial affairs were sound if not prosperous. The estimated surplus for the year was considerable. But in a situation where there was at one and the same time full employment, and an urgent need both to increase exports and to reduce imports, the inflationary danger was increasing; and it was solely to avert this danger that it was found necessary to reduce available purchasing power by increases in taxation.

19. In the Colonies, where the physical controls exercised in the United Kingdom are absent or less efficacious, it is all the more essential to employ the fiscal measures of surplus and increased revenue.

This is essential in those Colonies where there is, on the one hand, an unusual quantity of money available from high commodity prices and expanding investment,

and on the other, an insufficiency of consumer goods. Failure to utilise to the maximum extent possible the appropriate fiscal weapons will, in such conditions, inevitably result in the territory being faced with inflation, and the discontent and political disturbances that inevitably follow in its train.

90 T 236/694 16 Aug 1948

'Economic planning in the colonies': Treasury note of an inter-departmental meeting of officials (13 Aug).[1] *Annex*: CO memorandum

The meeting considered the paper on Economic Planning in the Colonies which had been prepared by the Colonial Office, and in particular the scheme for preparation of annual economic surveys from each of the Colonial economic units.

The meeting agreed that there was a clear need for some improvement on the present ad hoc arrangements for meeting the needs of the Colonies and for relating those needs with the maintenance of existing economic activity in the Colonies and planned development schemes which had been approved.

On the other hand, there was undoubted force in the Colonial contention that Colonial requirements tended to suffer, in the Whitehall allocating machinery, when they came up against either U.K. requirements or requirements of foreign and Dominion countries, particularly those scheduled in bilateral agreements. A new spirit and a better recognition of Colonial needs, seemed to be wanted, at least as much as improvements in organisation, if the wish of Ministers to secure the free [sic] economic benefit from the Colonial development plans were to be achieved.

On the particular scheme proposed in the Colonial Office paper, the following objections were made:—

(1) The aim of annual economic surveys as complete as those envisaged in the Appendix to the paper, from each Colonial economic unit was too ambitious to be practicable in the present intense shortage of trained staff both in the Colonies and in Whitehall.

(2) The surveys proposed, while admirable in intention, were to some extent more detailed than we had found practicable to carry out in this country with all our resources.

(3) The paper implied that a vastly greater degree of guaranteed delivery should flow from approval by the proposed Colonial Economic Policy Committee than was conceivably possible. In this country we had abandoned the system of priorities in favour of allocation and we would not wish to see priorities reintroduced.

(4) Deficiencies in supply against approved requirements could never be reflected in a proportionate increase in the Colonial dollar ceiling.

It was agreed, however, that the background information which would emerge from surveys of the sort contemplated would be most valuable in securing the

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[1] Present: *Treasury* Sir E Bridges (permanent secretary), Sir B Gilbert (second secretary), Sir E Plowden (chief planning officer and chairman of Economic Policy Board), T L Rowan (second secretary), A T K Grant (assistant secretary), R C Griffiths (private secretary to Sir E Bridges); *CO* Sir T Lloyd, W L Gorell Barnes; *Board of Trade* S L Holmes (second secretary, Overseas Division).

allocations required for the Whitehall allocating bodies. It would also be possible, without giving the proposed committee guaranteed delivery of approved requirements, to put needs approved on this basis on a par with those of countries with whom we had bilateral agreements. One of the important things which it was desirable should emerge would be a statement of the basic requirements of the Colonies to maintain existing facilities. For requirements beyond this level it should be possible to give guidance from Whitehall and agree it with the Colonies as to the particular fields of development to be encouraged.

After some discussion it was agreed that, although the scheme at present was over-elaborate, it was in the right direction and full support might be given to a modification of the scheme on the lines of working through the establishment of formal import programmes for each Colonial area, as a first step, and then developing in the larger and more important Colonial economic units an economic survey which would provide the necessary background information to the import programmes which would enable requirements to be supported and justified and allocations to be made in London on a firmer basis than hitherto. The machinery for dealing with these programmes and surveys in London would need to be so arranged as to work in with the O.N.C. and the existing allocations machinery. It should also provide for the attendance of Colonial representatives if required, in suitable cases to support the case for Colonial requirements before the appropriate bodies in London. This was particularly desired by the Colonial Office on political grounds.

Such a scheme however, did not appear impossible to construct and the meeting was confident that the required new spirit in Whitehall towards Colonial requirements could be substantially achieved by proceeding on these lines, which should not involve a requirement for substantially greater numbers of staff than are now available.

Annex to 90

I. *Introduction*

Until the end of 1947 conscious economic planning in the Colonies was more or less confined to the preparation by Colonial Governments of "ten year development plans" and the consideration of these plans by the Secretary of State. The value of these plans, which it has recently become fashionable to underrate, is considerable; for they ensure that the development of those activities and services, for which Colonial Governments are themselves responsible, is considered as a whole and they provide a most useful yardstick by which the relative merits and priority of individual development and welfare schemes, as they come forward for approval, can be judged. It remains true, however, firstly that these ten-year plans cover only the Government sector—even railways and ports are often left out of account, even though they are Government-owned, because they are managed by separate administrations; and secondly that they are conceived and expressed solely or mainly in terms of finance—at the time when their preparation was set on foot, it was not realised that certain kinds of goods and manpower were going to be more difficult to find than money with which to pay for them.

2. It was largely to fill these gaps that the Colonial Development Working Party was set up at the turn of 1947–1948 and that, in February, 1948, it was decided to set

up, within the Economic Division of the Colonial Office, and Economic Intelligence and Planning Department, one of whose main duties it is to provide the link between the Colonial Office on the one hand and, on the other, the Colonial Development Working Party in particular and the Central Planning machinery of the United Kingdom Government in general.

3. The Colonial Development Working Party has done, and is still doing, very valuable work. Its principal method of work is to assemble data, obtained from Colonial Governments, from the Crown Agents for the Colonies and from other sources of information, about Colonial requirements of those goods such as iron and steel, cement, fertilisers, railway equipment etc., without which development cannot take place; to consider these requirements against the background of United Kingdom supplies and availabilities; and then to submit to Ministries conclusions and recommendations about the adequacy or otherwise of existing allocations to the Colonies. As a result of this work the allocation of steel for the Colonies has recently been doubled (though the word "allocation" is too precise and it must also be remembered that the Colonies have since the war been obtaining more than half their supplies of steel from sources of supply (discards, surpluses etc.), which are not subject to allocation and may soon begin to dry up); and, although actual recommendations regarding other goods have not yet been made to Ministers, the Colonial Development Working Party's activities have certainly been of great assistance to the Colonial Office in their efforts to secure from other departments of the United Kingdom Government practical recognition of the fact that the policy of colonial development cannot be carried out unless the necessary goods are made available.

4. There has, therefore, been considerable progress—progress which should in due course be reflected in further achievements (how many of the critics of the organisation of Colonial planning are aware that the Colonies, whose balance of payments with the Western Hemisphere was just about in equilibrium in 1947, are likely to earn about $150 millions net in 1948?). Why, then, should there be such a widespread feeling—and there certainly is both within and without the Colonial Office—that all is not well?

5. The present arrangements have the following shortcomings:—

(a) Over most of the field it is still not possible to relate ends very closely to means. Thus, no one is in a position to say what the precise consequence will be if the Colonies get 1,000 tons less or more of, say, steel;
(b) Partly because of this, but also because of defects of organisation, many officials in other United Kingdom Departments (though there are noteworthy and increasingly numerous exceptions) have no interest in the Colonies and feel that they have no responsibility for the effect in the Colonies of their decisions;
(c) In the Colonies there is still insufficient co-ordination of the various sectors (Government, public utility, private) of the economy;
(d) In Whitehall not nearly enough attention is paid to the economic balance of individual Colonies and to the effect on that balance of decisions taken in London;
(e) Above all—and this is perhaps the main cause of most of the other defects—London and the Colonies are far too remote from one another—far more remote than is necessary with the ease and speed of modern air travel.

6. Many of these defects might not matter nearly so much were it not for another

change which took place in the economic relations between the United Kingdom and the Colonies at the turn of 1947–1948 and which has not so far been mentioned. Up to August, 1947 instructions sent to Colonial Governments on import control had been couched in general terms and no attempt had been made to enforce detailed control from Whitehall. But immediately after the August crisis Colonial Governments were asked to provide estimates of their imports from the Western Hemisphere during 1948 and these hurriedly compiled estimates were subsequently imposed upon Colonial Governments as "ceilings" to their expenditure on imports from the Western Hemisphere. The operation of this system of "dollar ceilings" is controlled in London by a Committee known as the Colonial Dollar Drain Committee, consisting of representatives of the Colonial Office, the Treasury, the Board of Trade and the Bank of England. This Committee is prepared, on request, to review a Colony's dollar ceiling and, if a strong case is made out, to sanction an increase. But, mainly because of the lack of reliable statistics, it cannot be said that its methods of review are very scientific or that it is in a position to assess with any accuracy the effect of its decision on the economy of any given Colony.

7. Continued control of Colonies expenditure on dollar imports is inevitable. An abandonment of the dollar ceiling system at the present time, though it might possibly work out all right in the end, would result immediately in a very considerable increase in dollar expenditure such as, in present circumstances, we could not afford financially, diplomatically or politically. But its imposition removed a safety-valve; and, if it is to be continued without risk of disaster, both it and the other operations in the sphere of colonial economic planning will have to be carried out more scientifically in the future.

II. *The scheme*

8. It is no easy matter to devise a satisfactory scheme for colonial economic planning. Here are some of the difficulties:—

(a) Economically, the colonies are far from forming a homogeneous group: the economic circumstances of Malaya could not be more different from those of, say, Jamaica; most of the economic problems of East Africa are different from those of West Africa; and, even within West Africa, the economic position of the Gold Coast is utterly different from that of Sierra Leone. Clearly, therefore colonial planning, if it is not to be entirely unreal, must be based on a number of individual plans for individual territories or, where this is economically justified as it probably is in the case of East Africa, groups of territories;

(b) Again there has, in recent years been a very rapid advance in political development and political and national consciousness in most Colonial territories. Economic plans will, therefore, tend to be little better than scraps of paper if they are made in Whitehall. They must be, and be felt to be, the work of Colonial Governments and, so far as possible, of Colonial peoples themselves;

(c) On the other hand any colonial economic plan will depend for its execution on the importation into that Colony of goods many of which can only be obtained not only with the cooperation of, but often by the deliberate decisions of, the competent departments of the United Kingdom Government. Its approval will, therefore, involve commitments at least as much for the United Kingdom Government as for the Colonial Governments.

9. With these points in mind, the following scheme is proposed:—

(a) The Government or Governments of each economic unit in the Colonies should be asked to prepare an annual Economic Survey, starting with a Survey for the year 1949. The precise contents of these Surveys would no doubt have to be slightly different according to the varying stages of economic development of the different territories; but proposals regarding the normal scope of the Surveys are contained in the Annex[2] to this memorandum. The only absolutely essential point is that every survey should contain two import programmes—a programme for certain capital goods requirements for various periods up to five years ahead, and an annual programme for consumer goods which need only include detailed requirements for the most important items, the remainder being expressed in terms of value—each showing proposed sources of supply; though the more information they contain about the objects of these programmes and the consequences of failing to achieve them, the more likely they are to be intelligently handled in London. Where appropriate Colonial Governments would bring "unofficials" into consultation in the preparation of these surveys;
(b) These surveys would be considered in London by an official Colonial Economic Policy Committee which would supersede both the Colonial Development Working Party and the Colonial Dollar Drain Committee. The Chairman of this Committee would be the Deputy Secretary in Charge of the Economic Division of the Colonial Office and the Vice Chairman the Deputy Chief Planning Officer (or vice-versa). The other regular members would be the Under-Secretary in charge of planning and supplies at the Colonial Office and representatives of the economic departments of the United Kingdom Government—Treasury, Board of Trade, Ministry of Supply, Ministry of Food etc.
(c) Representatives of a Colonial Government, who might include unofficials, would take part in the discussion of its survey at the Colonial Economic Policy Committee. The appropriate Geographical Division of the Colonial Office would, of course, also be represented.
(d) Each Import Programme would be approved, with or without amendment by the Colonial Economic Policy Committee or, in the event of disagreement, would be submitted to the Economic Policy Committee of the Cabinet (to which the Secretary of State for the Colonies would be added for this purpose) with a note on the point or points at issue.
(e) Approval by either the C.E.P.C. or the E.P.C. of the Import Programme for a Colony or group of Colonies would automatically carry with it:—

(i) approval of any hard currency expenditure involved in the two import programmes;
(ii) an instruction to the supply departments concerned to secure the export to the Colony of the United Kingdom goods provided for in the two import programmes.

(f) for the purpose of carrying out (e) (ii) above each Supply Department would establish a special Colonial Section. There would also be, centrally placed, a "Co-ordinator of Colonial Import Requirements" whose job it would be to

[2] Not printed.

co-ordinate and progress [?process] the work in this field of the Supply Departments, the Crown Agents and the manufacturers and to submit regular progress reports to the Colonial Economic Policy Committee. He might require a small staff.

(g) At the first sign of a failure in imports from the United Kingdom or from soft sources, a Colony's hard currency ceiling would at once be correspondingly increased.

(h) Colonial Governments would be required to submit, for consideration in the Colonial Office and by the Colonial Economic Policy Committee brief quarterly reports on the progress of the plans and programmes contained in their Annual surveys.

(i) The normal work of the Colonial Economic Policy Committee would consist in the consideration of the Annual Economic Surveys and of Progress Reports submitted by Colonial Governments and the Co-ordinator of Colonial Production Requirements. It would, however, always be open to the Colonial Office or to any other Department to bring separately before the Committee any question of policy or principle in the field of Colonial economic policy.

III. *The difficulties and dangers*

10. The presentation of the scheme in the preceding section is a little "simplistic" and does not bring out some of the difficulties and dangers which would have to be overcome.

11. The first difficulty is that it is unlikely that many Colonial Governments—particularly those who are still without anything in the nature of the "Economic" or "Planning" Secretary or Adviser or proper statistical assistance—would be able without help to compile even a fairly elementary survey. The assistance of the Economic Liaison Officers, who are now in process of being appointed, would be available. But they will be new not only to the Colonies but also to Whitehall. It is certain therefore that, to begin with, at any rate, Whitehall (mainly the Economic Division of the Colonial Office and the Central Economic Planning Staff) would have to send appropriate people on visits to the Colonies to assist in the work. (This might, indeed well be a permanent feature of the organisation. For nothing but good can come of increased exchanges of visits; and it is desirable that first hand experience of colonial conditions should not be confined to liaison officers but should, to some extent, be shared by those with executive responsibilities).

12. Then there is the time factor. Economic Surveys for 1949, to be of any real value, must be completed by the middle of November and approved before Christmas. Is this possible? The answer to this question probably depends on the extent of the assistance which London is prepared to make available to Colonial Governments in preparing these surveys (see para. 11 above). If Whitehall as a whole is not prepared to make a big effort on this, it might be better that the first series of surveys should cover the twelve months June 30th 1949–July 1st 1950.

13. The transition from the existing to the new arrangements would also have its dangers. There might well be a tendency to suspend action on various aspects of Colonial economic policy until the surveys had been completed, or even until they had been approved. This must not be allowed to happen. In particular the work being done under the auspices of the Colonial Development Working Party should go forward with all possible speed and will, in fact, be found to be of great assistance for

the preparation and consideration of the proposed surveys.

14. Finally, there is a more fundamental difficulty. Can the United Kingdom Government be expected to approve any one import programme, involving as it will commitments for the supply of scarce materials, until it knows the extent of the commitments involved in all the economic surveys? And, if it does, is there not a danger that, as a result, too large a share of available scarce supplies will go to those Colonies who get their surveys in first?

15. Until very recently the Colonies have tended to be a sort of "residual legatee"—i.e. they have tended to get what was left over after bi-lateral commitments etc. had been fulfilled. It would perhaps be poetic justice if, in future, they were, so to speak, to get "first pick". Nor is it so unreasonable as it may sound to suggest that requirements to meet Colonial economic programmes which have been approved as being reasonable, well balanced and calculated to secure a degree and kind of development which is in the interest of all concerned, should be a first charge on supplies available to the Government which is responsible for the Colonies' well-being and development. Nor, again, would the sacrifice to the narrow interests of the United Kingdom be so very great; for Colonial requirements of nearly all commodities represent but a fraction—and the difference between requirements and present allocations but an infinitesimal fraction—of total supplies available to the United Kingdom. Yet, that infinitesimal fraction may often be of very great importance for the development, or economic balance, of a Colonial territory.

16. It is hoped, therefore, that the United Kingdom Government will be prepared to approve a survey and to accept the commitments involved without waiting for all the other surveys—provided of course that they are satisfied that, given our responsibilities towards the Colonies and our declared policy of colonial development, the plans contained therein are reasonable and desirable. If they are not so prepared, there would appear to be two alternatives:—

(a) Either given quantities of given commodities could be allocated to the Colonies as a whole and then sub-allocated by the Colonial Office as between Colonies, who would then take this rate of supply as a basic assumption for their planning, or

(b) The surveys could be taken in two stages. At the first stage they would only be approved in principle. Then, when all surveys had been approved in principle, the requirements of scarce commodities would be aggregated and, if for any commodity they seemed excessive, the surveys would, at this second stage, be reviewed and, where necessary, modified before final approval as a basis for action.

(a) above would be very arbitrary and would mean in effect that, as at present, decisions would be taken in London without any real appreciation of their effect either on the economic balance of individual Colonies or on their contribution to the future of the sterling area, (b) would be appallingly cumbrous. It would perhaps be better than (a) if one or the other were inevitable. But it is most strongly urged that, in this matter, the United Kingdom Government should, in its economic relations with the Colonies, be ready to take at least as great a degree of risk of over-commitment as it takes in conducting bilateral negotiations with foreign countries.

17. All these difficulties and dangers can easily be overcome if the United Kingdom Government as a whole is prepared to take this business of Colonial development and Colonial economic planning really seriously and to make the

relatively small sacrifices involved in doing so. If they are not, there is likely to be continual trouble in our large dollar-earning Colonies, with the ever-present danger of our being left only with the considerable liability of those which are bound to *cost* dollars. If they are, then we can look forward over the years to a steady expansion of the Colonies' wealth and dollar-earning capacity. It is that way—and not by pressing our exports into a precarious American market—that our economic salvation lies. But it can only be done if we are prepared to pay in exports—and see that we do pay and in goods which the Colonies want—for the imports and dollars they send us.

91 T 236/694 19 Aug 1948

'Colonial development': CO memorandum for the Treasury on the four-year programme. *Annex*: indices of annual export targets

[In forwarding this draft memorandum to Sir E Plowden, the new chief planning officer, W L Gorell Barnes (CO assistant under-secretary in the Economic Dept) wrote as follows: 'If you do play about with it much, I think the most important point, from our point of view, is that the balance should be kept between e.g. political and economic considerations, contribution to viability and the direct interests of Colonial peoples, production for export and production for the improvement of nutritional standards in the Colonies, etc., etc., and I am sure that by now you are fully alive to the dangers of putting exclusive emphasis on the first of each of these pairs'.]

Present position

1. Unlike the United Kingdom, the Colonies as a group, are substantial net dollar earners. This in itself shows that considerable progress has already been made towards recovery from the effects of the war, including the damage and devastation caused in some of the Far Eastern territories by several years of enemy occupation. The rate at which this recovery has proceeded, and the extent to which the Colonies have already begun to assist in redressing the balance of payments between the dollar area and the rest of the world, is shown by the following figures of net Colonial dollar earnings. When the war ended the Colonies were in deficit with the dollar area. By 1946 the Colonies had managed to balance their payments with the dollar area, and in 1947 they developed a favourable balance of about $15,000,000. During 1948 Colonial net dollar earnings have been running at a rate of about $150,000,000 a year. This is a substantial contribution towards European viability. Nevertheless it should be remembered that their contribution as dollar savers, by the production and export to European countries of raw materials and foodstuffs which would otherwise have to be purchased for dollars, is far greater.

2. The Colonies have managed to increase their net dollar earnings both by increasing their production of goods for export to the dollar area and by restricting the import of inessential goods from it. The most striking success which has been achieved on the positive side of this policy has been the rehabilitation of the rubber and tin industries in Malaya after the damage and neglect caused by several years of enemy occupation. Production of rubber had risen to 646,376 tons in 1947, during which year 456,639 tons were exported to the United States of America the approximate value of which was £44,500,000 f.o.b. Singapore. During the first half of 1948 (January to June inclusive) 198,607 tons, worth £25,600,000 f.o.b. Singapore was exported to the United States. The rehabilitation of the tin industry presented

greater problems, as it involved considerable supplies of capital equipment such as dredges, but exports in 1947 had already reached 32,089 long tons of tin metal, of which 17,500 tons, to the approximate value of £7,400,000 at Singapore, were exported to the United States of America. It is estimated that exports in 1948 will reach 45,000 long tons of tin metal, while exports to the United States in January to May inclusive, 1948, have already reached 13,850 long tons which was worth approximately £6,900,000 in Singapore. On the negative side, Colonial Governments, in common with other countries outside the dollar area, have taken steps, through their import licensing policy, to restrict the import of inessential goods from the dollar area.

3. The Colonies cannot continue to contribute to European viability on such a substantial scale, both as dollar savers and as dollar earners, unless the United Kingdom, and other countries outside the dollar area pay for Colonial exports both to the non-dollar and the dollar area by exporting to them adequate supplies of consumer and other goods of the type they require. It is therefore necessary, when considering the desirable rate of export of consumer and capital goods to the Colonies, to take into account the need to pay not only for the raw materials which are required by the non-dollar area but also for the export surplus with the dollar area itself.

Possibilities of increasing colonial production

4. Since the war the main effort towards increasing Colonial production has been directed towards making up for the neglect and damage caused during the war years, and to restoring to their prewar level of efficiency the basic capital equipment in the Colonies such as the Colonial railway systems. This task has not yet been completed, though it is hoped that the arrears will be made up within the next two years. The immediate task will then be to expand the rehabilitated equipment sufficiently to handle the increased production which will be forthcoming from development projects which are already in hand and will produce results by 1952–53.

5. In the short term, the main obstacles to the increased production planned for 1952–53 are shortages of such capital equipment as steel, cement, and railway rolling stock, certain kinds of consumer goods and other imports essential to development such as fertilisers, and of skilled supervisory staff, technicians and tradesmen. Nevertheless, even in the short term production will not for long increase, nor will even the existing level of production be maintained, unless economic development is accompanied by a corresponding increase in the development of social and welfare facilities.

6. The primary object of development in the Colonies is, of course, to improve the standard of living of the inhabitants. This improvement can, in turn, only be achieved by economic development resulting in an increase of production sufficient to pay for an increased standard of living. It is also true that increased production must be accompanied by a corresponding increase in standards of living which are the justification and the incentive for the productive effort required. The increase in production which is planned in the Colonies is therefore part of a wider development programme which will require corresponding investment in social services, such as education and health, which will, by improving the health, by increasing the skill and technical knowledge of the inhabitants of the Colonies, and by fitting them for the duties and responsibilities of citizenship, promote political stability without

which orderly progress is impossible, and lay the foundations for further economic development. This balanced development will mean that some of the increased production which will be achieved by the Colonies will be absorbed by increased local consumption, especially foodstuffs, particularly as the general nutritional and living standards in the Colonies, in common with many other tropical countries, are far lower than those already attained by the more developed countries of Western Europe who are participating in the O.E.E.C.

7. The development of new fields of production, and the opening up of new land, is inevitably a long term proposition. Owing to the low level of basic economic equipment in the Colonies, particularly transport, the initiation of any new large project for increased production almost invariably entails large scale new capital equipment in the form of new railway lines and similar installations. It also involves training the large numbers of skilled tradesmen and technicians who are required. The difficulty is accentuated by the shortages of the type of capital equipment needed which means that the large quantities involved in such new development usually cannot be immediately made available.

Colonial production programme

8. A programme has been produced which sets annual production targets for the Colonies, to be attained by 1952/3, for certain major commodities, notably groundnuts, sugar, rice, cotton, rubber, tin and copper. This will involve a very considerable increase in the production of these commodities, which are all important as dollar earners or dollar savers, not only over the production for export at the end of the war but also over the prewar export figures. How great a contribution this production will make towards European viability in 1952/3, and the level of Colonial net dollar earnings then, will depend to a very large extent on the prices then obtainable for Colonial produce. It will be necessary to provide considerable assistance in the form of capital and consumer goods and of skilled staff, if these production targets are to be achieved, and measures will have to be taken to counteract the effects on Colonial economies of a high rate of investment.

Methods of implementation

(A) *Finance*

9. The financial resources available for Colonial development can be conveniently considered under two heads.

10. Firstly there are those projects financed directly by Colonial Governments which for the most part and except for certain major undertakings like railway improvements and extensions and the development of ports and harbours are included in the Ten-Year Development Programmes framed after the passing of the 1945 Colonial Development and Welfare Act.

11. These Programmes are financed firstly from the Colonial Development and Welfare Vote under which £120 million is available over the ten years 1946–1956, secondly from Colonial Governments surplus balances and local revenues and thirdly from the loans which Colonial Governments expect to be able to raise in the period. The seventeen major plans which have so far been approved are based on the following financial resources:–

C.D. and W. allocations	£56 million
Surplus balances, revenue, etc.	£71 million
Loans	£51 million
Total	£178 million

12. While the sums available under the Colonial Development and Welfare Act are a known quantity and there is no evidence to suppose that the contributions from surplus balances and revenue have been overestimated, difficulty may arise in providing loan finance. The possibilities of raising money by borrowing locally are very restricted in most Colonies and Colonial Governments will have to borrow money in the United Kingdom in order to raise loans of the order mentioned in paragraph 11.

13. In the second category come the finances which are provided for development of a commercial nature. These will be found either by private enterprise or by the two Government Corporations, the Overseas Food Corporation and the Colonial Development Corporation which have authorised capital of £50 million and £100 million respectively. So far it has proved comparatively easy to raise money for commercial investment in the Colonies presumably because the type of project undertaken by private enterprise is usually directly productive and of a fairly short term character.

(B) *Physical supplies*

14. It is not sufficient, however, merely to provide the funds necessary to finance development. Owing to the shortage of capital equipment, the types and quantities necessary to development may not be available for purchase. It is therefore necessary to ensure that adequate supplies of capital equipment and other goods which cannot be produced in the Colonies and are necessary for the achievement of their development programmes, should be made available. For this reason a United Kingdom interdepartmental committee has been studying Colonial requirements of capital equipment and other items in short supply, which are essential to the achievement of their production targets, and has been taking steps to ensure that they are, as far as possible, met from United Kingdom production.

(C) *Local financial policy*

15. The high price which is at present being obtained for many Colonial products tends to have an inflationary effect. This effect is greatly accentuated by the rate of investment required to attain the development which is planned and by the attendant creation of a large new body of cash wage earners. Colonial Governments are fully aware of this inflationary tendency and their financial policy is directed towards combatting it. In certain Colonies, a portion of the relatively high prices now received for produce exported is set aside in specially established funds. This policy, which is aimed at providing money primarily for future stabilisation of the price received by the producer and secondarily for the future development of the industries concerned, helps to combat inflation by reducing the amounts now paid out to producers. Reserve funds of this kind have been built up for cocoa and oilseeds in West Africa, cotton in Uganda and sugar in the West Indies, Mauritius and Fiji. Control over the money lies within the territories concerned and, in varying degrees, with representatives of the industry concerned. Again, all Colonial Governments

have established systems of price control, though their effectiveness is limited by the comparatively primitive character of the communities and of Colonial administrations, as the recent incidents in the Gold Coast have forcibly demonstrated. Large numbers of Colonial Governments also subsidise the cost of living in order to prevent the beginning of an inflationary spiral by rises in wages to keep pace with the cost of living. The policy is, however, to keep expenditure on price subsidisation down to a reasonable level. Little success has been achieved by attempts to increase the rate of saving, largely because the habit of saving has not yet been developed in the economically more primitive Colonial communities.

16. These local financial measures, designed to prevent inflation, cannot be more than palliatives. The danger of inflation can only be overcome by providing something on which the inhabitants of the Colonies can, and want to, spend their increased incomes. In the immediate future this can be done by ensuring an adequate supply of the right kind of consumer goods at prices which the consumers are prepared to pay, and by the provision of increased quantities of foodstuffs for local consumption. Nevertheless, if production is to be further expanded over a period of time, these will not be sufficient. Increased wealth, and the extension of education, will bring in its train a desire for increased standards of living which will in its turn create new demands. If a sense of frustration, and a consequent loss of incentive, is to be avoided, it will be necessary to provide facilities for increased expenditure on such things as better housing and improved educational and health facilities. This may be done either by providing the educational and training facilities to produce a sufficient supply of private practitioners, teachers, craftsmen, etc., or by the provision of some of these services by the state, possibly on a contributory basis. In either case, this will involve some expenditure in providing the buildings and other installations which are indispensable to the extension of such facilities.

Fields of activity

17. The annual production targets for the principal Colonial products in 1952/3, are annexed to this paper. The following is a brief description of the action being taken to achieve some of these targets.

(A) *Groundnuts*

18. Before the war the producing areas were East and, on a larger scale, West Africa and these are the only two areas in which large and fairly rapid expansion of production seems possible now.

19. In East Africa the principal producing area is Tanganyika, where a large scheme for the production of groundnuts by mechanical methods was started in 1946. This scheme is now being run by the Overseas Food Corporation under the auspices of the Ministry of Food. Exports on a small scale are due to begin in 1949 and will be increased until full production is reached in about 1953, when it is expected that over 450,000 tons of decorticated nuts will be available for export annually.

20. In West Africa the principal producing areas are Nigeria and The Gambia. In Nigeria at present the annual exportable surplus is about 330,000 tons (decorticated) in a good year, and with existing methods of production it is unlikely that this figure will be exceeded. The greater part of production is in the Northern territories and the chief difficulty since the war has been the transport of stocks from there to the coast

owing to the shortage of locomotives and rolling stock. Stocks awaiting railment at Kano at the end of June 1948, including some of the French Niger crop, being about 260,000 tons. Strenuous efforts have been made to secure the necessary equipment; 20 new locomotives reached Nigeria on the 31st May, and 52 more are due for delivery in 1949. Delivery of the remaining orders for rolling stock should begin in the second half of 1948, and should be completed by 1950, by which date the transport position should no longer be a limiting factor.

21. Future development and expansion is likely to be on the lines of the report of the Clay Mission[1] which was published in 1948. Briefly, this report concludes that appreciable expansion of production can only be achieved by the use of machines and considers how mechanised cultivation can be introduced into the existing structure of society in West Africa. Large-scale development of this kind cannot be built up on the system of peasant cultivation which at present exists and will almost certainly have to be run by a corporation. The Colonial Development Corporation, in conjunction with the Colonial Office and the Colonial Governments concerned, is considering the operation of pilot schemes in West Africa on the basis of the proposals made in the report of the Clay Mission.

(B) *Sugar*

22. The average aggregate annual production of the principal Colonial producing areas for the period 1937–39 was 965,000 long tons. This figure sank in 1945 to 725,000 long tons. The figures since then are as follows:

	long tons
1946	1,020,000
1947	1,088,000
1948 (estimate)	1,060,000
1949 (estimate)	1,150,000

The chief incentives to the growers to produce more in future can only be assured markets and good prices. It is well enough known that with the shortage of dollars the U.K. will take up in the foreseeable future all colonial sugar that offers.*

23. Every step is being taken to improve the efficiency of the industry in the various colonies. The Mauritius Economic Commission made a very thorough examination of the sugar industry, and has made certain recommendations in its report which is to be published shortly. In Mauritius during the war a large area

* (The practicability of giving a formal assurance to this effect is under discussion between the Departments of H.M.G. concerned.)

[1] Led by G F Clay, agricultural adviser to the S of S for the colonies, the Clay Mission visited West Africa between June and July 1947 briefed 'to investigate the suitability of conditions in the Northern Territories of the Gold Coast, Northern Nigeria and The Gambia, for large-scale mechanised production of groundnuts for export, in accordance with a programme covering a fixed term of years and, if conditions were considered suitable, to make recommendations as to the methods of production to be adopted so as to ensure the full co-operation of the local inhabitants, due regard being paid in any such recommendations to the social and economic effects on the territories concerned'.

formerly under sugar cane was ploughed up with a subsidy from H.M.G., and this area has been reconverted to sugar also with a subsidy from H.M.G. As a result the crop this year is expected to be 345,000 long tons, which is a record, and in 1949 it is expected to be even higher. A commission is now at work in Trinidad and the Leeward Islands, and one is about to be appointed to British Guiana.

24. Considerable amounts of money are being provided by H.M.G. for research. From C.D. and W. funds about £100,000 from the research allocation were made available in particular for a large scheme for research in sugar technology. There are several research stations in the West Indies doing work on high-yielding and disease-resistant varieties; in particular there is the Imperial College at Trinidad which is doing considerable work on sugar research and which is supported half by Colonial Governments and half by H.M.G. The chief shortage has hitherto been of fertilisers, and the total colonial demand for sugar cultivation has not yet been met. Every effort is being made to increase supplies, and this year sugar is getting first priority of supplies from the colonial allocation.

(C) *Rice*

25. The Colonies cannot hope, within the foreseeable future, to produce enough rice to provide an export surplus after their own consumption needs are met. The programme for increased production is therefore aimed at decreasing the reliance of the Colonies on imported supplies and thereby reducing the drain caused by the need to purchase supplies from abroad at prices which are, and are likely to remain, high owing to the excess of demand over the supply of this foodstuff which is the staple diet of large numbers of colonial peoples. The latest forecast for this year's production of rice in Malaya is 340,870 tons from 883,238 acres. This is an increase of 83,706 tons and 69,700 acres over the 1946–47 figures.

26. The West African Rice Mission has now returned to this country and is writing its Report. Preliminary estimates give an area of several hundred thousand acres in West Africa suitable for the growing of rice, but the growing of rice on such a scale can only be accomplished by the use of machinery and with large capital investment, besides which it is possible that the price of the rice will be too high. A similar mission is now in East Africa examining suitable areas there. In British Guiana the Machinery Hire Service has now bought enough equipment to make the organisation properly balanced and it is hoped that returns will show considerable improvement in the course of the next few seasons. It is understood that proposals for large-scale irrigation and for the extension of the Government rice farm will be submitted in the near future. The report of the British Guiana-British Honduras Resettlement Commission has been received and is being studied in relation to the problem of producing more rice in British Guiana.

27. A scheme for the establishment of an irrigation department in North Borneo has been approved and it is hoped that the output of rice can be doubled over a period of five years by the drainage and irrigation of existing padi areas and the consequent bringing into production of neighbouring lands. A small scheme has been approved for experiments in mechanical cultivation of rice in Sarawak.

(D) *Tin*

28. Tin is produced in the Federation of Malaya and Nigeria. Owing to the loss of Malaya to the Japanese in the late war the production of tin ore in Nigeria had to be

increased with the result that much of the best ground was exhausted. There is now no prospect of increasing production in Nigeria, which is likely to be at the rate of 8,000 tons of tin in ore for the next few years and will then gradually decline unless new discoveries are made, which seems unlikely.

29. Peak production was reached in Malaya in 1940 with a figure of 80,651 tons of tin in ore. The industry had to be rehabilitated after the Japanese occupation during the late war and for this purpose the Malayan Government made loans totalling over £7 million both to the European and Chinese sections of the industry. The following figures show the number of tin mines operating in June, 1948 compared with 1940:–

Year	*Dredges*	*Gravel Pumping*	*Hydraulicing*	*Open Cast*	*Others*	*Total*
1940	104	733	34	22	160	1053
1948 (June)	61	393	21	10	75	560

30. The production of tin in Malaya in 1947 amounted to 27,026 tons of tin in ore. Production in 1948 was expected to reach 45,000 tons, but during the June quarter it was running at the rate of 57,856 tons a year. The Tin Study Group at their meeting at Washington in April estimated Malayan production in 1949 at 57,500 tons and in 1950 at 84,000 tons.

(E) *Copper*

31. Northern Rhodesia is the only British Colonial producer of copper apart from a comparatively small production of concentrates in Cyprus which have to be refined at the Nord Deutsche Afinerie in Hamburg as this refinery is the only one in Europe possessing the necessary facilities for treating Cyprus copper concentrates.

32. Northern Rhodesia produces both blister and electrolytic copper. The following are figures of total production and estimated production:–

1936	*1940*	*1947*	*Estimated 1952/53*
tons	*tons*	*tons*	*tons*
142,000	262,000	192,000	330,000

33. It will be seen from the above figures that peak production was reached in 1940. There has been a decline in production since the end of the war owing to the fact that normal development work was postponed and the arrears have now to be made up and owing to the transport difficulties mentioned below. Smelters are operated in Northern Rhodesia and steps are now being taken to increase the capacity of the electrolytic refinery at Nkana, to enable the present capacity of about 62,000 tons per annum to be doubled. This will effect a large saving in dollars for the U.K. as at present Rhodesian copper has to be sent to the U.S.A. for electrolytic refining.

34. Production of Northern Rhodesia copper has been adversely affected by railway transport difficulties, and the refineries have had to close down for periods owing to the shortage of coal. The coal comes from Southern Rhodesia and owing to shortage of wagons and locomotives the railways have not been able to keep both the Belgian Congo and Northern Rhodesia mines supplied with sufficient coal. This

shortage is also largely due to the competing demands of Southern Rhodesia for the transport of chrome ore from the mines there to Beira, which is also the port of export for copper. The transport problem is gradually improving as additional locomotives and wagons are delivered, and steps have also been taken to improve the handling of exports at Beira; but a continuous effort will have to be made to maintain and improve the transport position.

35. There are deposits of copper in Uganda which are now being actively explored by a Canadian Company. The deposits are, however, situated in the Western Province of the Protectorate and are far removed from railway facilities. So far deposits amounting to 1 million tons have been proved but the Company must prove from 7 to 10 million tons in order to make it an economic proposition to work them. This development will entail canalising a river in order to transport the ore to Lake Victoria, and it is doubtful if production will be under way before 1953.

(F) *Cobalt*

36. Cobalt is produced in Northern Rhodesia in association with copper. Present output is about 400 long tons a year, but the Rhokana Corporation is planning the installation of a new refining plant in the copper belt, which should make available some 1200 tons of cobalt (metal) a year from 1951 or earlier. All the ore produced will then be refined in Northern Rhodesia and the metal and various compounds produced on the spot, thus avoiding dependence on Canada and Belgium for refining capacity. A margin for the U.S. stockpile should be available from 1951.

(G) *Bauxite*

37. Bauxite is at present being produced in British Guiana, the Gold Coast, and the Federation of Malaya and there are deposits in Jamaica. In British Guiana production is entirely in the hands of Canadian and U.S. Companies, by far the largest being the Demerara Bauxite Company, which is a subsidiary of the Aluminium Company of Canada. The Canadian Company's exports of bauxite reached a peak figure of 1,200,000 tons in 1945 and are at present running at about 1 million tons per annum. The only U.S. Company so far to produce bauxite is the Berbice Company. That Company's exports have never exceeded about 100,000 tons per annum, and are used mostly for chemical purposes. Two U.S. Companies—Reynolds Metal Co. and Permanente Corporation (Kaiser Subsidiary)—held prospecting licences for bauxite over considerable areas of the Colony and are now engaged in active exploration. Under present conditions British Guiana bauxite is exported entirely to Canada and U.S. with only comparatively small quantities (about 40,000 tons per annum) being exported to the U.K. as a result of sales by the Demerara Bauxite Company to the British Aluminium Company.

38. In Malaya bauxite was produced by Japanese Companies both before and during the late war. The Aluminium Company of Canada are interested in obtaining bauxite from Malaya, and now have a prospecting party there. The British Aluminium Company have also recently applied for prospecting rights; while the Australian Government have expressed their interest in obtaining rights over the deposits previously worked by the Japanese.

39. There are various deposits of bauxite in the Gold Coast and the reserves have been tentatively estimated at something in the neighbourhood of 230 million tons. The only deposit being exploited at present is that of the British Aluminium Coy. at

Sefwi Bekwai in the Western Province of the Colony. Exports are at present at the rate of 10,000 tons per month and steps are being taken to increase them to 16,000 tons. It is hoped eventually to attain a figure of between 200,000 and 300,000 tons per annum. The other deposits are in the hands of the Aluminium Co. of Canada, and West African Aluminium Ltd., [a] British Company largely financed from South Africa. These latter deposits have not yet been worked.

40. In Jamaica the deposits are estimated at 100 million tons. Rights over these are held by the Aluminium Company of Canada and Reynolds Metal Coy. of the U.S.A. These companies are now taking steps to work the deposits. The bauxite will actually be sent to Canada and the U.S.A. for processing.

41. Bauxite is the raw material of aluminium, which requires large quantities of electricity for its production. The cheapest supplies of electricity are obtained from hydro-electric source, and owing to the pressure upon hydro-electric supplies in the highly industrialised countries, aluminium manufacturers are seeking fresh sources of supply in less developed countries. The British Aluminium Company have received a favourable report from their Consulting Engineers on the possibility of establishing an aluminium industry in North Borneo with power obtained from a local hydro-electric scheme. The total cost of the project is estimated at about £36 million, but further investigation will be necessary before a decision can be taken to proceed with the scheme. This investigation is proceeding, together with a search for sources of supply of bauxite in Malaya and adjoining British territories. The Aluminium Company of Canada are conducting a survey of certain rivers in British Guiana for the purpose of investigating the possibility of a hydro-electric scheme, for the manufacture of aluminium in the Colony. This involves the gauging of the seasonal flow of the rivers concerned, and it will be a year or two before it is completed. A similar investigation is proceeding on the Volta River in the Gold Coast with a view to the establishment of an aluminium manufacturing industry there, if practicable.

(H) *Lead*

42. The only Colonial territory now producing lead is Northern Rhodesia. The mine, which belongs to Rhodesia Broken Hill Development Coy. Ltd., was exhausted of the rich oxidised lead ores early in the 1920's, and thereafter further production remained at a very low level for many years. The mine, which was formerly worked opencast, has recently gone over to shaft working and the sulphide ores now being worked are rich in lead. A new plant has recently been completed including a concentrator and a lead smelter. As a result the production of pig lead has increased from a few hundred tons a year to 15,640 tons in 1947.

43. Lead deposits have been discovered in Tanganyika and active steps are being taken to develop them. The Government is constructing a railway of about 120 miles linking up the deposits with the main line. Prospecting is still continuing in order to determine the extent of the ore body before active mining operations are begun.

44. There is also lead in Nigeria which has been worked by Africans for many years. The lead has only been worked by pitting and steps are now being taken to discover by geophysical methods whether the deposits persist at depth. The concession over the deposits is in the hands of a private company and the results of the geophysical survey have not yet been published.

Possibilities of external assistance

45. It might be possible to increase some of the Colonial annual production targets for 1952–3, and it would certainly be possible to accelerate the rate of longer term development, if it were possible to obtain increased supplies of scarce capital equipment such as iron and steel, cement and heavy agricultural machinery, and also some assistance in the provision of skilled staff, particularly trained agricultural, veterinary, and other technical staff. The Economic Co-operation Administration's programme will be of direct assistance to Colonial production in so far as it makes available to the Colonies increased supplies of such capital goods either directly or alternatively by supplying them to the United Kingdom and thereby enabling increased exports of these supplies to the Colonies to be released from United Kingdom production.

Long term development

46. The programme for production in 1952–3 represents but the first stage towards the expansion of Colonial production which will take place over a far longer period. This further development will depend not only on the continuance of measures necessary to increase production in the short term but also on greater knowledge of the resources and potentialities of the Colonies, an extension of such basic capital equipment as transport, an increase in productivity through the improvement of soil fertility, and on health and education. The preliminary work necessary to build the foundations for this further development is already being undertaken.

(A) *Research*

47. The assistance of leading United Kingdom experts in guiding and controlling research is enlisted through a series of specialist advisory committees, whose work is coordinated and supervised by the Colonial Research Council. Over £3,000,000 has been allocated for research from Colonial Development and Welfare funds in the last two years. It is the policy to encourage the development of research regionally wherever possible. East Africa provides an example of the progress which has been made in this direction. Research of mutual interest to the three East African Governments falls within the purview of the East Africa High Commission, and amongst other regional schemes, as [? an] East Africa Agriculture and Forestry Research Organisation and an East African Veterinary Research Organisation were instituted there last year under the direction of expert scientists secured from the United Kingdom. Recent work includes the insecticides campaign against locusts in East Africa by means of aeroplane and helicopter spraying, a campaign against malaria in Mauritius by means of insecticide control and an inquiry into the serious "sudden death" disease of clove trees in Zanzibar. A campaign against scrub typhus in Malaya is also being undertaken, and against the swollen shoot disease of cocoa trees in the Gold Coast. Progress has been hampered by the serious shortage of scientists in nearly every field, but it is hoped to enlist greater numbers as a result of the initiation of the new Colonial Research Service which it is hoped to bring into being early next year. A very considerable international co-operation already exists in this field, particularly between countries with responsibility for territories in Africa who face the same general problems. This co-operation is perhaps most strikingly demonstrated by the successful international campaign against locusts, but equally

constructive, if less spectacular, results are being achieved by close day to day contact and exchange of information between scientists engaged on similar work in different territories and by international scientific conferences on Colonial problems.

(B) *Surveys*

48. Satisfactory topographical and geological surveys are also essential to development programmes in Colonial territories. A Directorate of Colonial Geodetic and Topographical Surveys has been set up, and its work has developed to a remarkable extent. Aerial photographic surveys were undertaken in West Africa during 1946, and similar surveys have since been carried out under the supervision of the Directorate in East and Central Africa, Malaya, North Borneo and Sarawak. This year it is hoped to carry out further surveys in West Africa. In this work the Directorate has the co-operation of the Royal Air Force which, in its African Operations, is making use of a method of control by mobile radar developed during the war. In compiling the full maps the Directorate uses the most up to date technical processes, including the projection of the photographs in relief to provide contours.

49. A Directorate of Colonial Geological Surveys has also been set up with the object of co-ordinating geological survey work throughout the Colonial territories. Funds are being provided under the Colonial Development and Welfare Act to enable geological staffs to be increased for the purpose of completing the geological mapping of the Colonial territories within the next five to ten years. The actual rate of progress will, however, depend upon the availability of technical staff, which is extremely scarce at present as there was no training or recruitment of such staff during the war period. This geological mapping work is a necessary preliminary to a scientific search for minerals and water supplies.

(C) *Health and education*

50. It is not possible in a paper of this length to give more than a very brief indication of the work being done to improve the health and the education of Colonial peoples. The improvement of health is being developed along the lines of research, preventive and social medicine, mass survey and treatment of community-wide diseases, increased provision for specialist treatment, intensified training of local staff in the Colonies for posts in all grades of the medical service, and the fullest possible co-operation between neighbouring territories. In education emphasis is being placed upon strengthening the provision for secondary and technical education, and on the extension and consolidation of facilities for the training of teachers. There are also universities, or university colleges, being developed or extended in Hong Kong, Malaya, Malta, East Africa, Nigeria, the Gold Coast and the West Indies, while large numbers of students from the Colonies come to the United Kingdom for their higher education and for advanced technical and professional training. Steady progress is also being made in mass education, the promotion of which is an integral part of the work of Colonial administrations. Although the results which are being achieved are not spectacular, they are nevertheless substantial and indispensable to the future development of the Colonies. The development of co-operation may be considered to be another aspect of the task of helping Colonial peoples to help themselves. Co-operative Departments are being set up in many Colonies. Great importance is attached to this development which is, however, necessarily slow as it

is based on the voluntary association of those concerned. This foundation of popular support and voluntary effort is, however, a sound one, and progress is likely to accelerate as and when the beneficial results of co-operation are more widely felt and appreciated.

(D) *Transport*

51. Long term Colonial development also depends on the extension of existing transport facilities. This problem is perhaps best exemplified by the railway systems of East and Central Africa. In order to open up this territory it will be necessary to extend, and to link up on a co-ordinated plan, the individual railway systems in this area. This will require large supplies of steel and other capital equipment which it would be difficult, if not impossible, to spare at present when the demand for this type of capital equipment for other essential uses is so high. It would, however, be in any case impossible to start new construction without a great deal of preliminary investigation and survey work in order to plan the best possible lay out for the co-ordinated railway system, to make the necessary detailed survey of proposed alternative routes and to ascertain the economic potentialities of the tracts of territories which would be opened up by each of them. Discussions are taking place with the Colonial Governments concerned about the arrangements which should be made to undertake this preliminary work, and in particular to make an early survey of the alternative routes proposed in order to link up the railway systems of Tanganyika and Northern Rhodesia and to estimate the economic potentialities of the country which would be open to development by each of them.

(E) *Long term development*

52. Agriculture accounts for by far the greater proportion of Colonial production and is the key to long term development. Steady progress is being made with soil conservation measures which not only include anti-erosion work but also the maintenance and enhancement of fertility, and new systems of agriculture are being evolved to replace shifting cultivation. The introduction of mechanised cultivation will greatly increase production, and enable a more efficient use of labour, but it will bring many economic and social changes. A pilot survey is already studying the effects of mechanisation in Africa. Work is also being done to improve the management and the quality of cattle and other livestock, and the carrying capacity of pastures. The effect of these measures will be to increase the production and the quality of food and cash crops and of livestock. There are also a number of other long term development projects in operation or under consideration. Among these is a scheme for large-scale softwood afforestation in East Africa, designed eventually to reduce the United Kingdom dependence on hard currency sources. A special Commission has recently recommended a number of large scale projects for development in British Guiana and British Honduras, which will do something to relieve the unemployment problem in the West Indies and will result in increased timber and sugar production. A large hydro-electric project at Jinja is being considered which will enable the establishment of secondary industries in Uganda, including a factory to manufacture fertilisers which will in turn assist in increasing agricultural production. A further example of this class of project is the schemes in East and Central Africa to eliminate the tsetse fly from infected areas by clearing away the bush and making land available for African settlement.

53. These examples show that the foundations are being laid for a more extensive development of the Colonies, over a longer period, than is shown in the programme for 1952–3. The increase in Colonial production which will mature as a result of this work will bring great benefits to the inhabitants of the Colonies and will be of considerable permanent value to the rest of the world by increasing the supply of scarce raw materials and foodstuffs from outside the dollar area.

Annex to 91: Indices showing annual export targets (by volume) of selected colonial commodities (1936 = 100)

A. Foodstuffs

	1 *1936*	2 *1946*	3 *1950/1953* Targets*	4 *Column 3 expressed as a percentage of probable sterling area reqts. during the period 1950/53 (rough estimates)*
Oilseeds				
Groundnuts	100	112	293	93 (in terms of oil)
Palm kernels	100	75	100	
Palm oil	100	77	130	
Copra and coconut oil	100	41	84	
Sugar	100	90	140	48
Bananas	100	29	81	75
Cocoa	100	77	72	182
Rice (production)	100	95	140	ø

B. *Raw materials*

Cotton	100	62	111	15–20
Hard Fibres	100	110	121	175 (approx.)
Hides and skins	100	77	102	Not estimated
Rubber (production)	100	109	206	286
Timber (hardwoods)	100	112 (1947)	155	Not estimated
Tin (production)	100	47 (1947)	133 (1950)	220 (1950)
Copper (production)	100	129	227	78
Cobalt	100	88	265	Not estimated
Bauxite	100	778	1139	Not estimated
Lead	100	2750	6000 (1953 maximum)	Not estimated
Manganese	100	186	170	Not estimated

* Unless otherwise stated the figures in the columns under the heading 1950/53 in this paper and in the appendices represent the maximum figures to be reached in those years.
ø Negligible quantities available for export.

92 CO 852/854/1, no 15 30 Sept 1948

'Some aspects of colonial economic policy': address by Lord Listowel to the Overseas League[1]

I shall talk this evening about the impetus our policy for the economic development of the Colonies has received from the world shortage of primary products, which is one of the most general and lamentable consequences of the war. I use the word "impetus" deliberately, because the post-war economic crisis has merely accelerated a process of economic growth and expansion which had already made good progress in the pre-war years. At that time it was ancillary to our primary responsibility for raising the standard of living throughout our Colonial territories. For this has always depended on the increased production required to pay for it. A higher standard of living is, in its turn, a necessary condition of the rapid and successful constitutional advance of these territories towards parliamentary institutions and ultimate self-government.

It is, I think, of vital importance that everyone should realise that the main objective of our development of the agricultural and mineral resources of the Colonies is still, as it always has been, to benefit their inhabitants. The contribution the Colonies will thus make to the easing of world shortages is a fortunate by-product of this basic principle of British Colonial policy. Any misunderstanding of our motives would encourage false hopes of an early return to an abundant supply of cheap imported foodstuffs among European consumers, and would lead our fellow-citizens in the Colonies to complain that we had merely substituted economic exploitation by the United Kingdom Government for the selfish exploitation of private enterprise which they have so often complained about in the past. It is no less essential that the world outside the British Commonwealth, which is from a variety of motives, always ready to censure our Colonial policy, should be unable to reproach us for seeming at least to improve our material standards at their expense, or for pretending to lead them towards political independence while exercising a degree of economic control inconsistent with a genuine apprenticeship to self-rule.

Bearing what I have just said in mind, we shall not be misrepresented if we dwell upon the immense contribution the Colonies can make, and indeed are making, to meet world shortages of the present day, and to the redressing of the balance of world production upset by the predominance of the Western Hemisphere. Although extractive and manufacturing industries have been introduced into many Colonies, the Colonial peoples are still for the most part engaged in agricultural pursuits and activities, and hardly any commodity they produce – whether it be foodstuffs such as rice, sugar, fats, edible oils, cocoa, meat, or other necessities such as rubber – is not in the category of scarce or rationed commodities. Again, these commodities are almost always a substitute for dollar supplies, or capable of being sold in dollar markets. Today already, over and above the foodstuffs and materials we get direct from the Colonies, they are earning for us a net surplus, after meeting their own dollar requirements, of some $150,000,000 per annum.

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[1] This address, copies of which were distributed to journals and publicity agents, was prepared in the CO Information Dept by Mrs E M Chilver, principal, and secretary, Colonial Social Science Research Council and Colonial Economic Research Committee, 1948–1957; subsequently principal of Lady Margaret Hall, Oxford, 1971–1979.

It gives some idea of the rapid recovery of the Colonies when we remember that at the end of the war they were in deficit with the dollar area. By 1946 they had just managed to balance their payments, and in the following year they achieved a favourable balance of about 60,000,000 dollars. It was in the current year that their net surplus of dollars has been stepped up to about 150,000,000 per annum. The net dollar earnings of the Colonies have therefore increased some two and a half times since last year. And it should not be forgotten that their contribution as dollar savers, by the export of raw materials and foodstuffs which would otherwise have to be purchased in a hard currency, is very much greater in value than this.

But such handicaps as poor soil, climatic extremes, scarce and inefficient labour and geographical remoteness, have made our Colonial territories less attractive than other parts of the globe to the investor and entrepreneur in time past. Their resources have therefore remained largely undeveloped for the lack of capital and skill which have been lavished on more remunerative projects of economic development elsewhere. From this it follows that public enterprise, sponsored by the United Kingdom or Colonial Governments, must step in to provide the capital and organisation required to develop the latent wealth of the Colonies, and to supplement and assist the effort of private enterprise to venture into a field where risks are considerable and returns subject to a long delay. The possibilities of future development of these vast areas are enormous.

It will give you some idea of the increased production of foodstuffs and raw materials for which we are planning if I tell you what our annual target is for the years 1950–1953 as compared with the actual output in a typical pre-war year. We are expecting to grow about three times the quantity of groundnuts, just under 50 per cent. more sugar and rice, to produce twice as much rubber, 50 per cent. more timber, 30 per cent. more tin, 10 times as much bauxite and 60 times as much lead, as we were producing in 1936.

These schemes are financed in two ways. Firstly by Colonial Governments, out of funds provided partly from local sources and partly out of Development and Welfare monies from the United Kingdom. Secondly, by private enterprise and investment assisted by the two Government Corporations, the Overseas Food Corporation and the Colonial Development Corporation, which will undertake development that ultimately pays for itself and may show a profit. But of course it is not enough to provide the funds required to finance development. There is a general shortage of capital equipment, and industry at home and in other countries is competing with the Colonies for capital goods. We have, therefore, after careful study of Colonial requirements of capital equipment in short supply, secured a degree of priority which will help to obtain for the Colonies the mechanical assistance they require for the achievement of their production targets. For example, we have already arranged for the Colonies to receive a greater proportion than they did before the war of the total volume of steel production in the United Kingdom, which in itself is already greater than before the war.

Take, for example, three of the most essential foodstuffs of the present time, fats, rice and meat. It has been estimated that there are 5,000,000 acres of land in East Africa suitable for the cultivation of groundnuts, and that two and three quarter million acres are available for the purpose in West Africa. In East Africa, as everyone knows, a large scheme for the production of groundnuts by mechanical methods was started in 1946. Exports on a small scale are due to begin in 1949, and will be steadily

increased until full production is reached in about five years time. At this stage, it is expected that over 450,000 tons of these nuts will be available for export every year. In West Africa, Nigeria and the Gambia are the Colonies where this crop is mainly grown. The present annual quantity exported is about 330,000 tons in a good year, and it is unlikely that we shall exceed this figure unless new methods of production are introduced. Our main difficulty since the war has been the transport of stocks from Northern Nigeria to the coast. But within the next 18 months we expect to be able to deliver enough engines and wagons to resolve the transport difficulty. The Colonial Development Corporation is considering the launching of mechanised production of groundnuts in West Africa in small experimental areas to show where an appreciable expansion of production can be achieved by the use of machines. If these schemes are successful they may well lead to a much greater output of groundnuts in West Africa.

Then there are extensive uncultivated areas of West and East Africa and in North Borneo, which are suitable for rice, and the existing areas in British Guiana are capable of considerable expansion. Everyone knows how much the rice-eating peoples of Asia have suffered owing to the reduction caused by the war in the output of the rice-growing countries in South Eastern Asia. What we are aiming at in the Colonies is to grow enough rice to free us from the need for importing supplies, and so relieve ourselves of the burden of having to purchase from abroad at high prices, and sometimes from dollar sources. This will also release the rice we would otherwise have had to import for consumption in other parts of the world. It is estimated that there is an area of several hundred thousand acres in West Africa suitable for growing rice. But this will involve the use of machinery and much capital investment. There are even larger potential paddy areas in East Africa. The cultivation of more rice in British Guiana is bound up with large scale irrigation, and the settlement of workers from outside the Colony in the rice-growing areas. It is therefore likely to be a fairly slow process. In North Borneo they are hoping that the output of rice will be doubled within five years time by the drainage and irrigation of the existing rice-growing areas, which will have the effect of bringing more land into production.

It is sometimes forgotten, in spite of the difficulty of obtaining meat from the sterling area, that the whole of British Africa only sustains about 25,000,000 poor quality cattle. If we can diminish the ravages of the tsetse fly, and encourage the establishment of canning factories there is a prospect of an immense increase in the size and quality of herds.

But the practical difficulties in the way of rapid development are formidable, and we must not expect quick returns. The chief obstacle to rapid development is the lack of basic capital equipment in the Colonies. In Africa, especially, this lack is most keenly felt in transport. In a highly developed country like the United Kingdom, it is possible to open a factory or a new development area, and very few additions will be required to the existing transport system. The opening of a new development area in the Colonies, however, nearly always involves large-scale new transport facilities, and the building of roads and railway lines. For example, a line to a new lead-producing area in Tanganyika, over 150 miles long, has recently been completed—this has to be quite a normal procedure in Africa.

It was, I think, Livingstone who, half a century ago, expressed the opinion that any economic development over 100 miles from the coast line of Africa is impracticable.

While that is no longer true, his dictum illustrates the special difficulty of development in Africa. The necessity for rail and road building would in any case delay large scale new development, but the delay is accentuated by the shortage of the types of capital equipment, such as iron and steel and cement, which are needed in large quantities for such construction. This shortage means that it is not possible at present to begin large new works, though extensions and improvements are being pushed forward where this is possible without real harm being done to essential maintenance.

Transport is, of course, only one item of basic capital equipment which is lacking. All forms of iron and steel, cement, fertilisers, agricultural machinery and many other goods are scarce. So are some of the commodities which the people need to buy for their every day life, and what are called "incentive goods"—articles which you would think it worth earning money to buy if you could buy them. New development usually entails building new houses for the labour force, constructing sanitary systems, providing water and power and a host of other facilities which are not already available in the undeveloped areas of the Colonies. These all call for scarce materials and skilled labour to construct them.

The importance of this preparatory, and what might be called nation-building phase of development, can be gauged from the following comparison. A rough survey of colonial investment last year showed that about 45 per cent. of investment was in social services and public utilities, and 40 per cent. in directly productive enterprises. Something like 25 per cent. of investment in African territories was expended on transport services.

The process of development has another limiting factor in trained labour and higher administrative and technical staff. As many of these needs as possible must be met from the local population; the process of nation-building requires the active and understanding participation of the colonial peoples themselves. It is no use supposing that the slow process of creating a cadre of skilled colonial artisans and skilled professional people can be skipped. We believe we owe it to the colonial peoples to spare no trouble in this respect.

We are apt to forget that we in Britain grow up in an atmosphere soaked with the habits and ideology of the industrial age. Whether we know it or not, all of us have, tucked away in our minds, the principles of the internal combustion engine. Our hands fold readily round a spanner; it is not the strange odd-shaped object it must appear to a young African apprentice brought straight from a far-away village. Our task must be to familiarise people often possessed of a traditional agricultural expertise of great value, with the tools of progress. It is this aspect of the educational work now being done in the colonial territories which often fails to get the emphasis due to it in formal accounts of educational progress. We are rightly proud of the advance being made in the provision of facilities for higher education in the colonies but perhaps even more important in long-term benefit to the economic and political stability of these areas is the great effort now being made to bring basic education to the mass of the people. Modern production techniques in agriculture and industry are complicated. Instructors cannot instruct by demonstration alone. An elementary technical vocabulary is an essential piece of equipment for the workman of to-day. He may be called on at any time, for example, to study and understand the handbook issued with the mechanical equipment which [? with] which he is armed to do in one day the work which even the previous generation could only accomplish through

weeks of toil by a band of manual labourers. It is this type of education given in adult education movements, in clubs, by administrators and technical officers in the course of day-to-day work, which will produce the human capital essential for increased production. Investment in skill is more durable and productive than investment in material goods; it is multiplied in transmission and if fertilised by an imaginative educational policy can raise the powers of self-help of the colonial peoples to new heights. These mass education projects are still, of course, in their formative stages as this is new territory where doctrine is still being evolved from experience. But early results are promising. Another advantage of such training is that without it the academic, professional and advanced technical education given in the schools and universities would tend to create a gap in social status and political consciousness between potential leaders and the ordinary people.

Another field in which such education may help in the battle for production is to produce a climate of opinion in which confidence in the findings of science will grow. Let me illustrate this point from the present serious condition of the cocoa industry in West Africa. The cocoa tree in the Gold Coast is being attacked relentlessly by a disease known from one of its secondary symptoms as "swollen shoot." Much work on this disease has been done by the West Africa Cocoa Research Institute in the hope of finding a cure for it or of producing a disease-resistant strain of cocoa tree. So far the only remedy discovered is the ruthless cutting out of infected trees, as a sick tree is contagious because the virus is carried from tree to tree by an insect called the mealy bug. The first sign of infection in a tree is a slight discolouration of the leaf; after this appears the tree may produce two further, if diminishing, crops of cocoa and the farmer is naturally reluctant to see destroyed a tree which, to the untrained eye, is healthy and a prospective source of profit. Unscientific opinion is therefore easily inflamed against a cutting-out policy by unscrupulous agitators who have political motives for stimulating resentment against the authorities. Old suspicions die hard and it is in such circumstances that education in broad application can do much to help in creating the conditions essential for economic advance.

The investigation of plant diseases is only one form of the eager research now being conducted in the field of Colonial Development. In Africa particularly we are only on the threshold of discovery, as it must not be forgotten that men now living can recall the first phases of British rule in tropical Africa. Full surveys of resources, and research into the best means of using and conserving these resources, must be the basis for sound advance. While we concentrate mainly on the development of existing industries and the development of background services—communications, health, education—we are at the same time allotting a large proportion of our effort to research. We much [? must] discover the best methods of sustaining and improving the health and vigour of people employed in productive enterprises. This involves research into tropical diseases and the application of new drugs, both remedial and prophylactic; the development of building techniques suitable for hot climates; the utilisation of water resources and the improvement of local diets. Some £2,000,000 was allocated to research out of Colonial Development and Welfare funds in the year ended 31st March, 1948, nearly double the previous year's allotment. Much more could be done in this field if we could get all the young, keen scientists we need for this work in the colonies. I hope that some of you listening to me to-night may be able to inspire young men to take up this most fascinating and rewarding enterprise.

Mere increases in production are not by themselves enough to ensure a healthy economy. Successful marketing is a necessary complement. An essential stimulus to production is the confidence of the producer in his ability to sell his crops at a price that will at least cover his cost and leave a reasonable margin of profit.

During the war His Majesty's Government largely undertook the marketing of the exportable surpluses of colonial produce; some produce was for consumption in the United Kingdom, other items were sold to Commonwealth and foreign countries, as the world supply situation required. In some cases, such as West African oilseeds, the whole exportable surplus was purchased in bulk through marketing organisations, in other cases, such as East African cotton, output which could not be sold elsewhere was taken over. In many cases, for example sugar, oilseeds and fibres, the knowledge that His Majesty's Government would find them a market encouraged colonial producers to maintain, and, in some cases, to expand their output of commodities necessary to the Allied war effort.

To-day, as I have said, we still have to face a shortage of many essential commodities coupled with the dollar difficulty to which I have referred. It is therefore as important as ever to encourage colonial producers by guaranteeing them markets. On 17th September the Chancellor of the Exchequer made a statement of His Majesty's Government's attitude to long-term contracts for colonial produce. That attitude must vary much with each commodity, depending on the world supply position and prospects, on prices and on the importance of the commodity to consumers. His Majesty's Government may make contracts for up to 10 years and the quantity will normally be limited by the United Kingdom's requirements for consumption and re-export. At the same time, colonies are to be encouraged to seek foreign markets. Prices are the most difficult factor in long-term arrangements because neither party can hope to predict what world trends will be. The object is to find a formula fair to both sides. For some commodities, where producers remember days of over-production when they could not sell their crops, a simple guarantee to take the colony's exportable surplus at a price to be negotiated annually will be sufficient. Colonial sugar has, for example, been subject to such an arrangement and last week the Parliamentary Secretary to the Ministry of Food announced that His Majesty's Government's guarantee to buy had been extended to the end of 1952. Jamaica bananas are covered by His Majesty's Government's guarantee for the same period. For other commodities, long-term contracts will include perhaps floor and ceiling prices, as in the contract by which the Ministry of Food buys East African coffee, or they may provide for annual price negotiations and specify the percentage by which the price may rise or fall in any year. These detailed arrangements must be adjusted to suit the commodity. His Majesty's Government's object is, whilst increasing production of what the United Kingdom needs, to give Colonial producers fair prices and a feeling of security. It is hoped to encourage statutory producers' organisations and through them to associate Colonial producers more and more with the selling of their crops.

But let us not forget that the prospect of economic progress in the Colonies, promising so much for the well-being of producers and consumers in every part of the world, depends for its fulfilment upon the mutual confidence and goodwill existing between the Colonial peoples and ourselves. If our capital resources and technical skill are to increase the latent wealth of the Colonies, we must inspire in their inhabitants the firm conviction that the European in their territory is no selfish

exploiter or Imperialist, but has their happiness and independence deeply at heart. For each member of the team, indigenous and British, has an indispensable part to play. And this great venture will succeed only in the degree that we are able to enlist the co-operation of the Colonial peoples in a joint effort to maintain and operate a working partnership between technically advanced and backward communities for the benefit of mankind.

93 CAB 134/219, EPC(48)92 1 Nov 1948

'Report of the Colonial Development Working Party': objectives and recommendations [Extract]

I. *Introduction*

1. We have surveyed the field of work approved by the Economic Policy Committee at its 18th Meeting[1] on 6th May, 1948.* In this report we show how the broad objectives of colonial economic policy are influenced by current conditions and, after reviewing the present pattern of capital investment in the Colonies, we suggest the policy which should be pursued in future. We propose targets for colonial primary products. We examine the factors determining the scale of future investment and the extent to which certain kinds of physical resources are likely to be available. We consider the possibilities of co-operation with other Colonial Powers in the planning of development. Finally, we suggest the need for an interdepartmental Committee of officials to keep the progress of colonial development under continuous review. A summary of our recommendations is given in the next paragraph, followed by the report itself.

II. *Summary of recommendations*

Colonial investment policy (Sections III-VI)

2. (i) The broad objectives of economic policy in the Colonies should continue to be:–

(a) to restore and improve the capital equipment of the Colonial territories so as to provide a firm basis for future development;
(b) to promote those types of economic activity, whether primary or industrial production, in which the territories are best fitted to engage, having regard to the balance of their economies and the advantages of external trade;
(c) to raise the living standards of the Colonial peoples as rapidly as the level of their productivity permits; and
(d) to secure the mutual advantage of the United Kingdom and the Colonial territories, having regard to the finance, equipment and skill which the former may be able to provide. (Paragraph 3.)

(ii) The pursuit of these objectives must, in the interests of the Colonies

* It was intended that we should cover Southern Rhodesia as well as the territories for which the Colonial Office is responsible but, except in regard to railways, information was not available in time.

[1] See 125.

themselves as well as of the United Kingdom, be influenced by the necessity for the early attainment of a balance in the external payments of the sterling area.
(Paragraphs 5 and 6).

(iii) Development cannot be confined to directly productive work, but must cover the whole field, social as well as economic, so that balanced progress is maintained.
(Paragraph 17.)

(iv) In so far as purely commercial considerations are involved, projects should be judged in the light of the following criteria:–

(a) The resulting product should satisfy an effective and continuing demand.
(b) The period between starting work on the project and reaping results should be short unless the long-term need is particularly important.
(c) The proposed development should be a paying proposition over a reasonable period of time.
(d) The scarce resources required for the project should have no better alternative use. (Paragraph 20.)

(v) Colonial Governments should be invited as and when they review their development plans or consider new individual projects, to have regard as appropriate to the objectives and criteria set out in (i) to (iv) above. United Kingdom Departments should do likewise on matters affecting such plans and projects.
(Paragraph 21.)

(vi) Means for carrying out this policy already exist and elaboration of the present controls on capital investment in the Colonies should not be undertaken.
(Paragraph 22.)

(vii) The export targets which the Colonial Office proposed for certain primary products should be adopted. (Paragraph 26.)

Limiting factors (Section VII)

(viii) The Investment Programmes Committee should be instructed to have regard for the needs of colonial investment when considering the levels of home investment. The Committee would look to the Colonial Office to provide adequate information on plans in a few of the major fields of colonial investment, and on the level of colonial requirements for certain materials and equipment. (Paragraph 32.)

(ix) Development at present must consist chiefly of multiplying over a wide area a number of comparatively small improvements. Such large-scale schemes as are undertaken must be selected carefully and effort concentrated upon them.
(Paragraph 36.)

(x) Subject to the appropriate use of other resources there is no objection on general economic grounds to new borrowings for approved developmental purposes by Colonial Governments on the London market of the order of £60 million over the next 3 or 4 years, which is the extent of their likely requests as at present foreseen.
(Paragraph 37.)

Supplies of scarce equipment and materials (Section VIII)

(a) *Railway equipment* (paragraph 42)

(xi) Colonial railway needs for workshop equipment, materials, spares, &c., should be specially examined in detail by the Colonial Office with the Ministry of Supply to see what early action to overcome deficiencies is practicable.

(xii) The Crown Agents, in conjunction with the Ministry of Supply, should continue to assist manufacturers wherever they encounter special difficulties in obtaining the smooth flow of materials necessary to achieve production programmes.

(xiii) Existing orders for colonial railway equipment should not be disturbed without careful consideration of the serious consequences. A small *ad hoc* committee should be set up by the Colonial Office to examine quarterly the progress made on these orders.

(xiv) The Crown Agents should ensure (a) that any colonial orders for locomotives required for 1950 delivery are placed immediately and that orders for later delivery are placed as soon as possible; and (b) that Colonies are regularly advised of the dates by which future orders for equipment must be given to ensure that they get a proper chance of completion when required. It will be for Colonial Governments to ensure that financial approvals are given so that orders can be placed in time.

(xv) When five-year programmes have been drawn up by the railways the Colonial Office (and Commonwealth Relations Office in respect of Southern Rhodesia) should arrange for colonial railway representatives to meet the Crown Agents to examine the programmes and so far as possible resolve any conflict of needs.

(xvi) The suggested meeting of colonial railway representatives and the Crown Agents should consider all practicable means to secure greater standardisation.

(xvii) If United Kingdom supplies and foreign purchases cannot together meet colonial requirements for steel rails, the Colonial Office (and Commonwealth Relations Office in respect of Southern Rhodesia) should make arrangements to settle priorities between demands.

(b) *Earth moving equipment* (paragraph 44 and Appendix E)

(xviii) The Ministry of Supply should suggest to Fowler Marshall that East Africa may offer a fairly substantial market for their 35 h.p. crawler tractor and that they might establish an agency there at an early date.

(xix) Plans for the production in the United Kingdom of crawler tractors should not be confined to machines of the heaviest types but should also provide for machines in the 35–80 h.p. range.

(xx) Colonial destinations should continue to be favoured in granting export licences from the United Kingdom for second-hand crawler tractors.

(xxi) The Colonial Office should examine in detail colonial demands for larger wheeled tractors, and if necessary make a case to the Ministries of Supply and Agriculture for diversion from the home market.

(xxii) For all this equipment, Colonial Governments should be clearly informed of the current supply position and of possible sterling sources.

(xxiii) In guidance to manufacturers on the export of new machines, the Ministry of Supply and the Board of Trade should not only do their best to safeguard the general interests of the Colonies, but should also give special consideration to requirements sponsored by the Colonial Office because of their particular importance.

(c) *Other agricultural equipment* (paragraph 47)

(xxiv) The Colonial Office should continue to keep constantly in mind the need for evolving new types of agricultural equipment particularly suited to Colonial requirements.

(d) *Cement* (paragraphs 49–53)

(xxv) The Colonial Office should in consultation with the Ministry of Works invite the Colonies to adopt, as far as local conditions permit, the new economy methods which are now being worked out in the United Kingdom.

(xxvi) The level of cement supplies to the Colonies from United Kingdom sources must be decided well in advance and adhered to in order to avoid dislocation in the Colonies.

(xxvii) If supplies of cement from the United Kingdom are inadequate, the Colonies will have to obtain the balance of their minimum essential requirements from elsewhere, including hard currency sources if it is not obtainable from soft currency sources.

(xxviii) The Colonies should take the largest possible proportion of their requirements from the United Kingdom in the months November to March.

(e) *General* (paragraph 64)

(xxix) The Colonial Office and the Board of Trade should keep under constant review in what further ways it might be possible to facilitate colonial purchases from new soft currency sources of goods which cannot be supplied from the United Kingdom.

Co-operation with other colonial powers (Section IX)

(xxx) More rapid action is likely to be secured by joint planning on technical subjects and on specific practical schemes than by efforts to secure more elaborate co-ordination. Existing informal contacts with other Colonial Powers on research and technical subjects and in respect of specific projects should be maintained and developed. (Paragraphs 67 and 68.)

Continuing review of development (Section X)

(xxxi) An inter-departmental committee should be established consisting of representatives of the principal interested Departments, and with the following terms of reference:–

To keep under review the broad plans for Colonial economic development and the progress made in carrying them out, and their relationship to the Government's general economic policy. (Paragraph 71.)

III. *Objectives of development*

3. The present interest in Colonial development has been misrepresented as a new phase of an old exploitation. This is not true. It is required in the common interest of the peoples of the United Kingdom and of the Colonies, both of whom are the responsibility of His Majesty's Government. Moreover, the promotion of the utmost social, economic and political advancement of the Colonial peoples is a goal to which His Majesty's Government is pledged both by explicit statements of policy at home and in the Colonies and by international undertakings. The honouring of these pledges implies a long-term programme of Colonial development aimed at maintaining and improving the standards of living of the Colonial peoples. This programme should have four broad objectives:–

(a) To restore and improve the capital equipment of the Colonial territories so as to provide a firm basis for future development.

(b) To promote those types of economic activity, whether primary or industrial production, in which the territories are best fitted to engage, having regard to the balance of their economies and the advantages of external trade.
(c) To raise the living standards of the Colonial peoples as rapidly as the level of their productivity permits.
(d) To secure the mutual advantage of the United Kingdom and the Colonial territories, having regard to the finance, equipment and skill which the former may be able to provide.

4. These are the continuing objectives of Colonial economic policy. Capital investment—its amount and its distribution—will reflect the line of policy adopted. Though considerable development under colonial conditions can be achieved without a very great capital outlay by teaching the people how to make more effective use of their existing resources by better cultivation and better hygiene, the pace of the advance will necessarily be slow—so slow indeed that it may be more than offset by a parallel growth of population. Substantial economic and social progress in the Colonies, particularly in view of the pressure of population, requires a more speedy advance and this implies greater capital investment. Without better transport, wider flood and irrigation control, progressive farming and forestry and more technical education, most colonial producers will remain, as they have always been, on the margin of subsistence, victims of local glut and famine, pests and erosion. But the margin for saving in the Colonies themselves is as yet too narrow to provide more than a small fraction of the capital investment required. A responsibility for contributing towards the deficiency may be accepted by the United Kingdom; but the extent to which the responsibility can be fulfilled will depend on its own economic health.

5. Unless the sterling area as a whole succeeds in restoring the balance of its external payments at the highest possible level, the United Kingdom itself will be unable to provide the overseas capital investment upon which the Colonial territories must rely if their economic development is to be accelerated. Again, the unbalanced external payments of this and other countries act as a powerful force tending to restrict the volume of world trade, whereas the interests of both the United Kingdom and the Colonies are best served by a flourishing international market freely absorbing all that they can produce. Both these considerations require a short-term shift of emphasis in colonial development. The Colonies, in their own interest as much as in the interest of the United Kingdom, should aim to make the maximum contribution that their resources permit to the early attainment of a balance in the external payments of the sterling area.

6. This is not a fifth objective to be added to those stated in paragraph 3. It is, however, a consideration which is bound to influence the policy adopted in pursuit of these objectives. We proceed now to see how far work in progress satisfies this interpretation of the colonial economic policy needed to-day and whether changes might be made to the general advantage . . . [2].

[2] The report was signed by E A Hitchman, deputy to chief planning officer, Treasury, 1948–1949; subsequently Sir Alan Hitchman.

94 CAB 134/219, EPC(48)112 7 Dec 1948

'Practical achievements in the colonies since the war': memorandum for Cabinet Economic Policy Committee by Mr Creech Jones. *Appendix*: export figures

In connection with the discussion on Colonial Development on 9th November, 1948 (E.P.C. (48) 35th Meeting Minute 4),[1] I circulate for the information of my colleagues the following account of practical achievements in the Colonies, since the war, in the economic field.

2. The Report of the Colonial Development Working Party (E.P.C. (48) 92)[2] laid stress on the fact that, in the present undeveloped state of most Colonial territories, much new investment must be in the form of basic equipment which yields returns only over a fairly long period. Nevertheless, investment of skill and resources since the war has already achieved considerable practical results. The object of this paper is to express these results so far as possible in quantitative terms. It deals first with the contribution made by the Colonies to the export drive and to the establishment of a sound balance of overseas payments for the United Kingdom/Colonies; then with progress towards a sound internal financial policy; finally, it gives examples of a few concrete achievements in the field of economic and social rehabilitation and development.

I. *Export drive*

3. A major success has been gained in the Colonial export drive. Appendix A brings up to date the export figures given in paragraph 26 and in Appendix C of the Colonial Development Working Party Report. On the basis of these figures, an index number of the volume of Colonial exports has been prepared (taking 1946 as 100) and is given in Table 1 below:—

TABLE 1

Index numbers of volume of colonial exports
(1946 = 100)

1936	117
1946	100
1947	132
1948 (a)	148 (b)
[1950–53 (c)	182]

[a] Provisional figure January/June only.
[b] Excluding cocoa (the exports of which are very seasonal) and hardwoods.
[c] Target figures in C.D.W.P. Report (Appendix C).

4. For two-thirds of the commodities included in the index number in Table 1 the volume of exports in 1947 was in excess of that in 1946; the rapid expansion of rubber exports from Malaya was, however, mainly responsible for the large increase in the 1947 index. Rubber from Malaya again contributed, with tin, a large part of the subsequent rise in the volume index, but with the majority of commodities, the

[1] See 129. [2] See 93.

rising trend of exports continued during the first half of 1948. The overall increase of 48 per cent. above the 1946 volume shows a remarkably rapid return on post-war rehabilitation expenditure and a heartening progress towards the targets set for 1950–53.

II. *Dollar earnings and savings*

5. Between 1946 and 1948 the Colonies have enormously increased their direct dollar earnings and these were running at an annual rate of from $600 million to $700 million during the first half of 1948. At the same time, expenditure of the Colonies in the Western Hemisphere has been curtailed. It fell, in spite of higher prices and the necessity to increase purchases of certain equipment for development purposes, from $500 million in 1947 to an annual rate of $473 million in the first half of 1948. This fall shows the first result of the imposition, in the autumn of 1947, of a system of dollar ceilings, the full effects of which (because of the time lag in working off existing licences) should begin to show in the second half of 1948.

6. The Colonies have also made a substantial indirect contribution to the dollar balance of the United Kingdom—Colonies Group. The Colonies contribution to United Kingdom imports has risen from 5.4 per cent. in 1938 to 9.4 per cent. in the first half of 1947 and 10.2 per cent. in the first half of 1948. This rise has undoubtedly resulted in a considerable saving of dollars by enabling the United Kingdom to divert purchases from hard currency sources. As a further indirect contribution mention should be made of the rôle played by Colonial products such as tin, rubber, cocoa, oil seeds and sisal in the successful negotiation of bi-lateral trade agreements. e.g., with European countries for increased supplies of food-stuffs for the United Kingdom.

7. The combined results of increased direct dollar earnings and decreased direct dollar expenditure are shown in the figures in Table 2 below of the Colonies net surplus with the Western Hemisphere for the past three years.

TABLE 2

Colonies' net surplus with Western Hemisphere

	$ Million
1946	Nil
1947	+15
1948 (a)	+200

[a] Annual rate on basis of July/September figures.

III. *Internal financial policy*

8. The total Public Revenue of Colonial Governments (excluding Colonial Development and Welfare grants) was approximately £58 million in 1938, some £115 million in 1946, and about £140 million in 1947 (the figure may well be exceeded when the accounts of Colonies, whose financial year does not coincide with the calendar year are available). The total in 1948 is likely to be considerably greater than in 1947.

9. These figures of Public Revenue do not, however, give the full picture. Mention should also be made of the substantial sums accumulated in special funds on behalf of Colonial producers for future price stabilisation and development, instead of being taken to general revenue. Table 3 shows the size of the more important funds at the end of September 1948.

TABLE 3

Producers' price stabilisation and development funds at end of September 1948

	£ million
Uganda Cotton Funds	9.50
Uganda Hard Coffee Funds	1.05
East African Sisal Labour Welfare Funds ...	.50
Mauritius Sugar Hurricane Funds	.08
Fiji Sugar Funds	.11
West Indies Sugar Funds	2.54
West African Oilseeds Funds	15.20
West African Cocoa Funds	52.00
Total (say)	81.00

10. The increase in Total Public Revenue, and in Stabilisation and other Funds, reflects partly the rise in prices and reduced value of money, but also increasing economic development and higher taxation levels. Colonial budgets are increasingly used as an instrument of financial and economic policy and as a means of absorbing surplus purchasing power. During the last two years income tax has been extended to the three major Far Eastern territories. A considerable part of the Development Plans of Colonial territories is being financed from surplus revenues.

IV. *Progress with economic and social rehabilitation and development*

11. Perhaps the most striking achievement since the war has been the restoration of the civil Government in the territories in the Far East which were overrun by the Japanese. The success achieved in the considerable task of re-establishing civil Government is reflected (notwithstanding the present terrorist campaign in Malaya) in the record output of rubber and in the rapid rise of tin production. Hong Kong provides a solid example of prosperity and financial stability in the midst of surrounding chaos. The civil Government in Sarawak and North Borneo has had to be built up almost from nothing. The Government of North Borneo have already produced a 10-year plan for reconstruction and development.

12. The rehabilitation of the Governments in the Far East, and the absence of recruiting during the war, has necessitated a large scale effort to recruit staff for all Colonial governments. The success achieved is shown by the fact that between June 1945 and the end of September 1948, approximately 4,100 vacancies were filled in the Colonial Service as a whole, a rate of recruitment seven or eight times the pre-war average.

13. Because of the relatively long-term nature of Colonial development the major part of the practical achievements so far realised in the economic field have resulted from the rehabilitation and expansion of existing industries, particularly industries destroyed by the war. The Malayan tin mining industry, for example, was brought almost to a complete standstill by the Japanese occupation. In March 1946 only five dredges were working. By September 1948 the number had risen to sixty-seven and the volume of production had recovered to between 4/6ths and 4/7ths of the average of the three pre-war years. Some concrete progress has, however, been made with new developments financed largely out of the £180 million of approved expenditure under the ten-year Development Plans. A considerable mileage of new first and second class roads and some extensions of railways (e.g., the 125 miles' extension to

the Mpanda lead mines in Tanganyika) is already under construction or has been completed; construction has begun on the Freetown deep water quay and on the groundnut port at Mikindani, Tanganyika; the construction of the Changi Airport at Singapore is well under way; some 378,000 square miles (over four times the area of Great Britain) have been air-photographed by the Colonial Geodetic and Topographical Survey and maps have been published or prepared for 50,000 square miles of this area. New plant for copper, cobalt and lead is in course of erection in Northern Rhodesia and preliminary work on the site has been begun on the £10½ million Owen Falls Hydro-Electric Scheme in Uganda for which orders for four 150,000 kw. generators have already been placed.

14. In the field of social achievements the anti-malarial campaigns in Cyprus and on the coastal belt of British Guiana have made rapid progress. The Cyprus scheme, now in its third year, is already well on the way towards achieving its objective of the complete eradication of the malaria-bearing mosquito from the island, and a similar scheme is being undertaken in Mauritius. Amongst the many rural development and settlement schemes undertaken since the war, the Anchau Scheme in Northern Nigeria, although not of first importance in itself, has provided valuable experience on tsetse clearance and resettlement of African populations. Here a corridor 70 miles long and 10 miles wide was cleared of tsetse, 5,000 people resettled in new villages and in one town, and 60,000 people freed from the menace of sleeping sickness. A start has been made, too, with the building of new schools and some, such as the Central Medical School in Fiji, have already been completed and begun tuition. Although little or no permanent construction has yet taken place new Universities, e.g., the West Indian University in Jamaica and the West African University Colleges at Ibadan and Achimota have already begun work in temporary accommodation.

15. A great deal of work has also been done, particularly in East Africa, on soil conservation. For instance, in 1947 over 700 miles of contour banking was constructed in the central provinces of Tanganyika and every farm in a complete District of the Southern Highlands Province in Tanganyika has been laid out to control erosion. Considerable success has also been achieved in the drive to increase rice production in the Federation of Malaya where the acreage under rice in the 1947–48 season increased by 68,000 acres over the area in the 1946–47 season, an increase in one year of over 7 per cent. in the total acreage. It is hoped and intended that there should be further increases of the same order or [? of] magnitude in subsequent years. There has also been a most successful campaign against the red locust in Central Africa. Vigorous extermination measures by the International Red Locust Control Service operating from Northern Rhodesia and using aircraft supplied from C.D. and W. funds, as well as ground teams, successfully wiped out all incipient swarms by March 1948. Very extensive measures have also been taken against the desert locust in East Africa and the Middle East. These measures have successfully prevented any large scale destruction of crops in the threatened territories which are now reported clear from all swarms. A new and extremely important field of research into the use of insecticides has been actively developed. A Colonial microbiological research institute has been established in this area and it is anticipated that it will eventually be a Commonwealth, if not a world, centre of information in this particular sphere.

Appendix to 94: Exports of major colonial primary products

Products	Units	1936	1946	1947(a)	1948 six months (Jan–June) only (b)	1950–53 targets in C.D.W.P. Report
1. Groundnuts(c)	000 tons	295	329	300	157	870
2. (i). Palm Kernels	000 tons	482	363	386	187	480
2. (ii). Palm Oil	000 tons	192	147	171	98	250
3. Copra and Coconut Oil(d)	000 tons	279	114	147	84	233
4. Sugar	000 tons	983	881	965	472	1,380
5. Cocoa	000 tons	398(e)	306(e)	283	226	285
6. Cotton	000,000 lbs.	192	119	134	66	213
7. Sisal	000 tons	125	138	121	69	150
8. Hides and Skins(f)	000 cwts.	310	240	413	157	319
9. Hardwoods(g)	000,000 c.ft.	17.7(h)	19.8(h)	19.8	(i)	27.5
10. Copper (as concentrates)(j)	000 tons	154	199	205	117	315
11. Tobacco	000,000 lbs.	14.6	21.5	23	11.5	42
12. Cobalt(j)(k)	tons	870	467	380	210	1,200
13. Bauxite(j)	000 tons	158	1,230	1,385	984	1,900
14. Lead(j)	tons	570	8,239	15,640	6,420	20,000
15. Manganese(j)	000 tons	527	765	589	303	840
16. Tin(j)(k)	000 tons	77	20	36	25	93(l)
17. Rubber(j)	000 tons	396	430	707	384	814

[a] Including some provisional figures.
[b] Provisional.
[c] Decorticated.
[d] In terms of copra.
[e] 1935–36; 1945–46.
[f] A skin has been taken as 1½ lbs.
[g] Where necessary a ton has been taken as 45 c.ft.
[h] 1934–35; 1947.
[i] Sufficient data not yet available.
[j] Figures relate to production: in the case of bauxite the 1947 and 1948 figures relate to exports.
[k] Metal content.
[l] 1950.

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[Sterling balances]: Cabinet Economic Policy Committee paper: report of the Working Party on Sterling Balances. *Appendix III*: 'Notes on the treatment of the balances since the war and possible future prospects' [Extract]

[This report was drawn up by an interdepartmental working party under Treasury chairmanship. It was considered by the Economic Development Working Group, who recommended that it should be taken (a) as a brief for the UK representatives at consultations in Washington, and (b) as a guide to the approach to be adopted to any short-term problems which might arise while discussions with the Americans and Canadians were still in progress. Sir S Cripps recommended the EPC to accept these proposals; he recognised that the policy of individual piecemeal approaches to the balances of single countries (or groups of countries), as set out in para 22 and para 31(c), might delay a general settlement, but 'no other approach seems possible' (cover note).]

A. *Factual description*

General

The terms of reference of the Working Party were very open and we have thought it would be most convenient if we designed our Report so that it could serve as a brief which could be used by the United Kingdom representatives taking part in the continuing consultations arranged during the Washington talks. This Report is, therefore, divided into the following sections:—

A. A factual description of the form, trends and present treatment of the Sterling Balances (paragraphs 1 to 11).
B. An examination of the effect of the running down of the balances on the economy of the United Kingdom (paragraphs 12 to 17).
C. The relation of the problem of the Sterling Balances to problems of strategy and economic development (paragraphs 18 to 20).
D. Factors determining our approach to the problem, including objectives we should aim at, and possible difficulties with the United States Government and the Governments of the countries holding the Balances (paragraphs 21 to 29).
E. Suggested course of action (paragraphs 30 to 38).

More detailed information on certain points is contained in the following Appendices:—[1]

Appendix I. A Statement of the Amount of the Sterling Balances held by each country since 30th June, 1945.
Appendix II. The Main Movements in the Balances since the War and the Reasons for them.
Appendix III. Notes on the Treatment of the Balances since the War and Possible Future Prospects (based on Notes by the Bank of England).
Appendix IV. The Sterling Area.
Appendix V. The Indian Defence Expenditure Plan. (Note by the Commonwealth Relations Office.)
Appendix VI. United Kingdom Loans and Gifts since the War.

[1] All omitted here, except appendix III from which an extract is printed.

Appendix VII. Section 10 of the American Loan Agreement (6th December, 1945).

The two Reports of the Official Committee on Economic Development (Overseas) on Economic Development in the Middle East and in South-East Asia and the Far East are also relevant to Section C of this Report. All figures in the text of the Report for the "present" totals of the sterling balances and of movements to date relate to 31st August, 1949, unless otherwise specified.

2. Of the £3,150* million of sterling balances at present held by all countries, £2,100* million is held by members of the Sterling Area, and of the remainder over £400 million belongs to countries (Egypt, Israel and Jordan) which were members of the Sterling Area when their balances were accumulated. The balances represent liabilities to depositors who may be either official (Government, Currency Commissioners and Central Banks) or private bodies and individuals. They are not segregated in any bank or group of banks and the total amount cannot be estimated with very great accuracy. Some of the money is in the form of cash but the greater part is held in sterling securities, mostly short-dated.

The largest holders are:—

	£ million
India	603*
Colonies	582
Egypt	339
Australia	318
Irish Republic	191
Pakistan	103*

The growth of the balances

3. The fact that the United Kingdom now has total sterling liabilities of this size is, of course, directly due to the Second World War—although not all the individual balances had reached their present size by the end of the war. In order to understand the position fully it is necessary to consider successively—

(a) the growth of the balances during the war;
(b) changes since the war, which have, in fact, involved a reduction of the balances by £600 million. (The effective date for the "end of the war" is taken as 31st December, 1945, in order to cover expenditure which was incurred after the actual cessation of hostilities but was directly attributable to the war.)

4. The growth of the balances during the war was mainly due to—

(a) direct military expenditure by the United Kingdom in the countries concerned, largely for the maintenance of United Kingdom forces or the raising of local troops;†
(b) payment in sterling for essential imports by the United Kingdom, which we were unable to requite in kind owing to the fact that our economy was directed to the making of war and not to the balancing of payments.‡

* Excluding annuities bought from the United Kingdom Government for £171 million and £8 million respectively, mainly for payment of sterling pensions.

† There were special considerations in the case of India which are referred to in Appendix V.

‡ The accumulation of unrequited imports, and therefore the rise of the sterling balances was assisted by the limitations placed on the United Kingdom export trade by the conditions accepted under the Lend-Lease arrangements. Under the latter we agreed not to use Lend-Lease materials, or materials like them, in the manufacture of goods for export (Cmd 6311 of 10th September, 1941).

The proportionate importance of these two factors varied in each case: in India, for example, direct military expenditure was responsible for about two-thirds of the balances. The countries (with the exception of the United States and Canada) in which the United Kingdom had to incur this large expenditure and from which she had to draw these unrequited imports were, at the time, all members of the Sterling Area. This eased the immediate problem of financing, while, on the other hand, it piled up the immense liabilities which now confront the United Kingdom. The reasons why this was possible lie in the nature of the Sterling Area.

5. The nature and working of the Sterling Area is described in Appendix IV. It need only be said here that countries which are members of it conduct their foreign trade and payments in sterling—a considerable proportion generally through London—and therefore hold their external reserves in sterling. Sterling in their hands has always been and still is convertible into any currency, and it is clearly essential to the working of the system that it should be so. This, of course, must always be subject, as it is at present, to a due measure of restraint by all members of the Area and to any particular inter-governmental agreements. Members' currencies are therefore linked with sterling and several of them (e.g. India, Burma, Pakistan) hold sterling as currency backing. These customs have all developed for reasons of financial and commercial convenience, firstly, because the countries concerned did a great deal of their trade with the United Kingdom; secondly, because London could offer them the advantages of financial and commercial machinery which they themselves lacked; and, thirdly, because they normally raised in the London market the capital they needed for purposes of development.

6. This system made for greater flexibility in the financing of the war effort of the United Kingdom and the Commonwealth than would otherwise have existed, since Sterling Area countries are naturally far more ready than others to hold large amounts of sterling. The outbreak of war and the imposition of exchange control (in order to safeguard the foreign exchange resources of the Commonwealth for waging the war) involved the exclusion from the Area of certain neutral countries (e.g., the Scandinavian countries), but did not lead to any great change in Sterling Area practice. As previously, members of the Sterling Area sold their foreign exchange earnings in London and accepted in return sterling credits or balances. Each country of the Sterling Area continued to operate its own independent import and export control; and common policy (and in one or two cases control over intra-area capital transfers) kept to a minimum demands for foreign exchange or for gold.

Although some Sterling Area countries used as much of their war-time income as possible to redeem outstanding indebtedness to the United Kingdom, all were left with more sterling than they could spend during the war. From a United Kingdom point of view these balances (totalling over 3,000) represented a claim to goods and services or to foreign exchange. In practice the exercise of this claim depends on three factors: the nature of the holdings, the urgency (or lack of it) of the holder's wish to spend them, and the traditions of Sterling Area practice. As regards the first, over £500 million consists of the funds of Currency Boards, Colonial Pensions Funds and various official holdings, and perhaps another £600 (at a rough guess) is held as currency backing by various Central Banks. Little of these types of holding should for present purposes be regarded as immediately expendable, though, e.g., currency backing can be run down if the country concerned is short of foreign exchange. As regards the second, this is discussed fully in Section II of Appendix III ("Future

Prospects Regarding Sterling Balances"). The essential point is that although a country holds sterling it may not necessarily wish to spend it: this will depend on the state of its economy and its balance of payments position. As regards the third, members of the Sterling Area have a common interest in co-operating to conserve its resources, and if any member should show signs of wishing to run down its balances heavily, we should certainly wish to discuss the matter immediately.

Control of balances

7. Paragraphs 1 (a) and 1 (b) of Section 10 of the American Loan Agreement of December 1945 (Appendix VII) foresaw the need for the United Kingdom to obtain agreement of the sterling balance holders on—

(i) the amount of the balances to be made available immediately for current expenditure in any currency area;
(ii) a programme of repayment of residual balances to commence in 1951.

The question of partial cancellation, raised in paragraph 1 (c), has not hitherto, in fact, become practical politics.* It is referred to in paragraph 27 below.

These intentions implied some restriction in the use of the uncancelled balances and the regulation by Sterling Area countries of their balances of payments in order to ensure that their net deficit did not exceed the agreed amount by which their accumulated sterling might be reduced. Early in 1947, therefore, a series of negotiations was undertaken which resulted in the segregation and blocking arrangements summarised in paragraph 1 of Appendix III, Section I. In accordance with our obligations under Article 7 of the Loan Agreement, No. 1 Account funds were made freely available for expenditure in any currency area, though this facility was temporary and had to be restricted as a result of the balance of payments crisis of August 1947.

With Australia and New Zealand informal discussions were taking place with a view to obtaining their agreement to maintain their balances at the current level when the balance of payments crisis in 1947 underlined the necessity for common action to preserve the exchange holdings of the area and to protect the international position of sterling. Both Australia and New Zealand had already voluntarily agreed to make certain gifts to the United Kingdom Exchequer and, in view of the crisis, undertook that accumulated balances would not be drawn upon except for certain agreed purposes (e.g., repatriation of sterling debt).

The sterling balances of the Colonies presented a special problem and it was not possible to take any action for partial immobilisation. In fact, the problem here was not so acute since, except in certain special cases, the balances tended, for a variety of reasons, to increase. In August–September 1947 the Colonies were requested by His Majesty's Government, as part of their contribution to the Sterling Area's efforts to regain a balance in overseas payments, not to run their balances down, and in this Colonial Governments have given wholehearted co-operation.

* Australia and New Zealand have, however, made gifts of £28 million and £10 million respectively to the United Kingdom and a further £8 million is to come from Australia.

Movements of balances since the war

8. Since 31st December, 1945, not only has the total of sterling balances fallen from £3,760 million to £3,150 million,* but very considerable movements have taken place in the composition of this total. These are shown in summarised form in Appendix II, with brief comments on the reasons for them. They are discussed in greater detail in Section I of Appendix III. It will be seen that—

(a) on the one hand, certain balances (especially those of India and Pakistan, Egypt, Palestine and Jordan) have fallen sharply, mainly owing to their use by these countries to meet deficits on their current balances of payments, the causes of which include post-war reconstruction and unsettled political conditions;
(b) on the other hand, there has developed a second category of sterling balances—those which have grown because the countries concerned have had favourable trading relations since the end of the war. Australia and some of the Colonies are the outstanding examples within the Sterling Area, and Italy outside it.

Thus, whereas since 31st December, 1945, the balances of those countries which have consistently drawn them down have been reduced by £1,085 million, £466 million of this has been offset by rises in other balances making the net reduction of over £600 million referred to above.

9. The total figure for releases shown in paragraph 2 of Appendix III, Section I (£1,110 million), includes very large capital transactions (including the items referred to in Appendix II). Even after excluding these, it can be said that, unless unforeseen contingencies should occur, the rate at which the balances will be drawn down should show a marked reduction, largely because of the expected diminution of the Indian drawing down. The total of releases still to be spent between now and 30th June, 1950, (including those under Agreements not yet concluded) should on present forecasts be under £100 million of which 70 is for India, small amounts for Ceylon, Egypt, Iraq and Israel, and perhaps something for Brazil for capital purposes. Nearly half of the 200 incurred in 1948–49 was in consequence of the Indian experiment of trying to combat inflation by importing on Open General Licence. On the other hand, the economies of all these countries are unstable, and unforeseeable emergencies may easily occur. Moreover, Pakistan has been running a large deficit on current account, and may experience special difficulties owing to her decision not to devalue. She has taken the full £17 million agreed upon for 1949–50† and a request for a supplementary release must be regarded as all too probable.

Other factors increasing the supply of sterling in international trade and payments

10. Apart from releases of, and drafts upon, the sterling balances, the supply of sterling internationally available has been increased in other ways which, in the aggregate, account for a very large sum to which it would be unrealistic to make no reference. First, gifts and loans have been made by the United Kingdom since the war for such purposes as UNRRA, International Refugees Office, Civil Affairs expenditures in conquered territories, maintenance of Armed Forces in Greece, and the like, all being made in contribution to the post-war rehabilitation of other countries. Secondly, new capital issues and conversion of maturing issues have been permitted,

* See footnote to paragraph 2.

† £12 million by 31st August and the rest subsequently.

in the main for borrowers within the Commonwealth, where the borrowing or conversion of a maturing issue has been deemed to serve a useful purpose. Thirdly, arising out of the fact that the Sterling Area operates as an area within which sterling payments are free of Exchange Control, there have been other capital movements, both into and out of the United Kingdom (cf., the column headed "Reasons" in Appendix II); these appear, on balance, to have been outwards from the United Kingdom.

11. Apart from the third category named in the last paragraph (i.e., capital movements, the net effect of which is difficult to measure) and apart from the running down of the sterling balances, the United Kingdom has, since the end of the war, provided to the rest of the world:—

	£ million
Gifts	400
Loans and Recoverable Aid	485
Drawing rights under I.E.P.A.	65
New capital including conversion and re-funding issues	300*
Total	1,250

(Details of gifts, loans and recoverable aid, and drawing rights exercised to 30th June, 1949, are given in Appendix VI.)

Whatever judgment may be passed in the light of after-knowledge on individual components in this total, the decision on each was taken after careful consideration in the light of policies which had general approval at the time, either in relation to rehabilitation, or in pursuit of the general obligations contained in the American Loan Agreement to avoid unnecessary restrictions on payments, or in the light of political and strategic considerations.

The total of gifts, &c., provided by the United Kingdom as shown above (viz., £1,250 million) may be compared with the total of gifts, loans, credits, &c., received by the United Kingdom over the same period (viz., £1,931 million), as follows:—

	£ million
American and Canadian credits	1,240
E.R.P. (Loans and Grants)	405
Australian and New Zealand gifts	38
South African Gold Loan (outstanding, 30th June, 1949)	30
South African gold gift and sundry gifts of food from Argentina, &c.	2
Drawing rights under I.E.P.A.	16
Capital repaid to United Kingdom less repayments of R.F.C. and Canadian Loans	200
	1,931

When allowance is made for the net sterling balance reductions (of about £600 million) and other capital movements from the United Kingdom the total financial resources provided by the United Kingdom roughly corresponds to, or may even slightly exceed, those received by her.

* Conversion and re-funding issues 190.

B. *The effect of the running down of the balances on the economy of the United Kingdom*

12. While the direct impact of the sterling balances on the economy of the United Kingdom is made only when the balances are reduced, the mere existence of the balances, whether reduced or not, presents in itself a major problem. Traders throughout the world are aware that great sums of sterling are available at need for Governments or commercial uses. Over against the world-wide shortage of dollars, of which traders and Governments are equally conscious, this abundance of sterling is a factor which would weigh on the sterling/dollar exchange rate even though there were little movement in the total of the sterling balances. This factor gained particular prominence in the growth of "cheap sterling" transactions. With such sterling balances available, a shortage of sterling was inconceivable, and both Governments and private traders were ready to see sterling spent with a freedom which contrasted sharply with their jealous eking-out of dollar supplies. Although the traffic in cheap sterling has diminished as a result of devaluation, this contrast between abundance and scarcity must remain a potential threat to any established dollar/sterling rate.

13. It has been noted above (paragraph 8) that there has been a fall in certain of the balances amounting to £1,085 million. When allowance has been made for capital movements in both directions (but not for the loans, gifts and other items referred to in paragraph 11) the total financial resources placed by the United Kingdom at the disposal of the holders of balances who have run them down is of the order of £850 million. On the other hand, certain other balances have risen by £466 million. When similar allowance is made for capital movements, the financial resources made available to the United Kingdom are of the order of £250 million. The net drain on our economy has therefore been about £600 million or rather under £200 million per annum, but this rate may, as has been mentioned, be reduced in future. It compares with the United Kingdom present production of about £10,000 million per annum and annual exports of about £1,600 million. The annual export trade of the whole Sterling Area is about £3,000 million. The drain is therefore small by comparison with these figures, but in the present extended state of the United Kingdom economy it may be of great significance.

14. The running down of the balances is inflationary, both for the United Kingdom and in the countries holding them:—

(a) As regards the United Kingdom, so long as a sterling balance is held by another country, it remains, in effect, outside the domestic monetary system. But as soon as such a balance begins to be reduced, it passes into the hands of exporters and others within the United Kingdom itself, and flows back through the production process as income into the pockets of those who have produced the export goods. Their buying power within the United Kingdom is by that much increased, but the goods which they have produced are not available to satisfy the buying demand, nor have they earned any return flow of imports to take their place in the shops at home. A reduction in the sterling balances thus represents a direct widening of the inflationary gap at home by that amount, and tends to produce all the customary inflationary consequences, including a rise in export prices.

(b) The balances enable the holder to run a deficit on external account and indeed

are a direct encouragement to do so, but beyond that the existence of such large balances as a means of meeting an external deficit encourages the holders not to take steps to deal with the inflationary conditions which encourage an external deficit.

This state of affairs in the countries holding the balances (which would follow equally from inflation not encouraged by the existence of the balances) has the effect on British exporters that there is no incentive to reduce export prices or to attempt to capture the more difficult markets as opposed to the easier inflationary markets. In addition the following effects on the United Kingdom economy ensue:—

(i) The countries concerned are traditional United Kingdom markets, with which we have well-established channels of trade, so that export business is easy to conduct and generally attractive as to the prices obtainable. It follows that where the total supplies available for export are less than the total potential market, a high proportion flows along these "normal" trade channels. In addition, quite apart from any favouring of old customers, the existence of longstanding orders inhibits early delivery to dollar markets.

(ii) Apart from the direct diversion of exports from dollar to non-dollar markets, even exports of goods which are not potential dollar-earners absorb resources of man-power and materials which might otherwise be available for exports which could earn dollars. Moreover, to the extent that they contain material which could be exported in another form for dollars, or material which has to be imported, particularly for dollars (e.g., cotton textiles), the additional exports add to our balance of payments difficulties.

(iii) The availability of sterling releases encourages a higher expenditure on dollar imports. If the sterling resources of the beneficiaries were less, they would have less sterling available for all purposes, including the purchase of dollars from the central pool.

15. All the effects outlined in the previous paragraph have operated during the period of reduction in the sterling balances. But their effect has been largely masked by the contrary effects of E.R.P. and similar receipts from abroad. As and when assistance from E.R.P. aid is reduced, the inflationary and other pressures derived from the sterling balances will become more apparent.

16. The preceding paragraphs are concerned principally with the effects felt within the United Kingdom economy. Substantial net drafts on accumulated sterling balances have, however, a further important effect on the trade and payments of the world as a whole. In the sum total of international payments, a deficit incurred by one country must of necessity be off-set by a surplus or surpluses in other countries. Hence the fact that a country which possesses a large available sterling balance can, by drawing on it, run into large deficit on international payments accounts, must indirectly be the cause of corresponding surpluses in other countries. But in the present straitened condition of most national economies, few countries other than the United States can afford an over-all surplus on their balance of payments. Any deficit, therefore, tends directly or indirectly to increase the surplus of the United States, and unless financed by additional dollar grants or loans, to aggravate the world dollar shortage, which is the greatest obstacle to a general restoration of convertibility in sterling and other non-dollar currencies.

17. By way of a postscript to these comments on the economic effect of the running down of the balances, we should notice what is liable to happen when the scale of running down has to be substantially reduced, either under pressure from the United Kingdom Government or for reasons originating in the country concerned. That country will then, by deflation and import restrictions, very likely cut down the demand for consumer goods (which are often of a type not saleable in dollar markets) and concentrate its demands on more essential products. It is likely to concentrate particularly on capital goods which are either themselves dollar-earners or embody materials and skills which may be more or less readily diverted to the production of dollar-earning commodities.

C. *The relationship of the problem of the sterling balances to questions of politics, strategy and economic development*

General

18. Before beginning to consider possible means of reducing the burden which the sterling balances represent, it is essential to stress that no approach is likely to be successful which takes into account merely balance of payments considerations. Indeed, if this had been so there would have been little excuse for not accepting much earlier the logic of the arguments in the preceding paragraphs and insisting on a drastic reduction of releases. But it has hitherto always been necessary, in dealing with the balances, to weigh very carefully the possible political and strategic consequences of what these countries would regard as an over-stringent policy on our part. The holders fall, of course, into very different categories (cf. paragraph 8 above and paragraph 23 below), but it will be seen from Appendix II that the holders, who are mainly responsible for the drawing down of the balances, consist of a group of countries in the Middle East and round the Indian Ocean (Egypt, Israel, Jordan, Iraq, India, Pakistan, Ceylon), which have in common both an exceptional importance in the present international political and strategic situation, and an acute need of economic development. The former factor has had considerable influence on our treatment of the balances; the latter has been more important in determining the attitude of the holders towards them. Both force themselves on the attention when future policy is being considered. It is clearly important to emphasise to the United States Government the ways in which releases from the balances have contributed to our common political, strategic and economic objectives in the Middle East and Southern Asia. It is even more important to claim that the economic burden involved is one which we can reasonably ask them to share.

Political and strategic factors

19. The political considerations, internal and external, which are involved, are closely linked with the strategic. Thus internal policy, which is primarily a matter of political stability, concerns us because of the need to prevent any of these countries from falling into the Communist camp and to build them up as centres of anti-Communist influence. This in turn is directly allied with the strategic importance of these countries in case of war. It is no function of this Report to go into the details of these questions, but the importance of, e.g., the Suez Canal Zone, the Indian Ocean and the oil of the Middle East in war-time hardly need emphasis. We have been forced in the past, for example to pay great attention to the first of these

(and the necessity of maintaining troops in the Zone) in our past arrangements over the Egyptian balances.

The external considerations are the risks involved in creating grievances among these holders if they should feel that they had been unfairly treated in sterling balances settlements. Any such feeling would be intensified by their urgent desire to use the balances, not only to meet deficits on current account, but, in general, for their economic development. India, for example, has always proclaimed that she regards her balances as earmarked for the financing of development, though, no doubt for reasons which the Government of India regarded as imperative, they have not always been used for this purpose. This is, indeed, one of the main reasons for the Indian refusal to contemplate cancellation.

Development

20. This question is one of considerable complexity and difficulty. His Majesty's Government has already devoted a great deal of study to the application of the Fourth Point to the Middle and Far East, and the Papers on development in these regions produced by the Official Committee on Economic Development Overseas provide background material. The conclusions to be drawn from these studies are that, while our interests in these two regions would probably suffer from a refusal to share in the financing of such development, our share must in present circumstances be small, and that the main burden must be borne by the United States. This applies especially in the Far East (including India and Pakistan), whose capacity to absorb capital is practically inexhaustible. In so far as we link the future use of the sterling balances with the United States share of such development—under the Fourth Point or otherwise—that will assist in the finding of an agreed solution of the problem and help our case with Congress. Nevertheless, we have to make a careful choice of arguments here and, in particular, we should not base any scheme wholly on the idea of capital development, since political and strategic reasons are always likely to have primary importance. Moreover, we want to encourage the United States to relieve us of some of the existing burden of the sterling balances as well as to assume the major part of the cost of future development. United States assistance in financing India's capital development would be of no help in solving our problem if it left the Indians free to spend their sterling balances at any appreciable rate for other purposes.

D. *Factors determining the approach to the problem*

General

21. We are very much in the dark as to the possible form or extent of United States help in dealing with this question, and, indeed, as to the whole attitude of the United States Government to it. Instead, therefore, of suggesting any concrete scheme, involving United States assistance of this or that type, form or amount, it seems to us that, at this stage at any rate, we could best assist our representatives in the forthcoming Washington discussions by setting out the various considerations which are likely to affect the drawing-up of any agreed scheme and leaving the general lines of possible schemes to emerge from the discussions. The present section of this brief therefore examines the general basis of approach which is most justified on merits and likely to make the best appeal to the United States Government (paragraphs 22–23); the objectives at which we should then aim

(paragraphs 25–27); the difficulties which are likely to be raised both by the United States Government (paragraph 28) and by the other Governments concerned with the sterling balances (paragraph 29); and, in the light of those various factors, some suggestions about the method of approach to the United States Government (paragraphs 30–31). Finally, we draw attention to the need, whatever the course of the Washington discussions, for a tougher policy on the part of His Majesty's Government on the release of the blocked balances and to the possibility, if the forthcoming discussions do not result in a satisfactory agreed settlement, that more radical action by His Majesty's Government will be required (paragraphs 32–36).

Impracticability of a comprehensive approach

22. It seems very likely that there would be no prospect of success in any approach to the United States for help in the form of a vast contribution of gold or dollars to be exchanged for the whole of the balances or for any large proportion of them. The amounts needed would be so large, and the major questions of policy, which would be raised, so complex and untimely (e.g., the restoration of full convertibility) that we doubt whether such an approach should be contemplated at the moment. Moreover, the individual balances vary in size and in movement as greatly as do the particular needs and problems of their holders. We are therefore thrown back on a policy of individual approaches to the problems presented by the balances of single countries or groups of countries. If, contrary to our expectations, the United States Government press for a comprehensive settlement and are prepared to support it with adequate aid, we should consider it with ready sympathy in the light of the precise proposals made.

Balances with the highest priority for treatment

23. The first question to be settled, once a series of individual approaches has been decided upon, is that of the balances on which we should concentrate for the present. The considerations mentioned in Section C (paragraph 18) give an unmistakable lead to the answer. It will be noted, however, from the three categories listed in Section II of Appendix III that not all of the countries referred to in paragraph 18 are considered as among those most likely to exert a serious drain on the economy of the United Kingdom in the near future, but India, Pakistan and Egypt are all in this category, and Ceylon, Iraq, Israel and Jordan are all considered as falling into the second category of danger. On other grounds, too, the countries in this group seem to require priority of treatment. Their balances are war-time accumulations of the kind which the United States Administration clearly has pre-eminently in mind; they have been run down substantially; and the political, strategic and economic arguments all coincide in indicating them as the group with the first claim to consideration. These arguments apply with special force to India. She, perhaps together with Pakistan, is the most pressing case. She raises all the problems likely to be raised by other holders in the Middle East-Indian Ocean group, most of them in an acute or complex form.

24. The balances of the remaining countries, notably Australia and the Colonies, involve such special factors (e.g., the post-1947 increase in the Australian balances and the unique relations between the Colonies and the United Kingdom) that very little purpose would probably be served by attempting to deal with them at this stage. Moreover, there are no obvious grounds (e.g., political strategy or development) for

attacking these cases as there are with the Middle East-Indian Ocean group. It is therefore preferable to postpone consideration of them until we have some evidence from the forthcoming discussions about the attitude of the United States Government to the sterling balances generally.

Our objectives

25. Whatever kind of scheme may be worked out we should try to secure that it should embody as many of the following characteristics as possible:—

(a) It should provide immediate relief for our balance of payments through the acceptance and application by the United States of the principle of joint responsibility for economic assistance to the holder countries of the Middle East-Indian Ocean region. We have so far been bearing this burden practically alone by means of releases from the sterling balances.

(b) This points to the provision of annual amounts of dollars to cover the whole or part of, e.g., the Indian deficit on current account (including current provision for development schemes). The most helpful scheme (subject to the Congressional time-table) would be one under which the annual amounts increase as E.R.P. aid tapers off, until it reaches a maximum when E.R.P. comes to an end. It might then diminish until it disappeared a few years later, when we might be ready once more to meet deficits of the present size by United Kingdom investment.

(c) It would be greatly to our advantage if, in return for such assistance, the United States Government could secure, in some way or other, the outright cancellation of a proportion of the beneficiaries' existing sterling balances and some understanding about the use of the remainder. We deal separately in paragraph 27 below with the general question of cancellation.

(d) The scheme should provide relief in a form which will avoid distorting world trade into new patterns which are unlikely to be permanent. There is a serious risk that our long-term commercial connexions and prospects and those of the other countries concerned might be seriously damaged by a purely temporary provision of dollars.

26. The provision of dollars might take one of various forms, each of which has its advantages and disadvantages. There are likely to be two pairs of alternatives: aid might be in the form either of a grant or a loan; and it might consist of dollars freely expendable anywhere, or it might be "tied" either to purchases in the United States or to purchase of specific commodities, or to both.

(a) *Loan or grant*. It is unnecessary to enlarge upon the advantages which the sterling area would derive if United States assistance took the form of a grant particularly if, as the price of obtaining it, holders of sterling balances had to agree to the outright cancellation of a corresponding part of their balances.

The pros and cons of accepting assistance by way of loan are much more evenly balanced. In favour of accepting such assistance it can be argued that the strain on our gold and dollar resources would be relieved, at a time when it threatens to prove intolerable, in return for an obligation to find dollars in the more distant (and one must hope more prosperous) future. This is undoubtedly a great advantage but in the case of members of the Sterling Area the disadvantages of assistance by loan are heavy—

(i) It would be improvident to assume that within the foreseeable future our balance of payments with the dollar area will allow us to repay further heavy borrowing without an acute strain on the economy of the Sterling Area.
(ii) If the holder countries are only to be offered a loan it is most unlikely that they will accept any measure of cancellation of their balances. They would be far more likely to regard their balances as assets set aside for repayment of the loan, their only liability being to find the sterling with which to buy the dollars from the central reserves.
(iii) A loan of dollars to India would encourage her to use dollars with a freedom which the circumstances of the sterling area certainly do not warrant. For this reason the relief to our current dollar position might be nothing like equivalent to the burden of repayment (including any interest) which would eventually fall on the central reserves, of which the United Kingdom is the guardian.

We do not wish to rule out of court the possibility of assistance by way of loan. It would indeed be premature to do so until discussions in Washington have shown much more clearly the sort of solution which the Americans may have in mind (and it is, of course, abundantly clear that a loan would be much more palatable to Congress than a free grant). But we feel that the terms upon which any loan is offered must be examined with the utmost caution lest, by sponsoring its acceptance by the holders of sterling balances, we are merely putting off the evil day and are sowing dragon's teeth for ourselves when repayment falls due.

(b) *Tied or free*. "Free" aid has everything to recommend it. It imposes no conditions which would hamper free, multilateral trade; it allows the beneficiary to buy in the cheapest market, which is the fundamental requirement of a "one-world" economy; and we may ourselves be able to earn some of the dollars. To establish the principle of "free" dollar grants or loans would be an outstanding achievement.

Cancellation

27. Before proceeding to discuss the difficulties which we are likely to encounter with the United States and the holders, it is useful to deal with this very considerable difficulty which will arise in our discussions with both parties. Although we agreed under Section 10 (1) (c) of the Loan Agreement (Appendix VII) to seek partial cancellation of the balances and have sought to achieve it, this has not hitherto been a practical proposition. There are certain technical difficulties in that the balances are not in all cases held by central banks or official bodies, but by private individuals. But the main difficulty is that public opinion in India, for example, has never accepted the argument that there should be some scaling-down of the balances, on the grounds that it was inequitable that such war-time liabilities incurred in the common cause should be regarded as the sole liability of the United Kingdom. India considers that she was brought into the war without being consulted; that, although a much poorer country than the United Kingdom, she contributed a more than proportionate share of the cost and, in fact, did all that could be expected or required of her; that she suffered privation by way of famine and inflation; and that the repayment of the sterling balances would not involve more than a relatively small sacrifice on the United Kingdom's part, having regard to the disparity in the standard of living of the two countries. Moreover, as has been mentioned, India regards the balances, which are almost her sole external reserves, as a fund to be used for her

essential economic development. It is possible that India and the other countries concerned may be ready to modify their attitude towards cancellation in return for adequate United States aid, but it is clearly impossible for us at this stage to say how far this may be so.

We would add that it would be essential for us to secure that any sterling balances "cancelled" were in fact cancelled and that the Americans retained no hold over them in any shape or form. In effect sterling now held by, for example, India would have to be paid into the Exchequer (and used for the reduction of debt), no benefit remaining for any third party.

Again, as regards the uncancelled balances, we should have to look closely at any conditions attached to their use. In particular, we should have to guard carefully against accepting convertibility obligations, so to speak, by a backdoor. We must not be led into this sort of bargain apart from a settlement of the convertibility problem as such.

Difficulties with the United States

28. To state the objectives set out above is to bring out, by implication, the kind (and magnitude) of difficulty which we are likely to encounter with the United States Administration. Briefly:—

(a) Indications as to whether the United States is prepared to come forward at all with any positive help in the solution of this problem can only emerge in Washington. A particular aspect of this is whether, if the United States is prepared to find money for the development of the Middle East and Far East, she will wish to link such provision with a settlement of the sterling balances.

(b) There is a lack of comprehension in the United States of the significance of the sterling balances in the international political and economic situation. To regard these simply as war debts, analogous to those forgiven by the United States (a rich country) under Lend-Lease, is to overlook the complexity of the problem, the case on which the holder countries base their resistance to writing-down, the relation of the balances to the whole question of overseas investment by the Western countries, and the need of the holders for economic assistance.

(c) There is also a lack of understanding of how the Sterling Area functions, of its importance in the promotion of free multilateral trade, and therefore of the importance of helping to cure the difficulties imposed on it by the existence of the sterling balances in such a way as is most likely to assist it to function normally.

(d) Although the United States Administration is strongly in favour of free multilateral trading, and although it is only right to recognise past American generosity, neither the Administration nor Congress seems prepared at present to assist towards their objective by substituting the idea of free international circulation of dollars for that of closely supervised aid, which helps to meet immediate needs but makes more rigid the channels of trade. E.R.P. aid is, of course, subject to very close control by the United States Government (although the 1945 loan was free) and Congress would probably be reluctant to grant any future aid on less restrictive terms. Off-shore purchases are a long way from free multilateral trading.

(e) Finally, there is the question of timing. Given the difficulties, discussion with the United States seems likely to be lengthy. But if some line of action is not

adopted before the end of April the mid-term congressional elections may well put a stop to the initiation of any congressional action until early 1951.

Difficulties with the holder countries

29. The major difficulty is that, whereas the United States would presumably be unwilling at present to consider any scheme which did not involve some contribution from the holder or holders in question, these countries would probably not consider it if it did not offer them some tangible advantage, and would certainly not do so if it involved them in any sacrifice, whether financial or political.

(a) They consider their balances to be exactly the same as ordinary commercial obligations (though they have agreed, for the most part, to a lower rate of interest) and see no moral reason for writing them down (cf. paragraph 27).

(b) They need current access to them in order to finance their current deficits, and would be unprepared to see them reduced unless they were offered some compensating advantage. The deficits do, of course, include some expenditure on development.

(c) They all have hopes of receiving United States help under the Fourth Point without any sacrifice on their part, and will certainly be disappointed if they are offered nothing except in return for concessions in regard to their sterling balances.

(d) At present, India and Pakistan secure a release of sterling with which they can buy hard currencies from the central pool for free expenditure and there might seem to be little advantage for them in securing instead a grant of dollars. It is possible that they might be persuaded to agree to a scheme on these lines on the grounds that it would help the Sterling Area as a whole and, therefore, their own prospects of advantage from its continuance; but, having regard to the strong feelings already aroused about the sterling balances, such agreement is at best doubtful. If the aid were in the form of a loan, or if there were restrictive conditions attached, they might well hesitate to waive any claim to sterling releases and would certainly refuse to agree to cancellation of an equivalent amount. The one factor which would probably influence their attitude most would be the prospect of much smaller releases over a substantial future period; and we deal with the possibility of restricting releases in paragraphs 31–35 below.

(e) The holder countries would be reluctant to accept United States aid in loan form unless it were accompanied by an assurance that the Sterling Area would find the dollars to repay it, whether or not they were still members. The rate of interest would also be relevant.

(f) Any kind of tied aid would involve them in more restrictive arrangements than at present, and might mean their being forced to buy in dollar markets at a higher price.

(g) They would, of course, look narrowly at any scheme in order to see whether it put them at a disadvantage as against other holders (bearing in mind (a) and (b) above).

E. *Suggested course of action*

General

30. It was emphasised in paragraph 21 that we have not yet sufficient knowledge of the United States attitude to do more than state the general objectives at which we should aim and the difficulties we are likely to encounter, both with the United States and with the holders. When the discussions have got to the point of canvassing definite schemes we shall first have to decide whether the schemes are such that we can join in sponsoring them to the holder countries. Before we ourselves enter into any commitments we shall have to decide—

(a) what restrictions and conditions we shall be prepared to accept on any aid we may secure (paragraphs 25 to 27);
(b) whether we shall be prepared to accept aid in the form of a loan rather than a grant, and, if so, on what terms (paragraph 26 (a));
(c) whether the amount and method of any cancellation and/or postponement of releases are satisfactory (paragraph 27);
(d) whether we shall agree to any additional dollar expenditure by the holder country (e.g., on development), which will fall on the central reserves (paragraph 20);
(e) whether we shall agree, e.g., to the offsetting of aid against E.R.P. aid.

The approach

31. In all the circumstances the most promising line of approach seems to be as follows:—

(a) A series of preliminary discussions designed to enlighten the United States Administration and in due course public opinion, as to the nature of the sterling balances; their importance for the holder countries; the way in which they burden the United Kingdom; the way in which this has been a United Kingdom contribution to post-war reconstruction; the economic needs of the countries concerned; the political and strategic necessity of helping them either by releases or otherwise; the importance of the Sterling Area as a system of free multilateral trade; the value of "free" aid as a means of promoting such trade. The timing of this will need careful watching (see paragraph 28 (e)).
(b) For the reasons noted in paragraph 22 there are likely to be insuperable difficulties in the way of a single, all-embracing solution and we should, therefore, suggest that we must deal with individual cases.
(c) The discussion of the relative priority for treatment of individual holders (paragraph 23) and, possibly, the concentration on India and the Middle East and Indian Ocean group for the present. The older Dominions and Colonies would probably have to wait for some time.
(d) It would be useless to formulate a detailed proposal at this stage, and tactically wiser to let the United States suggest such a proposal, but the essential thing is to hammer at the objectives outlined in paragraph 25.
(e) As soon as a definite scheme is taking shape, to bring in the holder country or countries concerned. The form and venue of the talks with them can only be settled as the Washington talks proceed.

Restriction of releases in future

32. The course of the discussions in Washington is very uncertain, and it will in any case be some time before agreement on any new policy can be reached with the United States Government and the other Governments concerned. Even when agreement is reached on policy, if it involves financial assistance by the United States there will inevitably be further delays before the necessary Congressional authority is obtained.

On the other hand, it may be that we shall be completely unsuccessful in securing any tangible assistance from the United States in dealing with the problem.

It is clear, therefore, in view of the urgency of our present economic problems, that we must adopt a tougher policy from now on about the release of blocked balances. This policy was, in fact, laid down by the Chancellor of the Exchequer in the House of Commons on 26th October, when he said:—

"When we come to the rest of the Sterling Area, the very nature of the system is that its members should be able to draw on the reserves which they keep with us in sterling when they are in need. It is a necessary consequence of their being willing to allow their balances at some times to rise that we should be willing to allow them at other times to draw on them. Special considerations arise in the case of the war-time sterling balances and the extent to which drawing is permitted upon those is and has been limited by the agreements which we have with the several countries. The reduction of those sterling liabilities, however, is, like the granting of new loans and credits, a matter of degree, and clearly in our present situation we cannot afford to employ so much of our resources for this purpose as has hitherto been desirable in our own long-term interests and in the interests of world development.

In financial terms that means that in order to keep sterling strong we must not over-provide sterling to other countries, either in the form of new credits or in the form of releases of accumulated sterling balances. Our past policy has enabled us to give most essential help in the restoration of the economies of Europe and Asia. Had a different policy been adopted both we and the world would have been worse off. But we must now go slower whether we like it or not."

33. As to the occasions for introducing this new policy, it is to be noted that the existing agreement governing the release of Indian balances run[s] to 30th June, 1951, while Pakistan has been promised a minimum of £5 million for the year 1950–51. Except as mentioned below, we do not suggest that any modification or breach of these agreements should be contemplated. There will, however, have to be negotiations with Egypt and Israel in the near future; negotiations with Iraq are now in progress. It is important that the new policy should be adopted in these cases, not only on their own merits, but also in order to show our determination to adopt it. Further, the period of any new agreements providing for releases should be as short as possible.

34. Any settlement reached with the United States Government and the Governments of countries holding balances might well involve consequential modifications of existing agreements.

35. If no such settlement appears likely we shall then have to consider whether, acting without the United States Government, we should not, as soon as possible, seek the agreement of the Governments concerned to a radical revision of our policy on releases. It might be desirable, for instance, notwithstanding the political and

strategic objections, to press for the funding of a large part of the balances, that is, for fixed schedules of annual releases (on less than the present scales) over a long period. This would inevitably raise the question of what rate of interest would be appropriate over that period.

36. It is possible that we might have to go even further. If there is no agreement with the United States Government, or if agreement cannot be reached with the other Governments concerned, either on any Anglo-American scheme or on a more radical United Kingdom policy such as is suggested above, we may have to consider either unilateral funding or a unilateral breach of existing agreements, however recent. Either of these would obviously be a very serious step, with far-reaching consequences for ourselves and for the standing of sterling as well as for the Governments concerned. A breach of existing agreement could only be contemplated if our economic situation had seriously deteriorated below its present level. Any further examination of the possibility of such treatment of existing agreements must, therefore, depend on the course of future events in Washington and in this country.

Canadian participation

37. Throughout this report we have discussed the problem in terms of aid by the United States. We have no indication of what the Canadian attitude is likely to be and we must leave our representatives in the Washington talks to ascertain what part the Canadians are likely to play and the extent to which they may be able to take any initiative in the matter.

European interest in the sterling balances

38. Mention should perhaps be made of the fact that some attention is being paid to the sterling balances in connection with possible financial and economic developments in Europe. It is widely realised that no European currency union with United Kingdom participation is possible without a solution of the problem. Thus, in comments (from a private but influential Belgian source, confidentially given to us) on possible schemes for monetary union, it is hoped to encourage United Kingdom participation therein, and the convertibility of sterling, by suggesting way[s] of relieving us of the burden of the sterling balances. Such relief to us would also reassure European sponsors of schemes for monetary union who feel that the sterling balances represent a threat to the stability of sterling.

The actual proposal referred to is that one-third of the balances should be cancelled by the owners, liability for another third taken over by the United States and liability for the remaining third shared between the countries forming the monetary union. How the last third would be dealt with in practice is not clear. Would the owners of the balances be expected to sell their sterling to the several European countries and receive in return the currencies of the latter? And would the new currency holdings be blocked and their rate of conversion into goods and services be subject to negotiations with the European Governments? And to which of the present sterling balances would the scheme apply: cf. Australia? Whatever the answers to these questions, it is difficult to believe that the holders of the sterling balances would be at all attracted by the substitution of other European debtors for His Majesty's Government.

Since the above proposal has as yet received no sort of official sponsorship or recognition in any European quarter, it is premature to consider it further in this report.

Appendix III to 95 [Extract]

I. *Trends since the war*

. . .

B. *Sterling Area*

. . . 2. *Australia*

Since the end of the war the general trend of Australian sterling balances has been upwards, although in the immediate post-war years it was to some extent masked by large and non-recurrent capital payments. Early in 1947 discussions with Australia on overall financial policy took place in London, and the Australian Government were made aware of His Majesty's Government's desire that the balances would remain at or about their then level. In September 1947 Australia undertook that her sterling holdings would not during the then current financial year be depleted except for agreed debt repatriations. Since then, however, the Commonwealth has had a strongly favourable balance of trade, due to high production of, and high prices for, primary products and, in addition, a considerable capital inflow estimated at 140 during 1947 and 1948. The drawing down of the pre-1947 balances has not therefore been in question and no formal blocking arrangements have been necessary.

3. *Burma*

No formal blocking of Burma's sterling holdings has been attempted, but, under the informal agreement of April 1947, she undertook to limit her drawings on her balances as at that time to 4 over the five years to April 1952. A balance of 34 was therefore not available for expenditure, but it was not segregated. Balances at the end of 1948 were relatively unchanged at 38, although there had been pronounced seasonal swings. Since then they have risen to 50 in August 1949, but this must be regarded as in some ways artificial, for most unexpectedly Burma has been enabled to maintain the current season's rice export programme following the recovery of heavy stocks from the rebel area, although her imports have fallen away substantially owing to internal disturbances.

In practice, therefore, the rather loose blocking arrangement has not been put to the test since contrary to expectations Burma's sterling balances have risen.

4. *Ceylon*

Ceylon became a Dominion in February 1948. Until that date her balances were not subject to control, but the Government were advised, as were other Colonial Governments, of the policy His Majesty's Government wished to be applied. An adverse balance in the immediate post-war years, due in part to a worsening of her terms of trade and also to some capital outflow, reduced the balances from 81 in 1945 to 45 in April 1948, at which date they were segregated in No. 2 Accounts following formal negotiations. From these balances have been released in successive negotiations 16.25 up to the end of June 1950. Six are held in funded Government loans. Ceylon's Indian rupee assets at present are subject to the same control as are her sterling balances. Throughout the period of the Agreement Ceylon has lived within the agreed releases and has proved not unco-operative.

5. *Eire*

Technically and politically Eire is a special case. Nearly 75 per cent. of the balances are with banks and private individuals and formal control, though technically possible, would have presented formidable political difficulties. The balances were depleted in the three post-war years by 28 (from a peak of 203) due to an adverse balance on current account. Since the middle of 1948 increased receipts under the Trade Agreement of July 1948, E.R.P. aid and some internal deflation have reversed the trend and the balances are tending to increase.

6. *India*

India with peak balances of some 1,300 presented the major sterling balance problem. Preliminary discussions in Delhi in February 1947 emphasised the political impossibility of securing cancellation by agreement but cleared the ground for more formal negotiations in July of that year as a result of which the remaining 1,160 balances of the Reserve Bank of India were segregated in No. 2 Account and releases to No. 1 Account agreed to cover the remaining half-year. A table of releases agreed during this and subsequent agreement periods is opposite. The pre-blocking decline in the balances had been occasioned by some non-recurrent capital transactions and a combination of political and economic uncertainties which resulted in a capital outflow and serious adverse balance on current account. During the period from August 1947 to June 1948, the trend was reversed; some capital outflow financed through No. 2 Account continued though at a reduced rate and No. 1 Account balances rose to 80. This was achieved by severe import restrictions which were no doubt a contributory factor to the increased inflation which followed. In June 1948, partly at His Majesty's Government's request, import licensing was relaxed. The pent-up demand for consumer goods was underestimated and the effects of the liberalisation of import licensing became apparent towards the end of 1948 and early 1949 when, although no releases had been envisaged prior to June 1949, His Majesty's Government agreed to *ad hoc* transfers from No. 2 Account to maintain No. 1 Account balances at a minimum safety level. Releases of 81 were made up to end June 1949 to allow of a gradual tapering off of outstanding licences and similar provisions were embodied in the Agreement concluded in the following August. In July and August transfers from No. 2 Account totalled 33, the current increase in balances possibly reflecting seasonal movements.

Even allowing for the fact that somewhat under half of the total releases is due to the non-recurrent pensions and war stores arrangements, the conclusion is that the blocking arrangements have been ineffective for, in the result, India has been allowed to withdraw from No. 2 Account as much as she needed for her current purposes. She has, however, become alarmed at the rate at which her balances are being consumed.

India's treatment during these four years cannot be understood without reference to the political and constitutional developments during that period. India emerged from an exhausting war with her economy distorted by inflation and her administrative machine weakened. Rehabilitation was delayed at first by political tension before her attainment of independence. Nationalism was rampant and contributed to a serious fall in business confidence. Partition threw further strains on, and further weakened, the administration. It provoked communal strife and resulted in the severance from the new Dominion of some of the richest agricultural lands thereby

increasing her dependence on imported food, and the separation from her basic industries of the bulk of their raw materials. It also aggravated the dollar drain. The existence of good relations between the two new Dominions would have eased their problems and ours, but this has unhappily not been possible. Mutual fear and distrust have aggravated the difficulties and created new ones in the shape of commercial friction and heavy defence expenditure.

Undivided India

Blocked at 14th August, 1947 1,160

Date of Agreement	*Period Covered*	*Releases* *Working Balance and General*	*Special Purposes Net*
14th Aug., 1947	14th Aug., 1947—31st Dec., 1947	65	18
Dominion of India			
15th Feb., 1948	1st Jan., 1948—30th June, 1948	18	15
9th July, 1948	1st July, 1948—30th June, 1949	81	248(*b*)
1st Aug., 1949	1st July, 1949—30th June, 1950	110(*a*)	
	1st July, 1950—30th June, 1951	50(*a*)	
		324	281
		605	

(*a*) Conditional on need.
(*b*) Purchase of sterling pensions annuity 168 plus purchase of war stores less Defence Expenditure Plan 54.

7. *Iraq*

Cancellation, or scaling down, of the Iraqi balances was not seriously considered, partly on account of their size and also because the bulk constituted cover for the note issue. His Majesty's Government reserved their position on this. A long-term agreement was concluded in August 1947 to operate until July 1952. Sterling balances (58) of banks and Currency Board in Iraq were blocked but provision was made for a general release of 15 over the five years on the basis of 4 for each of the first two years and 7 to cover the remaining three, together with a working balance of 2 and a special release of 5. Provision was also made for a release of 4.3 in respect of repayment by the Iraq Government of sums due to the Iraq Petroleum Company and to His Majesty's Government on account of the Port of Basra. In addition a further 9.5 has been released in respect of clauses of the Agreement in which no amounts were specified.

Iraq has been progressively drawing on her sterling balances to finance the chronic deficit in her balance of payments and her No. 1 Account balances have run down to a relatively low level. A stricter control of imports has been introduced and requests have been made for further releases from blocked account.

Blocking has, therefore, been successful to a certain degree in limiting Iraq's demands on United Kingdom resources.

8. *New Zealand*

Since the end of the war New Zealand sterling balances have remained relatively stable apart from agreed debt redemptions and some relatively small net drawing down of which His Majesty's Government has had foreknowledge. The degree of co-operation shown by New Zealand in financial matters has been such as to make unnecessary any formal blocking. Current expenditure is closely related to current receipts.

9. *Pakistan*

Pakistan's share of the sterling assets of undivided India are determined by the Pakistan (Monetary and Reserve Bank) Order. Under this Order, 140 has so far been allocated to her by India and, since after partition the Financial Agreement of 14th August, 1947, became equally binding on both Dominions, the bulk of these assets have gone to No. 2 Account. After 1st January, 1948, the decision to operate separate foreign exchange accounts has necessitated separate negotiations with Pakistan for the renewal from time to time of the Financial Agreement. Cancellation, which had proved impossible before the balances were divided could hardly be raised with Pakistan without being raised simultaneously with India. A statement of releases agreed in this and subsequent negotiations is below.

Until the end of 1948, licensing restrictions and better than average receipts for her primary produce combined to build up the No. 1 Account to the relatively high level of 40. Relaxation of import licensing in mid-1948 and relatively heavy expenditure on defence and development requirements was reflected early in 1949 in an adverse balance on current account and a rapid depletion of No. 1 Account balances which were reduced to 7 at the end of June. The trend has not yet been reversed.

Pakistan

Date of Agreement	*Period Covered*	*Releases*	
		Working Balance and General	*Special Purposes Net*
21st Feb., 1948	1st Jan., 1948— 30th June, 1948	16	1
14th July, 1948	1st July, 1948— 30th June, 1949	5	5
5th Aug., 1949	1st July, 1949— 30th June, 1950	12	5
	1st July, 1950— 30th June, 1951	5*	...
		38	11
		49	

* Agreed minimum release.

10. *South Africa*

South Africa has not since 1931 held sterling by statute or custom, preferring to keep her reserves in gold. Balances accumulated up to the end of the War had resulted from gold sales to the United Kingdom (under various agreements with the Bank of England) which made it impossible for His Majesty's Government to take any action

for formal control. During 1947 and 1948 there was a very large capital flow to South Africa which had been reversed by mid-1949 but now shows some signs of resumption. Under present arrangements both Governments have undertaken to consult together with a view to controlling undesirable capital movements if the need arises.

11. *The colonies (excluding Palestine and Ceylon)*

Sterling balances in the Colonies are the accumulated holdings of some 50 territories in varying degrees of economic and constitutional development, for whom His Majesty's Government is in the position of trustee. Total assets amounted to 563 at the end of the war (of which Hong Kong 36, dealt with under Far East) and increased to 620 in June 1947 and 675 at end August 1949, the main factors in the increase being high and rising prices for Colonial primary produce and restriction of current consumption.

The assets can be divided into five broad categories:—

	Percentages in August 1949
Currency Reserve	37
Non-disposable (pension funds, &c.)	25
Disposable	9
Commercial bank	26
Loans to His Majesty's Government	3

How to deal with the Colonial balances poses a contradictory problem, for on the one hand there is the general need to restrict the calls on United Kingdom production by the expenditure of the wartime accumulations of sterling and, on the other, His Majesty's Government's undertakings and obligations, which in effect add to these accumulations by the operation of the Colonial Development and Welfare Acts. After prolonged consideration, it was decided that any form of blocking was undesirable if indeed it were practicable. Various other ways of dealing with the balances were considered, *inter alia*:—

(a) Interest-free loans to His Majesty's Government.
(b) Cancellation.
(c) Fiduciary issues and utilisation of funds so released for development purposes.
(d) Local loans.

All these expedients are open to objection, the chief of which is that the funds are already very largely under control, i.e., committed to specific liabilities (currency reserves, pensions, sinking funds, &c.). Further, the application of any of these measures would involve negotiations with some fifty local Governments and whatever the outcome His Majesty's Government would be placed in the invidious position of "sitting on both sides of the table." Apart from this, as mentioned, Colonial Development and Welfare Acts commit His Majesty's Government to a large programme of social and economic development which could hardly fail to augment colonial balances . . . .

II. *Future prospects regarding sterling balances*

40. *General*

The future trend of sterling balances is difficult to forecast clearly and it may prove misleading to attempt to assess the degree of danger, if any, to the United Kingdom's economy that is inherent in any particular country's sterling balance. Every £ sterling held abroad is a United Kingdom liability and a potential call on United Kingdom resources: but the call will differ from country to country both in amount and speed.

The following detailed analysis of the probable position in the future of the sterling balances of the whole world is therefore based on the degree of pressure on the United Kingdom economy which is likely to result from the accumulation and liquidation of large and small balances alike. The analysis is thus based on qualitative rather than quantitative considerations and the difficulties which are anticipated in negotiations with certain countries. The effects of devaluation have also been estimated as far as possible although these are not yet by any means clear.

No distinction has been made between Sterling Area holdings of sterling and those held by other countries since all countries wish to be able to spend their sterling but the amount varies greatly from country to country. In order to emphasise the special danger in the case of certain countries these are placed in the first category. There follows a second category of cases in which it is thought that the future position is less serious—a probable gradual drain on United Kingdom resources, but changed circumstances, for example a bad season in Australia, or a cumulative exercise of purchasing power in the Colonies, would radically change the picture for these two areas.

In a third category are those countries, the nature and size of whose balances are unlikely to give rise to difficulties.

Category 1	*Category 2*	*Category 3*
Argentina	Australia	Austria
Belgium	Bolivia	Brazil
Egypt	Burma	Chile
Germany	Ceylon	Ethiopia
India	China and Hong Kong	Finland
Iran	Colonies	France
Italy	Denmark	Greece
Japan	Eire	Iceland
Pakistan	Iraq	New Zealand
Peru	Israel	Norway
Switzerland	Jordan	Paraguay
	Netherlands	Spain
	Portugal	Sudan
	South Africa	Syria
	Sweden	Turkey
	Thailand	U.S.S.R. and Satellites
		Uruguay

. . . 45. *India*

Indian sterling balances at 594 are now only 225 (four years' expenditure at the present rate) in excess of the statutory minimum, and during the recent negotiations there were indications that the Indians themselves were concerned at the over-rapid

depletion of their reserves. Prior to devaluation it would have been reasonable to assume that Indian net expenditure would be limited to the Agreement rate of 50 a year (excluding tapering off) or even to a lower rate. But the fact that Pakistan has not devalued, with the many resultant economic difficulties between the two countries, has introduced an element of considerable uncertainty. Indian receipts from jute and cotton exports must suffer as a result of the deadlock between India and Pakistan over devaluation and the longer this position continues the greater will be the risk of India's deficit exceeding during the current year the worst estimate of 110.

In the longer term, assuming that some solution can be found to the present Indo-Pakistan deadlock, India is trying to cut expenditure by the Central and Provincial Governments on capital expenditure and is likely to strive to decrease the present net deficit on current account and, given reasonably favourable conditions (e.g., some success in the food production drive) she may achieve this. It is questionable, however, whether the degree of industrialisation and development envisaged by India could be achieved within a balance of payments, acceptable to us and indeed within their means, unless non-sterling sources can be heavily tapped for capital requirements. In the short run India will no doubt continue to make heavy imports of food grains . . . .

49. *Pakistan*

Having regard to the development problems with which Pakistan is faced and to the general attitude of the Pakistanis at the recent negotiations, we should have expected Pakistan prior to the devaluation of sterling to spend her releases up to the hilt and to press in each subsequent negotiation for increased releases, in any case not less favourable than those agreed upon with India. Pakistan's decision not to devalue may affect the position. To the extent that there is a capital outflow (and there is some indication of this) the pressure for further releases will be accelerated. Pakistan, like India though perhaps not to the same degree, will be adversely affected by the deadlock over devaluation. Since she is in a near-monopoly position as regards jute and as a major producer of another commodity, cotton, in short supply in the non-dollar area, Pakistan should have little difficulty in finding a market for her staple primary products at about the current level: she may, indeed, succeed in forcing the sterling price of jute to near the new dollar parity. Whatever her receipts (we should expect them to be at least at the current level whether or not India buys from her), it is clear that Pakistan will spend them to the full. Although the scale of Pakistan's spending from accumulated balances will be relatively low, in many respects she must be regarded as a more difficult problem than India for us to handle and potentially capable of greater disturbance to Sterling Area relationships generally. If India carries out her threat to suspend the Monetary Agreement the Pakistan rupee will fluctuate freely in the Bombay market. The Pakistan situation will undoubtedly be affected if the Bombay quotation reflects a substantial discount of the Pakistan rupee below the official rate . . . .

57. *The colonies*

The future of Colonial balances is at the moment obscure and is dependent on a number of unpredictable and conflicting factors. On the one hand, there are a number of reasons contributing to their rise: for example, the higher level of sterling

prices of primary commodities, the possibility of increased sales and the acceleration of capital investment, both United Kingdom and United States. On the other hand, there is still a strong demand for imports.

It is more than probable that the first result of devaluation will be a net increase, subject to fluctuations, with possibly a downward tendency later. Although part of the balances are committed for specific liabilities, such as pension funds, there is a large amount that might be spent. The most important control of Colonial expenditure lies in the supervision of Colonial hard-currency expenditure, and this, in effect, acts as a brake on drawings on sterling balances.

To the best of their ability the Colonies have co-operated in His Majesty's Government's overall financial policy. They were asked in 1947 to maintain sterling balances. That they have been rather more than successful is shown by the upward tendency of sterling holdings since then. It is never wise, however, to generalise about territories, the conditions of which are so different, and the fact remains that collectively they command large free sterling balances . . . .

96 CAB 129/38, CP(50)18 22 Feb 1950

'The Colombo Conference': Cabinet memorandum by Mr Bevin

I circulate herewith, for the information of my colleagues, a summary of proceedings at the Commonwealth Meeting on Foreign Affairs at Colombo. The summary has been drawn up in consultation with the Commonwealth Relations Office.

The purpose of the Colombo meeting was to enable the countries of the Commonwealth to exchange views on foreign affairs at the Ministerial level. This purpose was achieved; and, in addition, Ministers agreed to make certain recommendations to governments on economic development in South and South-East Asia, and on preliminary work to be undertaken in regard to a peace treaty with Japan. The Meeting at Colombo had however an added significance by virtue of the fact that it was the first of its kind to be held in Asia, and there can be no doubt that it demonstrated to a heartening degree the extent of co-operation which can be developed between East and West through the agency of the Commonwealth. I consider that the results of the Meeting amply justified the decision to hold it, and that the way has been paved for further meetings as occasion requires.

There was a general realisation amongst Commonwealth Ministers that world problems are indivisible and that the problems of South and South-East Asia are of particular urgency. There was also a remarkable unanimity of view as to the menace of Communism and as to the necessity of improving the standard of life and the social welfare of the peoples of South and South-East Asia in order to combat this menace.

The arrangements made by the Government of Ceylon for the accommodation, welfare and entertainment of visiting Commonwealth Delegations were wholly admirable. The Government of Ceylon were generous in the extreme and throughout the Meeting were clearly anxious that Commonwealth Delegations should leave Ceylon with the best possible impression of their stay in the country. The amount of entertainment offered was perhaps excessive, but was evidence of the general goodwill towards visiting Delegations, which was heartily reciprocated.

The Conference Secretariat, by arrangement, was provided jointly by the United

Kingdom and Ceylon. This was a novel and interesting experiment; and it was gratifying to find that such a Joint Secretariat could work so smoothly and efficiently. The United Kingdom High Commissioner and his staff were of the greatest assistance to the United Kingdom Delegation.

Certain action remains to be taken on matters raised at Colombo, in particular with regard to economic development in South-East Asia, to the Working Party for a Japanese Peace Treaty and to assistance to Burma. Separate memoranda will be circulated in due course on these subjects.

97 CAB 134/225, EPC(50)40 22 Mar 1950

'Sterling balances and South-East Asia': joint memorandum for Cabinet Economic Policy Committee by the Working Parties on the Sterling Area and on Development in South and South-East Asia (18 Mar 1950). *Annexes*: A and B

1. This paper sets out for consideration an outline of policy for dealing with the two closely related problems of the sterling balances and development in South and South-East Asia. The factual background of these two problems was described in E.P.C. (49) 137[1] and E.P.C. (49) 152 respectively; this paper suggests a line along which a solution may be found as a basis for preliminary discussion with the United States and with Commonwealth countries.

2. Both aspects of this problem are urgent. While sterling balances of the present size remain outstanding throughout the world they represent a continuous threat to sterling and their repayment is a weighty burden on our economy which intensifies the inflationary pressure. Meanwhile, in South and South-East Asia the Communist threat is growing apace, and can be countered only by a constructive policy which will offer hope of economic advance for the peoples of this region; the Communist threat in this area is of vital importance to us, both politically and economically; Malaya is our largest single dollar earner and supplies from this whole area are of cardinal importance to our economy and those of Western Europe. As a result of the Colombo conference, arrangements are being made for Commonwealth discussions of South and South-East Asian development at Canberra in the second half of May. The Americans are pressing us urgently for our views both on sterling balances and on South and South-East Asian development, for they regard both of these problems as being of first-class importance. The sooner we act the better, for if we delay American thought will crystallize, perhaps along lines unsatisfactory to us.

3. The problems are linked together for the following reason. Of the total sterling balances of £3,267 million, £1,185 million are in respect of India, Australia, Pakistan, Ceylon and New Zealand. The sterling balances represent not only the external reserves of these countries but also the funds upon which they rely for carrying out their programmes of development. If their drawings upon their sterling balances are reduced to a level which we can afford, India, Pakistan and Ceylon in particular will be unable to maintain, far less increase, their present rate of development; India has already had to cut back her development programme very

[1] See 95.

sharply. There is, therefore, no prospect of a satisfactory settlement of the sterling balance problem consistent with a continuous economic development in South and South East Asia unless new money can be found for development (or for settlement of the sterling balances) from the United States. On the other hand, if assistance can be found from the United States, it can serve a valuable dual purpose—it can both contribute to settlement of the sterling balances and enable development to proceed.

4. At the same time the problems cannot be treated as identical. The sterling balance problem extends far beyond the boundaries of South and South-East Asia; the sterling holdings of Egypt and of certain European countries affect the position of sterling at least as much—though in a rather different way—as those of India or Australia. (The difference is, in fact, that between (i) and (ii) in paragraph 6 below). In the development of South and South-East Asia, Indonesia, Burma, Indo-China and Siam are as important as the Commonwealth countries—and indeed are nearer the front line in the Communist attack.

5. The two problems cannot therefore be treated as one; but a self-consistent solution has to be found for both. Moreover, an American assistance scheme will have to deal with both problems in one scheme of assistance, for it is clearly out of the question for there to be two separate schemes for United States assistance with certain countries (e.g. India and Australia) receiving assistance under two different heads.

I. *Sterling balance settlement*

6. In seeking a settlement of the sterling balances, we are dealing with two major dangers to sterling and to our economy:—

(i) The existence of large sterling balances, available for spending outside our control, is an ever-present threat to sterling. The balances played a large part in the events of 1949 in that their existence contributed heavily—and still contributes—to the lack of confidence in sterling. While our affairs are going well, this is not directly damaging, but as soon as we suffer a set-back, our weakness is at once intensified. Our vulnerability to fluctuations in the world economy—resulting from our wholly inadequate reserves—is our worst weakness, and the sterling balances greatly intensify it.

(ii) The existence of large sterling balances represents a potential direct drain upon our economic resources—so-called "unrequited exports". If e.g. India is able to run a deficit on her balance of payments by drawing down her sterling balances, this is a charge on our economy, and contributes to our present inflationary difficulties. In 1948–49, the rest of the sterling area ran an overall deficit of £320 millions, and in 1949–50 the deficit will be well over £200 millions. It is only because we are receiving Marshall aid that we can support such a burden.

7. The "sterling balances" are a wide range of overseas holdings of sterling and sterling securities—bank balances in London held by Central Banks, balances held by overseas commercial banks and private individuals, sundry war-time loans to His Majesty's Government, the funds of Colonial currency boards and Crown Agents, etc. Much of them—probably well over one-half—represent the monetary reserves of the Colonies and the normal world-wide working balances held in sterling which are a natural part of the sterling trading and financial system. The composition of balances differs from country to country; the present arrangements, by which some of the

balances are more or less "blocked", vary widely; some positions are more dangerous than others, and for different reasons. The "sterling balances" cannot be treated uniformly; but each holder attaches great importance to what happens to others.

8. The distribution is shown in Annex A. Among Commonwealth countries, we consider that action requires to be taken with India, Australia, Pakistan, Ceylon; we do not recommend action in respect of the Colonies partly because their sterling funds are already under close control, and partly because we are already giving large financial assistance to the Colonies, and it would not make sense to take from them with one hand while giving with the other. (A fuller note on the position of the Colonies is given in Annex B.) New Zealand's balances do not create difficulty and South Africa's present a special problem. Outside the Commonwealth, the biggest problem is presented by Egypt; the Irish Republic is a source of danger, but technically we cannot yet see any means of dealing with it; other important holders are Italy, Sweden, France, Israel, Iraq, Brazil. The European balances involve special features. Their treatment will depend in the first instance on the outcome of present discussions about a European Payments Union. If the outcome of those discussions provides no solution of the problem of the balances, it will have to be considered in the light of the circumstances then arising, which we cannot now forecast. But, whatever the course of events in Europe, it will be advisable to deal first with the Commonwealth.

9. Any settlement would be a combination of any or all of the following elements:

(i) Cancellation of some balances outright (if possible).
(ii) Funding of some (i.e. an arrangement by which part of the balances are paid off in equal annual instalments, over a specified number of years).
(iii) Release or partial blocking of the rest (i.e. agreeing how much of the rest the holder should be allowed to use freely now, and under what circumstances she should be allowed to ask for the release of any of the remainder).

Possible settlements with the principal countries concerned are being worked out. They involve examination of their balance of payments, their needs for monetary reserves, working balances, etc. Provisional estimates of how a funding operation might be applied to certain individual countries are given in Annex C.[2]

10. We presume that on general grounds of policy, the general imposition of an enforced settlement by us is ruled out. This does not rule out the possibility of an enforced settlement if individual countries refuse a voluntary one. But we must try a voluntary settlement, which will appear fair to world opinion.

11. Without the injection of United States assistance, we can see no hope of securing the voluntary cancellation or funding of such a large part of the balances that the amount left free was a pure working balance, and that the demand upon our resources was thus limited to the annual instalments of repayment of the funded debt. It should, however, be possible to get some fundings; the amount would vary from country to country, and would partly depend upon the amount of interest we were prepared to offer. In order to get as much as possible of the most dangerous part of the balances funded, it would be worth-while to pay a reasonable rate of interest on the funded part; this element would become a defined liability which we could repay year by year and for the repayment of which we could plan; at the present time, even

[2] Not printed.

where balances are blocked by administrative agreement, they are a continuous source of anxiety because we shall always be under pressure from their holders to release them—and it is often politically impossible to refuse. The holders would husband their free resources more carefully—and thereby reduce the immediate burden on us—if they did not have at their disposal the possibility of pressing us to release blocked balances when the free balances are used up. Even a limited funding operation would be well worth-while, provided, of course, that we do not give them more free money now as a *quid pro quo*.

12. With U.S. assistance for the countries concerned, we could go farther. If they received outright grants from U.S.A., for development or otherwise, it would not be unreasonable for the U.S. to make them cancel sterling balances in some fixed proportion to the grant; any form of United States assistance would help to meet their balance of payments deficits and should reduce their anxiety to draw upon their sterling balances now, and they would thus be able to afford to fund a larger part of their balances.

That would mean that a balance-holding country would have available to spend—(a) the dollar aid; (b) the annual instalments of the funded portion of the balances; and (c) such part of the balances as we left completely free under paragraph 9 (iii), although, in fact, it would not be able to spend all this amount because some would have to be retained as monetary reserves and working balances.

13. But United States assistance is a long way ahead; it could not be voted until 1951; we do not know what strings would be attached; it is most unlikely that the Americans would be willing to assist certain of the countries, (e.g. Egypt and probably Australia). If we make a sterling balance scheme wholly dependent upon United States aid for the recipients, we can do nothing effective in 1950 (laying ourselves open to loss of confidence and a repetition of 1949 if the United States economy lurches again); we create great uncertainty among sterling balance holders about our and the Americans' intentions—and we may lead them to fear that they will be subject to violent Anglo-American pressure, and thus to try to get rid of their sterling first, making the whole situation much worse.

14. We therefore recommend that we should tackle the problem in two stages:

(i) A limited funding scheme as quickly as possible independently of United States assistance, starting with the Commonwealth countries and then working outwards to others.

(ii) If United States assistance becomes available, for development or otherwise, linking it with the sterling balance scheme, so that a recipient of United States aid would have to cancel part of the funded debt and/or fund a larger proportion of its balances.

II. *South and South East Asia development*

15. From what has gone before, it is apparent that (except in the Colonial territories) we cannot afford to play any significant part in the financing of accelerated development in South and South-East Asia. The assistance which we have given to India, Pakistan and Ceylon by permitting them to use their sterling balances has contributed greatly to their economies since they became independent, but at a greater cost to ourselves than we can afford to continue to pay. Thus, far from being able to do more to assist development in this region, we cannot do as

much as we have done in the recent past. The other Commonwealth countries in the region are likewise unable to contribute financial help; Australia, indeed, has large ideas of development herself and relies upon substantial private investment from the United Kingdom in order to carry it out, and is looking for United States help too.

Incidentally, we must beware of Australia (or any other Sterling Area country) offering a *sterling* contribution to investment in development; in terms of the economic burden involved, she can only turn her sterling into goods and services at our expense. (For instance, if Australia gives or lends £1,000,000 to Indonesia to buy U.K. plant for electrical generating stations, the supply of that plant involves demands for labour and materials in the U.K. in precisely the same way as if India were buying it and paying for it, not by exports to us, but by drawing down her sterling balances.)

16. The course of economic development in this region therefore depends upon United States assistance. Without it, there is no hope for the non-Commonwealth countries—Burma, Indonesia, Indo-China and Siam—and the Commonwealth countries would probably have to do less economic development than they are doing now, rather than more.

17. As explained above, both from the political point of view and from the economic point of view, it is highly necessary—and indeed urgent—that economic development throughout this region should proceed as fast as possible. There is no other way to provide hope for these peoples.

18. In the middle of May, the Consultative Committee which was set up at Colombo will meet at Canberra. It is important that the meeting should be successful, not only on the merits of the problem before it, but also to show the reality and strength of the Commonwealth in that part of the world, and its ability to take the initiative and play a positive part in the solution of major problems.

19. There is much to be gained from an imaginative approach to the problem, provided that we set about it in a practical and realistic way. The condition of success must be United States assistance, for the scale of the problem is so great that economic aid given piecemeal in the sort of quantities which we can offer does not scratch the surface of the task of raising the productivity—and thus the standard of living—of 500 million people.

20. This suggests that the right line of approach is to concentrate upon the major task, which is to present a realistic development programme, showing the extent of U.S. assistance which is needed to supplement the resources otherwise available to carry it out, and the positive benefits which would be derived from such assistance. In addition to the long-term development, it is necessary also to consider the money and supplies which are needed to maintain political and economic stability, but we consider that the latter should be included in a very wide concept of "development", both because of the greater political appeal of development, and also to avoid the danger of having the idea of development associated exclusively with spectacular "projects"—a danger which would greatly reduce the amount of United States assistance, for such "projects" are not large in terms of United States finance, and are very slow to set in motion. This approach may well make it difficult to cover under the programme the immediate quasi-military needs of territories such as Indo-China where governments at present exercise no effective control over their territories. Their development needs would be covered by the programme, if and when their governments required control of their economies. Meanwhile, their immediate needs

are in any case so urgent that the only way of meeting them in time would be by some emergency aid such as was rendered by the U.S. to Greece, Turkey and France before the E.R.P. programme was launched.

21. If the other Commonwealth countries agree, the preparation of the programme will start at Canberra on a Commonwealth basis; we should hope to keep it centred in the Commonwealth, while associating other countries in the area with it. We consider that it would be wrong to set up an "Asiatic O.E.E.C."—in which, indeed, the United Kingdom as such would have no *locus standi* at all. We consider that it would also be inexpedient to run a development programme on an "Anglo-American" basis, for this would lead to a division of interest between "West" and "East", which it is our purpose to avoid. If we can start with a Commonwealth organisation and initiative, and then associate others with it, we can hope both to secure an effective position for ourselves, helping both the Americans and the Asians and to build up an effective working system.

22. We recommend, therefore, that our general policy on the problem of South and South-East Asia development should be:—

(i) That, at Canberra (following the Colombo resolution—see Annex A C.P.(50)18) we seek to begin the preparation of a development programme for the Commonwealth countries in the region, to prepare the way for—

(ii) A submission to the United States for assistance in carrying out this programme, and

(iii) That, at Canberra, a decision should be sought to invite other countries in the region, i.e. Burma, Indo-China, Indonesia and Siam to co-operate with the Commonwealth in making a submission to the United States.

(iv) That any scheme agreed at Canberra should be coordinated with the Technical Assistance Programme being prepared by the United Nations Organisation and its specialised agencies;

(v) That we should go ahead with the work on the Commonwealth programme irrespective of whether the other countries join in.

(vi) That we should seek to keep the initiative in the Commonwealth, and should not set up a new Asiatic organisation on the one hand or seek an Anglo-American organisation on the other.

23. The question whether the Colonial territories in the area should be included in the scheme or treated separately requires further consideration. As regards other Colonial territories (and those in the South-East Asia area if it is decided to treat them separately) it must be remembered that if we embark upon this Commonwealth enterprise in South and South-East Asia, leading possibly to United States assistance, the Colonies will require to be assured that the United Kingdom will continue to provide any necessary assistance to their development.

III. *The role of United States assistance*

24. United States assistance is essential for development and it is also essential for a settlement of the sterling balances. We would envisage United States assistance being granted primarily for development, with an associated condition requiring sterling balance holders to make adjustments related to the amount of United States assistance they receive.

25. Although United States assistance is crucial, the quantities involved are not

large compared with the amounts of foreign aid voted by the United States Congress in recent years. Since the end of the war, the United States has given foreign aid to a total of about $25,000 million; for 1950/51, the Administration has asked for an E.C.A. appropriation of $2,950 million. Without a good deal of examination it is difficult to estimate the cost of U.S. assistance to a development programme in S. and S.E. Asia, but in the earlier stages it might not exceed $500 million a year, although the cost would grow as economic development got under way. In their difficult budgetary situation, even $500 million—the equivalent in their Budget to about £35 million a year in ours—looms large. We have been warned by State Department officials not to expect that large amounts of money will be available for this region. On the other hand, as the burden of E.R.P. falls, there will be room for new items in their foreign aid budget. There are signs of a growing expectation in U.S.A.—shared by Senator Taft—that the U.S.A. will have to give substantial post-E.R.P. aid, and if a convincing case can be made in United States interests, there is no *prima facie* reason for ruling out even a substantial programme.

26. A programme of assistance could readily be justified in the U.S. on three heads:—

(i) Resistance to Communism by constructive means;
(ii) Constructive action to relieve the world dollar shortage, particularly by strengthening the dollar-earning economies of South East Asia;
(iii) As a step towards the strengthening of sterling, and thus of the whole world economy.

27. It may be suggested that the aid should be given to the United Kingdom, thus enabling us to make attractive terms for sterling balance settlement and to take the lead in South East Asia development (where we are regarded as having more know-how). This would be undesirable. If the aid was given to the United Kingdom, it would be regarded by public opinion, both in U.S.A. and elsewhere, as yet another scheme of help for a bankrupt Britain; we should move farther and farther away from independence, and we should probably be subjected to a new series of conditions which would be unacceptable. This would be damaging to Anglo-American relations and we consider that the aid must be given, if it is given at all, direct to the recipient countries.

28. Strings will be attached to United States assistance to any of these countries. United States assistance inevitably means United States administrative and commercial penetration; there is no escape from this, for even the most reasonable measures, designed simply to ensure that the United States taxpayers' money is not wasted, involve an intimate supervision of the recipients' affairs. We have seen this in Europe, and it is inevitable in Asia. In addition to this, there are dangerous potentialities which could do our commercial and financial interests much damage. This aspect of United States assistance should not be overlooked; but the risks have to be faced if these countries are to receive U.S. assistance for their development.

29. The experience of E.R.P. has shown how the concepts and mechanics of aid govern the entire course of events. We are considering the possible ways in which a U.S. assistance scheme could be initiated and worked, and we shall report upon this later.

30. On the Congressional time-table, it would be impossible for United States assistance to be voted before March 1951. It is therefore appropriate to aim at

presenting a report on the Canberra programme to the Americans, making public the need for assistance, not later than November 1950 (immediately after the Congressional elections).

IV. *Procedure*

31. Both on the sterling balances and on development, we are in a delicate position between U.S.A. and the Commonwealth. Before we talk to the sterling balance holders about a settlement, we clearly need to know whether our proposals make sense to the Americans, but the Indians (and others) made it very plain at Colombo that they were highly suspicious of our discussing with the Americans a matter which they regard as one for the sterling area and the Commonwealth. We do not want to canvass at Canberra the idea of United States assistance for development without having some idea of what the Americans are thinking. If we talk to the Americans first, we risk creating mistrust in the Commonwealth; if we talk to the Commonwealth first, we cannot say anything sensible because it may run completely counter to what the United States would be ready to assist. Meanwhile, the Americans are pressing us to talk to them both about sterling balances and about development.

32. We consider that the right plan is first to approach the Americans informally through the tripartite Talks machinery, but to seek to elucidate their views rather than to ask their attitude to a specific plan. We should not attempt to agree upon a plan with the Americans either for the sterling balances or for development assistance. But we do want to form an idea of how they are thinking. We recommend that such exploratory conversations should be held in Washington in the second half of April. We shall inform the Commonwealth of our intention.

33. On sterling balances, the next formal step would be a meeting of Commonwealth Finance Ministers in London, as early as possible—say late in June. We should then outline a plan for the strengthening of sterling, including the partial funding of sterling balances as recommended in paragraph 14 (i). If this was successful, we could start on other non-Commonwealth countries as necessary immediately afterwards. (A question may shortly arise of dealing with Egypt separately at an early date). We should of course emphasise that if United States aid came, we should try to arrange for the plan to be carried out in a manner which would involve further adjustment of sterling balances—but no "sacrifice" to the holders, for they would be getting dollar aid—and thus lead to a general strengthening of sterling.

34. Meanwhile, on development, the Consultative Committee would meet in Canberra in the second half of May, where we should seek to secure decisions as recommended in paragraph 22 above. After Canberra, the preparation of programmes would proceed in the capitals, and the approach would be made to other South East Asia countries. Later in the year—say September—a further conference would be held, which would first thrash out the Commonwealth part of the submissions to the Americans; when a groundwork had been established, we should hope that the Indonesians etc., would be ready to contribute their part to the report. A Ministerial meeting would be necessary, say in the second half of October, to approve the report for submission to U.S.A.

35. This is a formidable programme of Commonwealth activity—parallel to which would be taking place informal meetings with U.S.A., possibly with other

Commonwealth members present. But it is inevitable if we are going to deal with the sterling balances and if we are to make a serious attempt to set South-East Asia development moving.

36. This paper discusses its problems in terms of dollar aid from the United States only. The possibility of aid from Canada also should clearly be canvassed. Since the important discussions of the prospect of aid will be held through the Tripartite consultative machinery in Washington, to which Canada is a party, advantage should be taken of that machinery at all stages to encourage Canada to give what aid she can.

V. *Conclusion*

37. We accordingly recommend as follows that:—

(i) We seek a two-stage settlement of the sterling balance problem, the first, independent of United States aid, by a limited measure of funding, and the second involving cancellation as a condition for United States assistance for Development. (Paragraph 14).

(ii) We seek a South and South East Asia development programme on the policy indicated in paragraph 22.

(iii) We do not seek direct United States aid to United Kingdom in connection with sterling balances or development (paragraph 27).

(iv) Exploratory discussions with the Americans and Canadians be started as soon as possible on the lines of paragraph 32 and 36.

(v) The procedure in paragraphs 33 and 34 be accepted for the time being as a general basis of planning.

Annex A to 97: Distribution of the sterling balances

£ millions	31 Dec. 1945	31 Dec. 1947	31 Dec. 1949	Change Dec. 1945 to Dec. 1949
I. *Sterling Area*				
Australia	134	128	358*	+224
New Zealand	86	55	45	−41
India	1,311	1,189	637*	−580
Pakistan			94*	
Ceylon	81	50	51	−30
South Africa	72	43	56	−16
Total—Dominions	1,684	1,465	1,241*	−443
Colonies (about 90% in seven colonies)	563	638	675	+112
Irish Republic	193	186	208	+15
Rest	110	96	97	−13
Total—Sterling Area	2,548	2,385	2,219*	−329

II. *Non-Sterling Area*				
Egypt	405	358	320	−85
Palestine	119	100	56	−63
Argentine	108	158	22	−86
Europe and Possessions (about 20 countries)	423	516	462	+39
Rest	157	154	187	+30
Total—Non-Sterling Area	1,212	1,286	1,047	−165
III. *Grand Total*	3,760	3,671	3,267*	−493

* Excluding capital value of pensions annuities (India 171; Pakistan 8)

Annex B to 97: The sterling balances of the colonies

It is recommended, in paragraph 8 of the Paper, that no action should be taken regarding the sterling balances of the Colonies on the grounds that their sterling funds are already under close control and because we are already committed to providing large financial assistance to the Colonies for their development. The latter point needs no elaboration except to note that a substantial part of the expendable sterling balances of the Colonies are themselves largely committed to the same purpose. The question of the control of Colonial sterling balances is, however, further examined below.

2. The structure of Colonial sterling balances is approximately as follows.

(a) Government budgetary reserves	10%
(b) Government statutory obligations, e.g. savings bank funds, sinking funds, pension funds	26%
(c) Loans to H.M.G.	3%
(d) Currency funds	37%
(e) Commercial banking funds	24%
Total	100%

Of the above funds—

(a) together with that part of (c) which is not owed to private investors, is in theory freely expendable: in practice it is largely committed to Colonial economic and social development in accordance with H.M.G's policy;

(b) being held against statutory obligations, are not available for any other purposes;

(d) provide that backing for Colonial currencies and thus support the interchangeability with sterling of Colonial currencies, on which public confidence in the latter rests;

(b) and (d) which together comprise nearly two-thirds of Colonial sterling balances are in fact "tied" and are in no sense expendable by Colonial Governments;

(e) comprise the assets held in the U.K. of the commercial banks operating in the Colonies. The Colonies have, of course, no central banks and the commercial banks operating there are, for the most part, branches of the big British banks. Banking in the Colonies is therefore almost an integral part of the U.K. banking system and the commercial banking funds at (e) are necessary for the full operation of Colonial economies which are so closely integrated with that of the U.K.

3. It is clear from the above that the "free" balances of the Colonies are an almost negligible element in the total and the existence of these balances is not even a potential threat to the economic or financial stability of the U.K. It is also apparent from the gradual increase in Colonial sterling balances that the Colonies as a whole are very far from contributing to the strain on the U.K.'s balance of payments position. It may also be noted that owing to the absence of local stock markets in Colonies, almost all their investments must be held in the U.K.

98 CAB 134/224, EPC 11(50)1 28 Mar 1950
'Sterling balances': Cabinet Economic Policy Committee minutes

The Committee considered a memorandum by the Chancellor of the Exchequer (E.P.C. (50)40)[1] covering a memorandum by officials on the related problems of the sterling balances and the economic development of South-East Asia.

The Chancellor of the Exchequer said that one of the underlying difficulties in solving the problem of the sterling balances was their varied nature and origin, since they included not only large sums resulting from our wartime expenditure but also a considerable volume of funds which other countries needed for their current sterling operations. It was doubtful whether, if we aimed solely at restricting the use of the balances, a better way could be devised than the present system which had operated since 1947 and by which the United Kingdom limited the amounts released to different countries in accordance with the economic and political circumstances of the time. On the other hand, the general knowledge that such balances existed could not fail to affect the strength of sterling as an international currency, and a more rapid reduction of the sterling balances would in the long run have a stabilising effect which would be of benefit to us. Though the balances had been reduced considerably in recent years a large volume of funds was still outstanding, and there had in fact been in the case of Australia a considerable new accumulation in recent years as a result of the high prices for wool and meat. He recommended, therefore, that a systematic attempt should be made to reduce the amount of drawings on these balances, and his main proposal was that an approach should be made to the Governments concerned to explore the possibility of negotiating a funding operation in respect of certain sections of the balances. He suggested that this should cover in each case that portion of the balances which was not required for current operations or as a currency reserve. He thought that the first step ought to be to hold informal discussions with the United States authorities, who were indeed already pressing us for the further statement of our views which we had promised in the tripartite financial discussions in Washington last September. If the exploratory talks with the United States authorities showed that they would favour the lines of policy proposed, we should begin bilateral negotiations with the various countries concerned, perhaps on a tentative basis with the major creditors in the first place, to see whether they were willing to enter into funding arrangements over a reasonable period and at a reasonable rate of interest. At a later stage, after the Commonwealth talks on the Spender Plan[2] for economic assistance to South-East Asia, we might bring the two lines of policy into conjunction by proceeding to discussions with the United States

[1] See 97.

[2] Mr P C Spender was Australian minister for external affairs since 1949.

Government on the question whether they would be prepared, when advancing dollar aid to South-East Asia, to link such advances with the gradual cancellation of the funded balances of the recipient countries.

In discussion, the following points were made:—

(a) The proposal to fund part of the sterling balances involved two major disadvantages; firstly, it would mean that we should have to pay interest on the funded balances at a rate substantially higher than that which we paid at present, and our total payments would to that extent be increased. Secondly, if only part of the sterling balances were funded, we should be subjected to constant pressure to make liberal releases from the unfunded proportion. Unless we could adopt an extremely firm attitude towards such claims, we might ultimately find that the funding operation had been disadvantageous rather than beneficial. In these circumstances, the negotiations should be handled with great caution and, if the response of the United States authorities to our preliminary informal approach should be negative or discouraging, it would be advisable to review the whole matter before entering into discussions with Commonwealth Governments. In any event, it might be preferable to aim, not so much at a normal funding operation, as an arrangement for controlled releases covering a period of say, twenty years under which the rate of interest might be kept down to about 1%.

(b) It would not be advisable to accept United States aid in the form of loans. It would be no advantage to the sterling area generally to replace sterling by dollar liabilities. It would also be important to try to avoid the acceptance of conditions which might limit the use of any funds provided by the United States Government.

(c) It was suggested that the memorandum annexed to E.P.C.(50)40 had laid too much emphasis on the adverse effects on sterling resulting from the existence of large sterling balances, and had over-estimated the advantages of a limited funding operation from this point of view. Against this, it was argued that, whatever direct advantages might accrue from funding part of the sterling balances, the principal gain was likely to be psychological in that this might be expected to have far-reaching effects on public opinion in the United States. In any event, it was clear that there was no prospect of securing United States aid unless we had first made a constructive attempt to lighten the burden of these balances. This could not be achieved by cancellation, since it was politically impossible for any Commonwealth Government to consider such a proposal at this stage. We were therefore compelled to contemplate the possibility of funding a proportion of the balances as a preliminary to the negotiation of an arrangement under which a measure of cancellation might be secured in return for United States aid.

(d) It might well be found that some Commonwealth Governments would welcome a proposal for a limited funding operation on the ground that it was not in their countries' long-term interests to continue to draw down these balances at the present rate.

(e) A further argument for caution in negotiating funding arrangements for the sterling balances was that, if the world economic situation should seriously deteriorate during the next few years, the existence of these balances might prove a valuable asset in preserving markets for our exports, particularly of engineering goods.

(f) It was argued that, so long as the sterling balances maintained their present character, they retained, for the creditor countries, some suggestion of guilt on

account of the fact that they had been largely built up during the war. Once they were funded, this feeling would no longer persist.

(g) It was suggested that an attempt should be made to persuade Commonwealth Governments to regard part at least of the sterling balances as a form of Commonwealth pool which could be used for the development of the under-developed areas of the Commonwealth. It was not in the general interest that any part of the Indian or Pakistan balances should be cancelled, since comparable resources would have to be made available to them in any event; but it should be possible, for instance, to persuade the Australian Government to write off a proportion of their balances by transferring them to a general pool on which India and Pakistan could draw. The creation of a Commonwealth pool on these lines would provide convincing proof of our determination to find a solution of this problem in a form likely to be most acceptable to American opinion and would provide a channel by which, at a later stage, United States aid could most easily be made available. Against this, it was argued that, whatever effect such a scheme might have on the ultimate total of the sterling balances, it would offer no immediate relief to the United Kingdom; on the contrary it might well lead to increased claims on United Kingdom resources by the beneficiary countries.

(h) Some doubt was expressed whether it was expedient to approach the United States Government, however informally, until further progress had been made in working out a solution of the sterling balance problem. The predominant view of Ministers was, however, that it would be best to adhere to the procedure suggested in the memorandum annexed to E.P.C.(50)40.

(i) Paragraph 6 of Annex C to the memorandum might create the impression that 3% would be regarded by Ministers as a reasonable and acceptable rate of interest on funded sterling balances. This could not be assumed, and it would be preferable to avoid the use of a misleading figure, even for purposes of example.

The Committee:—

Approved the recommendations set out in paragraph 37 of the memorandum annexed to E.P.C.(50)40.

99 CAB 124/122, no 16 5 Apr 1950

[Colonial development]: letter from Sir S Cripps to Mr Griffiths about extending the CDW Act

[The process of extending the provision for Colonial Development and Welfare was begun by Creech Jones towards the end of 1949. In the letter which Griffiths refers to, his predecessor had sought an assurance that at the very least, if the government won the next election they would make immediate provision for a one-year stop-gap extension of the 1945 CDW Act. Without such a provision, Creech Jones argued, 'some of the most essential economic development in the Colonial Empire will be brought to a standstill in the almost immediate future'. A breakdown in the central services—research and survey work—was the main worry. Under the 1945 Act, £85.5 million was allocated to colonies individually to finance ten-year programmes; £23.5 million was allocated for the centrally-controlled services; and £11 million was put into a general reserve. Most of the latter had been spent on the special needs of Sarawak and British Honduras, together with the promotion of broadcasting. Although much of the £85.5 million territorial allocation in fact remained unspent (owing to the shortage of supplies and technicians), provision for research—very important in the long run—was nearly exhausted. For the future, Creech Jones hoped they would make an extra £100 million available for the

period 1951–1961: 'I am quite sure that no amount of talk about American investment in the Colonies can ever lead to anything unless we ourselves are prepared to do more than we have yet done in the provision of basic services, such as roads, communications and water supplies, without which the Colonial field is bound to remain unattractive for external investment of any kind' (CAB 124/122, no 11, to Sir S Cripps, 19 Nov 1949). An amending CDW Act in 1950 provided £20 million, of which £2.5 million was devoted to research. See part 4 of this volume, 379.]

My dear Jim

I have considered very carefully and sympathetically your letter of the 3rd April proposing the introduction of a new Act providing for the expenditure of a further £100 m. on Colonial Development and Welfare during the period 1951–1961.

While, as you know, I am fully seized of the need for continuing our policy of assisting the Colonies in their development, I feel bound to question whether it would be right at the present stage to commit ourselves to such a far reaching extension of our overseas investment programme as you propose. I realise, of course, the difficulty of the present situation in regard to the provision of finance for Colonial Development in that your central reserve is practically used up, and I have already agreed to the introduction of a limited measure to relieve this situation. I recognise too the necessity for forward planning of Colonial Development. But I am not sure that this really obliges us to take decisions in 1950 as to the duration and scale of continued assistance beyond 1956. There are a number of factors which may arise in the course of the next few years of which account will need to be taken in determining our policy beyond 1956.

For one thing we are by no means clear what will be our own position when Marshall Aid comes to an end in 1952. Further, I understand that the Americans are framing plans for the large-scale development in the near future of the Colonial Territories. We are pretty certain to be strongly pressed to provide new funds to match any Colonial Development expenditure they undertake, and we ought to be cautious not to extend our commitments too far at this stage.

What I would prefer in the circumstances, therefore, is that we should at this stage go for a more limited objective, namely to provide what additional funds are necessary to give you some easement with your central reserves to enable you to cover satisfactorily the rest of the period till 1956. I understand that your minimum assessed requirements for this period have been calculated at £4.75 millions, but to provide you with a certain amount of elbow room I would be willing to ask Parliament for a total of £10 millions. We might then consider as a separate issue what further provision would be justified after 1956, though I should not object to some reasonable overlap between the new provision and the existing Act, if this is found on further examination to be desirable. In the meantime I think the right course would be to remit the question of what may be appropriately provided to meet long-term needs up to, say, 1961, to the Committee on Colonial Development who would, of course, relate this particular problem to the wider question of home and overseas investment.

In view of the various uncertain factors over the next few years, I hope you will be able to agree to the course I have suggested.

I am sending copies of this letter to the Lord President and to the Secretary of State for Commonwealth Relations.

Yours
(s'd) Stafford

100 CAB 124/122, no 19 19 Apr 1950
[Colonial development]: letter (reply) from Mr Griffiths to Sir S Cripps about extending the CDW Act

Thank you very much for your letter of the 5th April about my proposal for a new Colonial Development and Welfare Act. I am most grateful to you for your prompt response, and for the sympathy with which you have considered the matter.

I could not myself subscribe unreservedly to the view that it is our right course to wait until we know what the Americans are going to do in the field of Colonial development before we decide on our own long term plans in that field. It seems to me that this attitude, if pressed at all far, might lead us perilously near to a renunciation of our responsibilities towards the Colonial peoples. I still feel that a measure on the lines outlined in my letter of the 3rd April would have afforded welcome proof that we maintain those responsibilities, and would have been of lasting benefit to the Colonies, the United Kingdom and the Commonwealth as a whole. I do appreciate, however, that His Majesty's Government are in difficulties as regard forward planning until they know what the position of this country will be on the termination of Marshall Aid in 1952, and I am glad to see that you are prepared to envisage an overlap between the period covered by the present Act and such further provision as may be necessary for the years after 1956.

In the circumstances I am willing to agree that we should limit our present consideration to the period up to 1956, though I must reiterate my view that considerable provision for the subsequent years will certainly be necessary and that a substantial overlap will be required. I must press you very strongly, however, to agree that I should ask Parliament for a supplementary provision of more than £10 million to cover this limited period. I am grateful for your suggestion, and I know that it was put forward in a constructive and helpful spirit, but I should be less than honest if I held out any hope that this sum will meet the minimum requirements over the next six years. I should emphasise that the figure of £4.75 million which you mention as my minimum assessed requirements for this period in fact covers only the minimum foreseen requirement in specific fields of research and survey. These are largely centralised services, and are thus perhaps more susceptible of assessment than other types of development, but they only represent a fraction of the whole field. The appendix to the draft paper enclosed in my previous letter attempted to give some picture of the future requirements of Colonial development (in the economic sphere) as a whole. The appendix was not reduced to exact financial terms because the result would have been misleading, but I am quite certain that the minimum requirement over the whole field, even if we were to include nothing more than economic development in the strict sense, would come to much more than £10 million. I must ask you to bear in mind that the purchasing power of sterling has fallen considerably since many of the ten-year development plans were drawn up and approved. The total estimated cost of some of the plans has doubled, and a number of projects which originally found a place in the approved plans have had to be jettisoned or remitted to the indefinite future. In order to maintain the impetus of essential development I have already been forced, as you know, to allocate £8½ million from the original un-allocated reserve of £11 million, and this figure excluded the sum of £4.75 million representing the assessed minimum sup-

plementary needs of research and survey. In other words I have already found it necessary, in less than four years out of the 10 year period covered by the 1945 Act, to make supplementary allocations of over £13 millions. Out of the £10 million mentioned in your letter only a little over £5 million would be available for commitments not already in sight. If to this figure is added the remainder of the existing reserve (something under £2½ million), we have a supplementary provision of about £7½ million with which I must do for the last six years of the present Act, though I have already been obliged to make provision for over £13 million during the four years since the Act began. I do not see how this can be regarded as adequate.

You say in your third paragraph that the Americans are framing plans for the large scale development in the near future of the Colonial territories, and you go on to say that we are pretty certain to be strongly pressed to provide new funds to match any Colonial development expenditure they undertake. This is one of my many reasons for contending that £10 million is not enough. It has hitherto been agreed that sterling expenditure to match dollar expenditure incurred by the Americans under E.C.A. schemes should be counted as a final charge against the Colonial Development and Welfare Vote, and I assume that the Treasury will take the same attitude as regards American assistance in the future. The necessity to make provision for this purpose has been one of the contributory causes of the depletion of the existing reserve. Incidentally, it has been our experience that the sterling expenditure on E.C.A. technical assistance schemes in the Colonies—useful though those schemes have been—has fallen little if at all short of the total sterling expenditure which would have been required on the same schemes if the Americans had never entered the field.

In putting forward the proposals contained in my previous letter, I said that it would be my intention to keep £20 million out of the total of £100 million as a reserve for use, as and when required, up to the 31st March, 1956. The remainder of the total sum would, of course, have been retained for the subsequent years. If we are now to proceed on the basis that we can look no further ahead than 1956, I see no reason to alter my view that a supplementary provision of £20 million represents the essential requirement for that period. Assuming the provision were to be made as from the 1st April, 1951, the average annual additional burden to the United Kingdom taxpayer would be only £4 million a year. In view of the increases in costs which have taken place and having regard to the purposes to which the money will be put I regard this as a very moderate request, and I am sure that Parliament would be willing to provide the money. I must re-emphasise that the development work made possible by such a provision would for the most part be productive work likely to prove of benefit to the United Kingdom as well as to the Colonies.

I would mention again the possibilities that exist for the development of dollar earning and dollar saving production in the Colonies. I am anxious, for instance, to encourage the production of cotton, tobacco and timber, and I believe that output of these can be considerably stimulated. This will require pilot schemes for testing out the economics of particular projects, experiments in developing new techniques for injecting modern methods into peasant agriculture (e.g. by "group farming") as well as the provision of training facilities and roads and other basic services in promising areas. £10 million will not cover this work. But if I am given the £20 million for which I ask, I intend to ensure that so far as possible, bearing in mind that the fundamental object of the Colonial Development and Welfare Act is the development

and welfare of the Colonies for its own sake, the money should be used for projects which will contribute directly or indirectly to the expansion of dollar saving or dollar earning production. If I received an application for assistance in respect of a scheme which was not demonstrably of this category, I should require it to be backed by a very strong case made out on other grounds. Much of the money thus spent by the United Kingdom on dollar earning and dollar saving purposes would of course be matched by similar expenditure provided by the colonies themselves.

I greatly hope that you will be able to let me have an early and favourable reply to this letter. If you require a discussion either between ourselves or between our officials before you finally make up your mind, I am of course entirely at your disposal.

I am sending copies of this letter to the Lord President and the Secretary of State for Commonwealth Relations.

101 CAB 134/227, EPC(50)111 27 Oct 1950

'Economic development in South and South-East Asia: report on the meeting of the Commonwealth Consultative Committee': memorandum for Cabinet Economic Policy Committee by Mr Gaitskell (Exchequer). *Annex*: description of the proceedings of the conference.

The meeting of the Commonwealth Consultative Committee on South and South-East Asia began on 25th September and ended on 4th October. The proceedings are described in the Annex, and I now seek my colleagues' approval for the recommendations which were made and for the course of action which is contemplated. The meeting of the Committee was, in my view, and I think in the view of all those who attended it, a most fruitful one. There was a striking sense of common purpose and a determination to press forward action along strictly practical but imaginative lines. Particularly encouraging was the relationship between the Asian members of the Commonwealth and ourselves and the older Dominions; one has the impression that this work on the development of South and South-East Asia is creating links of common interest and common understanding which will be of value far beyond the immediate task upon which the Commonwealth Governments are engaged.

Report on economic development

2. The main business of the meeting was the preparation of a draft report entitled "The Colombo Plan for Co-operative Economic Development in South and South-East Asia." This draft, in its final form as adopted by the Consultative Committee, has been circulated to my colleagues (E.P.C.(50)105),[1] and I now recommend its approval. The other delegates are similarly recommending their Governments to approve it, and I hope that we shall know before the end of the month that the report has been approved by all Governments.

3. The Consultative Committee recommended that the report should be published as soon as possible after it had been approved by Governments, but that timing should be arranged in a manner which would avoid embarrassment to the

[1] See 102.

Americans. We have been advised by the United States Administration that publication as soon as possible after the Congressional elections on 7th November would be convenient to them, and the other Commonwealth Governments have been advised accordingly that we should try to have the report ready for publication by 10th November. I recommend that, subject to any further views expressed by our Commonwealth colleagues, and subject of course to their approval of the report, we should publish as soon after 10th November as convenient.

Technical co-operation

4. The Consultative Committee agreed the draft constitution for the Council of Technical Co-operation to be established in Colombo, and operations can begin as soon as the Commonwealth Governments have given their approval. We hope to receive this by the end of the month. My colleagues have already approved this constitution (E.P.C.(50)88) and only formal approval is now required. I would, however, emphasise the great importance of this work; it is essential that the new organisation at Colombo should get quickly under way and I hope that my colleagues will do all they can to impress upon their departments the urgency of meeting the demands for trained men and training facilities. It is [has] not yet been possible to designate a Director for the Bureau but it is still hoped to get a Canadian for this important post.

Position of non-Commonwealth countries in the area

5. It was originally intended that the report should cover the development of the whole of South and South-East Asia and invitations had been given to Burma, Indonesia, Siam and the three Associate States of Indo-China to draw up development programmes and to participate in the preparation of the report. The report incorporates as much material as was available about the situation of the non-Commonwealth countries in the area but their slowness in responding to our invitation has meant that it is a report by Commonwealth Governments alone. We were able, however, to arrange some useful meetings between the Consultative Committee and delegates from Siam and the three Associate States of Indo-China, which the Ambassadors of Burma and Indonesia attended as observers. These meetings gave the Commonwealth Ministers the opportunity of explaining the Colombo Plan and the delegates and observers are reporting back to their Governments accordingly.

6. The Delegates of Siam and of the Associate States of Indo-China confirmed that their Governments intend to take part in the Plan, but there was clearly great nervousness both in Burma and in Indonesia about associating with the Commonwealth in this work. There is some reason to hope, however, that these countries too will in the end associate themselves with the plan, particularly as the Americans have been advising them to do so. They have been invited to join the Council of Technical Co-operation and to prepare development programmes on similar lines to those of the Commonwealth countries for consideration at a later joint meeting of the Commonwealth and non-Commonwealth countries.

7. The question of extending the area to cover the Philippines was discussed and many members wished this to be done. We decided that it would be most prudent to consult the United States before taking a decision on whether the Philippines should be invited to participate. While their official reply was to the effect that the United

States Government would be happy to leave it to the Commonwealth to decide whether or not to invite the Philippine Republic, we gathered unofficially that they would prefer to see the Philippines invited to participate provided the invitation is delayed until after the report of the recent United States Economic Mission to the Philippines has been considered in Washington. It was agreed, therefore, to await the replies of the other non-Commonwealth Governments in the Area before taking a final decision to invite the Philippines to participate, and it is proposed also to maintain consultation with the United States Government on this point.

Commonwealth contributions

8. It was decided not to make any specific reference to Commonwealth contributions in the report, partly because Canada, Australia and New Zealand were not in a position to state the contributions which they would be prepared to make, and partly because the inclusion of figures for the Commonwealth countries would imply making a "bid" for United States assistance. The total external finance required for the Commonwealth countries is now put at £1,085 million over a six-year period.

9. I was authorised to offer a United Kingdom contribution to Commonwealth countries, by release of sterling balances, Colonial Development and Welfare funds, &c., of the order of £330 million in the six years (as well as £30 million in six years for non-Commonwealth countries in the area). Although no figures were given during the conference itself, I informed the other delegates privately of what we had in mind. It seemed to be generally accepted that we could not do much more. The Commonwealth Governments who might be contributors—Canada, Australia and New Zealand—were not prepared to commit themselves to any specific figure, but I should say that it was reasonable to expect that the total Commonwealth contribution including that of the United Kingdom might in the end be at least 40 per cent., and possibly more, of the total external finance required by the Commonwealth countries. If the United States provides external finance itself, then Canada is very likely to make a corresponding contribution; Australia is likely to contribute in any event, and New Zealand may give a token amount of assistance. We may hope, therefore, that a substantial part of the external finance will be provided within the Commonwealth, though this would, of course, leave the external finance required by the non-Commonwealth countries in the area to be drawn almost entirely from the United States.

10. The Commonwealth Governments are now considering what contribution they will be prepared to make, but it will be impossible to reach finality on this except in relation to what the Americans ultimately decide to do. Ideally, one would envisage a statement of intention by the United States Administration stating the amount of funds which they would seek from Congress for the Commonwealth and non-Commonwealth Governments in the area, this to be followed simultaneously by statements in London, Ottawa, Canberra and Wellington of the resources which the Commonwealth countries would be prepared to make available.

11. Negotiations have been proceeding in parallel for a long-term settlement of sterling releases with the Commonwealth countries in the area, and the effect of the programme is likely to be that by the middle of 1957 the sterling balances of India, Pakistan and Ceylon will, broadly speaking, be reduced to the minimum level which they require to hold as a currency and foreign exchange reserve. One of the more valuable by-products of the Colombo Plan, though not a primary objective,

particularly *vis-à-vis* the United States, is thus likely to be that, as far as India, Pakistan and Ceylon are concerned, this problem of war-time accumulations of sterling balances will have been virtually solved.

12. It is stated in the report that the United Kingdom will not seek finance from other Governments in respect of the Colonial territories in this area, apart from assistance which is available under present arrangements (e.g., E.C.A., Colonial development pool).

13. There is now good reason to hope that the International Bank will play a considerable part. I saw Mr. Black[2] in Washington; he had seen an early draft of the report, thought it a workmanlike document, and expressed great interest in the programme. When the report is published, he may be able to make a helpful statement about it, although any actual negotiations for International Bank loans would have to be conducted on a bilateral basis with the countries concerned. The question of the use of our and other Commonwealth countries' subscriptions to the International Bank will probably arise at an early stage.

United States attitude

14. The United States Government had appointed a Liaison Officer to the meetings, who had been kept fully informed and had received the successive drafts of the report. In my visit to Washington, I was able to discuss the Plan with Mr. Webb[3] and State Department officials. They stated that they regarded the initiative which had produced the report as a most constructive one; they had been impressed by the practical and realistic character of the report; they appeared to regard the general scale of finance indicated as being required from the United States as being broadly in line with their own thinking. Mr. Webb stated they would not be able to give an immediate reaction, because they would have to study the report in the light of all their other commitments, and they would not be able to take final decisions quickly.

15. It seemed to me that their attitude was definitely encouraging, but that we cannot expect a definite decision one way or the other at least until after the Congressional Election and probably not until they are in a position to put their whole programme for foreign assistance, military and economic, before Congress early in the New Year.

Continuing organisation

16. The Consultative Committee discussed the question of continuing organisation on the assumption that the United States would provide some external finance for the Commonwealth countries, and a general consensus of opinion was reached. It was recognised that there would have to be bilateral arrangements for the provision of finance and management of the assistance programme; no one was in favour of the creation of a purely "regional" organisation which would divide the aid, "screen" programmes and generally act as an Asiatic O.E.E.C. It was thought, however, that a useful purpose would be served in having a Council for South and South-East Asian development on which the United States would be represented as well as the

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[2] Eugene R Black, US executive director, International Bank for Reconstruction and Development, 1947–1949; president, 1949–1953.

[3] James E Webb, US Treasury official; director, Bureau of Budget, 1946–1949; under-secretary of state from 1949.

Commonwealth countries and the non-Commonwealth countries in the area (if they participate).

17. In Washington I explained these preliminary views which the Consultative Committee had reached. The United States reaction was that they would wish to consider this further; they did not press the idea of an Asiatic O.E.E.C. but were doubtful about the desirability of having a very close formal relationship between the United States and the other countries concerned. This will be a matter for further discussion, and, if my colleagues agree, I propose that we should continue to advocate the loose type of organisation, containing the interested countries, which is the most acceptable form of organisation to all the Commonwealth countries.

Follow-up action

18. Arrangements were made by the Consultative Committee for the necessary liaison to be maintained to enable the Commonwealth to deal effectively with the next stage:—

(i) A definite reaction by the United States Administration.
(ii) Response of the non-Commonwealth countries in the area to the renewed invitation to join the scheme.
(iii) Decisions by Commonwealth Governments on the size of their contributions.

In accordance with these arrangements, we should inform the other Commonwealth Governments of my discussions in Washington.

19. In my view—and I am sure my colleagues will concur in this—the Colombo Plan is of major political and economic importance, and we must continue to put our full weight behind it. In consultation with the Foreign Secretary and the Secretary of State for Commonwealth Relations, I will keep my colleagues very fully informed of progress.

Conclusion

20. I therefore recommend that:—

(i) The draft report be approved for publication as soon as practicable after 10th November (paragraphs 2 and 3).
(ii) The constitution of the Council for Technical Co-operation be approved (paragraph 4).
(iii) We should continue to take all action necessary to promote the Plan (paragraph 19).

Annex to 101

Report on economic development

1. The main business of the Committee was the consideration of a draft report on the economic development of South and South-East Asia, which had been prepared by a preliminary meeting of officials, under United Kingdom chairmanship, mainly on the basis of the replies of Commonwealth Governments to the *questionnaire* issued after the Sydney Conference.

2. The report is an attempt to set out the problem of the area, to describe what

the Commonwealth Governments in the area intend to do to tackle this problem, and to show the extent to which they will need support from overseas both by the supply of trained men and by the supply of capital in order to make an effective attack upon their problem of poverty and under-development.

3. The report consists of three parts. The first three chapters are of an introductory character and describe the importance of South and South-East Asia, the effect of the war and its aftermath, and the need for development. In these chapters the general case is made for economic development as the only effective means of tackling the problems of the area. They reveal the poverty of the peoples of the area, the gruelling to which these peoples have been subjected during the last ten years, the lamentably low state of economic development in comparison with countries in the Western World, and the resources which could be mobilised.

4. In the next part of the report—Chapters IV to VII—are described six-year development programmes for each of the Commonwealth countries in the area—India, Pakistan, Ceylon and the Colonial territories, the Federation of Malaya, Singapore, North Borneo and Sarawak. In each case the development programme is examined in detail; the major projects are described and an attempt is made to express the type of economy which the Government is seeking to establish over a period. Considerable attention is directed to the administrative machinery by which the Plan will be carried out. An examination is then made of the financial implications of the Plan—the extent to which external finance is needed in order to carry out the Plan. These chapters are themselves distilled from a substantially larger amount of material provided by the countries and a considerable amount of additional information is given in appendices.

5. The concluding section of the report—Chapters VIII, IX and X—draws the conclusions from the individual country programmes. The analysis shows that the main weight of the programmes is upon agriculture, transport and communications, and power, which in fact account for over 70 per cent. of the total of the development programmes. This is because the central problem in the area is a problem of food. In the six years of the programme there will be an increase of 3½ per cent. in the amount of land under cultivation, an increase of 7 per cent. in the land under irrigation, and an increase of 10 per cent. in the production of food grains. Even this substantial increase in production will do little more than keep pace with the growing population, and imports will still be required on much the same scale as at present. Very little weight is placed on industry, which accounts for only 10 per cent. of the development programmes, and the provision of social capital, particularly in India and Pakistan, is on a very cautious scale. The analysis shows, indeed, that these programmes are moderate and within the sphere of practicability and that they are directed to deal with the most urgent problems first in a practical way, rather than to make a drive towards self-sufficiency by grandiose plans for industrialisation. It appears on analysis, however, that even these moderate programmes are far beyond the capacity of the countries concerned to achieve by their own efforts. They are limited predominantly by the shortage of trained men and by the shortage of capital.

6. The report analyses the need for trained men in a more comprehensive way than has been possible hitherto, showing how the supply of trained men can be expanded by expanding training facilities in the area, by securing training overseas, and by obtaining men from abroad. This leads to a description of the Council for Technical Co-operation, the constitution of which was agreed by the Consultative

Committee. The setting-up of this Council, which will be assisted by a Bureau at Colombo, is the special contribution of the Commonwealth Governments to this problem, and the emphasis is laid on the necessity to co-operate with United Nations agencies and with the United States (Point Four) organisation. Arrangements are already being made to make this co-operation effective.

7. The report concludes with a description of the need for capital and an analysis of the possible sources from which external finance can be drawn. The total amount of external finance needed over the six-year period 1951–57 is put at £1,085 million and it must be noted that this is substantially larger than the actual cost of capital goods which will be required to be imported for the programme, which is put at £411 million in the six years. In order to be able to devote sufficient resources internally to the execution of the development programme, it will be necessary for the countries to import consumer goods as well as capital goods. The possible channels of external finance are analysed in some detail in this chapter but, for the reasons set out in the following paragraph, no quantitative assessment is made of the possible contribution of each of them. The problem is stated as a world problem, for the solution of which every possible source of external finance should be fully exploited.

8. There are three general characteristics of the style and presentation of the report to which particular attention should be drawn:—

(i) The development programmes have been presented on strictly practical and realistic lines and special care has been taken to show that the Governments of the Commonwealth countries in the area are masters in their own house and have their feet firmly on the ground. The nature of the programmes submitted by India and Pakistan fully supports this line of approach—the excessive hopes of two or three years ago about the rate at which development would proceed have now vanished and the problem is recognised as being one which calls for a long and painful effort. The Consultative Committee thought it wise to emphasise the practical and realistic character of the programmes in order to be able to resist any argument that external finance provided for these territories would be wasted through inefficiency, corruption and the lack of a well-thought-out plan.

(ii) Much attention is paid to the steps which the Commonwealth countries in the area are already taking to help themselves and to the further measures they are taking to mobilise their resources, financial and other, to carry through their development programmes.

(iii) Particular care has been taken to avoid having this report appear as a bid for United States assistance. The report is presented as a statement to the world and not as an appeal to the United States Congress. This was considered desirable both on merits, for neither India nor Pakistan was willing to show itself as appealing to the charity of the Americans, and also because the United States Liaison Officer to the Conference had expressed the view that this was most appropriate from the American standpoint.

Follow-up action

9. The Consultative Committee made the necessary arrangements for dealing with any response which the United States may make. It has been agreed that all the Commonwealth Governments should keep continuous liaison through the normal channels, including the Commonwealth Liaison Committee in London, and that

Governments should hold themselves in readiness to call together a standing Committee on the official level in whatever capital is most appropriate as and when this may be necessary. It is impossible to make very firm arrangements at this stage because we do not yet know how the Americans will wish to handle the problem if they decide to provide the finance. The only possible organisational arrangement, therefore, is to provide fully for an exchange of information and to provide for a meeting to be called with the minimum amount of delay should the need arise.

10. The question of France and Holland was not discussed in the Consultative Committee. There is great hostility on the part of India, Pakistan and Ceylon to the association of France and Holland with the Colombo Plan. The United Kingdom will continue informally to keep the French and Dutch Governments informed of the proceedings. But it is clear that for the time being it will be impossible to associate them formally with the plan.

Continuing organisation

11. The Consultative Committee considered what would be the most effective continuing organisation and agreed that the arrangements set out in paragraph 16 of the covering paper to this Annex would be the most appropriate.

Attitude of delegations

12. On this occasion, as the Conference was held in London, we were in the chair, and the present Chancellor of the Exchequer was supported throughout by the Paymaster-General and the Parliamentary Under-Secretary of State for Foreign Affairs, and the team of officials who have worked on these problems from the Colombo Conference onwards. Mr. Malcolm MacDonald was in the lead for the Colonial territories in the area and we broke new constitutional ground in that for the first time non-official representatives from the Colonies and Protected Territories attended a Commonwealth Ministerial Conference as advisers and took part in the discussions. Dato Onn bin Jaafar,[4] for the Federation of Malaya, and C.C. Tan[5] for Singapore, made a good impression in the Conference, and this particular new constitutional departure seemed to have been a very useful one.

13. The Commonwealth Delegations were, as usual, very strong; Australia and New Zealand were represented by their Foreign Ministers, Mr. Spender and Mr. Doidge; Canada by Mr. Mayhew, the Minister of Fisheries; India, Pakistan and Ceylon by their Finance Ministers, Mr. Deshmukh, Mr. Ghulam Mohammed, and Mr. Jayawardene. The teams of officials were broadly speaking the same as those which attended the Sydney Conference, with some strengthening in the case of Canada and Pakistan. The officials in all the Commonwealth countries who are engaged on this international work are now working very smoothly together as a team, and this fact was of decisive importance in getting the report prepared so quickly.

14. *Australia*. Mr. Spender was in much more constructive mood than at Sydney, and made an effective contribution to the discussions. No specific Australian point of view emerged from the discussions either at the Ministerial or at the official level; their interventions were primarily designed to bring out more strongly the efforts

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[4] Dato Onn bin Jaafar, president, United Malays National Organisation, 1946–1951.

[5] C C Tan, non-official member of Singapore Advisory Council, 1946; first chairman of Singapore Progressive Party, 1947.

which the countries themselves were making, and to make it easier to bring in the non-Commonwealth countries in the area. Mr. Spender had to leave for the United Nations meeting in New York before the end of the meetings, but seemed well satisfied with what had been done.

15. *Canada*. The Canadian Delegation played a very important part, particularly in the discussions at the official level and in the work of drafting and editing the report. The Canadian Government had expressed some misgivings about our earlier ideas on the structure of the report, but in the end the form of presentation which was chosen was entirely acceptable to their Delegation. Canada's main preoccupation in the scheme is to avoid becoming committed to any purely Commonwealth plan which does not include the United States; the Canadians will almost certainly contribute if the United States does, but they do not want to associate themselves with a purely Commonwealth plan, particularly as they have little direct interest in South and South-East Asia.

16. *Ceylon*. The Ceylon development programme is much the weakest of the Commonwealth programmes; from their programme as it stands, indeed, it could be argued that they are not prepared to finance as much development from their own resources as they are doing now. It can fairly be said, indeed, that Ceylon is looking for a much higher proportion of external help than should actually be necessary. It seemed clear from the discussions that the Ceylon Government had considered their plans much less thoroughly than India or Pakistan, and their presentation was consequently less convincing. Mr. Jayawardene took a prominent part in the discussion, but the weakness of the Ceylon programme reduced the effectiveness of his contributions.

17. *India*. As at Sydney, the Indian Delegation made a great impression, and their development programme, which was brilliantly expounded and defended, set the tone for much of the report. Their eagerness to be on friendly terms with the United Kingdom, and to derive the fullest possible advantage from the contact with the West which the Commonwealth provides, was very clear. Both Ministers and officials appear to have drawn very rational conclusions from their experience in the last three years, and the size of their programme was therefore very modest and fully within the range of practical possibilities. Both in content and in presentation, their programme compares very favourably with, for example, those presented by O.E.E.C. countries. In almost every question which arose, Mr. Deshmukh could be relied upon to take the commonsense line.

18. *New Zealand*. Mr. Doidge made a robust and practical contribution, particularly on questions bearing upon the public reception of the report.

19. *Pakistan*. The Pakistan Delegation was much stronger than before, and, while it lacked the great technical ability of the Indians, it was able in the end, with a good deal of prompting, to present its programme convincingly. Here too, experience has had a moderating effect. It is worth recording that it proved possible to have reasonably frank discussion and to deal in the report with a number of questions, such as defence and jute, which are of burning controversy between India and Pakistan. The officials of the two countries appeared to be on very good terms with each other, and Mr. Ghulam Mohammed invariably supported Mr. Deshmukh in debate. Whilst these meetings contribute nothing to a direct settlement of the matters under dispute between India and Pakistan, they help to maintain an atmosphere in which a settlement is not ruled out.

102 CAB 134/226, EPC(50)105 Oct 1950

[Colombo Plan]: final report of the Commonwealth Consultative Committee on South and South-East Asia about co-operative economic development [Extract]

[This report was prepared at a meeting of the Commonwealth Consultative Committee on South and South-East Asia, which took place in London in September 1950. The governments represented at the meeting were Australia, Canada, Ceylon, India, New Zealand, Pakistan and the UK. At the first meeting of the committee in Sydney in May 1950 the decision was taken to draw up a six-year programme of economic development for countries in the region, and to invite other countries in the area to join in this co-operative enterprise to make a comprehensive attack upon the problem of poverty and under-development in the region as a whole. The governments of Cambodia, Laos, Vietnam and Thailand accordingly sent delegates to a joint meeting with the members of the Consultative Committee early in October 1950; the ambassadors in London of Burma and Indonesia attended as observers. Thus, whilst this report was prepared by governments represented on the committee, and consequently dealt in detail primarily with the problems and programmes of the Commonwealth governments in the area, it was hoped that at a later stage other countries would prepare similar programmes which would enable a complete conspectus to be made of the region's developmental problem. The following chapters are omitted: (iv) the development programme of India, (v) of Pakistan, (vi) of Ceylon, (vii) of the Federation of Malaya, Singapore, North Borneo & Sarawak, (ix) the need for trained men, (x) the need for capital—except for the conclusion; and appendixes 1–7.]

Chapter I. The importance of South and South-East Asia

1. The peoples of Asia have long felt the pressure of poverty and hunger. While the realisation of self-government could not of itself relieve this situation, it has made possible a new approach to the problem of raising living standards through the vigorous development of national resources. Among the peoples of Asia hopes and aspirations have been raised by the plans of their Governments to secure a fuller life for them.

2. The region with which this Report is concerned comprises the countries of India, Pakistan, Ceylon, the Federation of Malaya, Singapore, North Borneo, Sarawak, Brunei, Burma, Thailand, Indo-China and Indonesia. Its 570 million people make up one-quarter of the population of the world. Despite the abundance of human resources, the considerable natural wealth of the area has not in the past been developed rapidly enough to ease the increasing pressure of population upon the land. There is, therefore, a great poverty among millions and an unceasing struggle for existence. In India at present the people's diet consists almost entirely of cereals, and in the rationed urban areas they consume only about 12 ounces of food grains a day. In Pakistan, with its wide range of temperature, 9 yards of cotton cloth have to suffice for one man during the year. The low level of consumption illustrated by these meagre quantities is clearly inadequate by any standard; moreover the level of food consumption in the whole sub-continent of India is appreciably below what it was ten years ago. The same general picture, with local variations is presented by every country in South and South-East Asia. In these circumstances the urgent need of these countries is to develop their economies in order to increase food production and consumption and raise the real income of their peoples.

3. During the past five years political events have moved fast in South and

South-East Asia. Changes have taken place on a scale hardly precedented in world history. Independent Governments have come into being, supported by democratic institutions and imbued with enthusiasm for the future welfare of their countries. The horizon of thought and action in the economic as well as the political field has been greatly extended, and Governments are grappling with the problem of promoting the economic improvement which is indispensable to social stability, and necessary to strengthen their free institutions. It is of the greatest importance that the countries of South and South-East Asia should succeed in this undertaking. The political stability of the area, and indeed of the world, depends upon it, and nothing could do more to strengthen the cause of freedom.

4. The countries of the region play an important part in the world economy. The area is a major source of the food and raw materials consumed throughout the industrialised world. Before the war it provided almost all the world's exports of jute and rubber, more than three-quarters of the tea, almost half the tin and one-third of the oils and fats. These key products have for generations flowed into the great trade routes of the world. Rubber, tin and jute products earn dollars in the Western Hemisphere. Tea and oils are shipped to Europe. In return, the industrial products of the West—textiles, machinery, iron and steel—flow back into the area.

5. Two features of this world-wide trade are especially significant in relation to present-day difficulties. The first is that the area has traditionally had a large trading surplus with North America, and a deficit with the United Kingdom and Western Europe. The earning of this dollar surplus in trade with South and South-East Asia was an important factor in enabling the United Kingdom and Western Europe to finance their own dollar deficits before the war. Thus the dollar earnings of South and South-East Asia were a significant element in the world's multilateral system of trade.

6. Secondly, the main impetus to the development of South and South-East Asia, which helped to make possible a world-wide pattern of trade, came from a steady flow of capital from the countries of Western Europe and more especially from the United Kingdom. While this flow of investment may not have been adequate to permit as rapid social and economic progress as might have been desirable, it nevertheless provided the basis for the development which has taken place in the area over the past hundred years. There can be no question that external finance must continue to be made available if the constant pressure of population is not to depress living standards still further.

7. Since the end of the war both these features in the economy of South and South-East Asia have been transformed. Dollar surpluses have in many countries been replaced by dollar deficits; and the flow of new capital into the area has itself dwindled away as a result of the disturbance caused by the war and the reluctance of private investors to risk their savings in the face of new uncertainties.

8. In these circumstances it is clear that the vital interests of the countries of South and South-East Asia, as of the rest of the world, require the restoration of the area to its key position in world trade. The strengthening of their economies through the resumption of a large-scale flow of capital is essential to any permanent increase in productivity and living standards, and at the same time it is a condition of the higher level of trade on which a stable world system could be based.

9. At their meeting in Colombo in January 1950, the Foreign Ministers of the Commonwealth countries agreed upon the vital importance of the economic

development of South and South-East Asia in the maintenance of the political stability of the countries in that area, and in the growth of an expanding world economy based upon multilateral trade.

10. The Commonwealth Governments took the initiative in considering international action to deal with the problem because three quarters of the people of South and South-East Asia live in countries which are members of the Commonwealth, and the whole area is one with which the Commonwealth Governments have close political and economic ties. But the initiative has been taken in no exclusive spirit. It was contemplated from the beginning that all countries in the area which were not members of the Commonwealth should be invited to participate on equal terms in whatever plan could be devised to lead to international action. It was moreover recognised that the resources required for the effective development of South and South-East Asia were considerably more than the Commonwealth itself could provide, and that it would therefore be necessary to seek the co-operation of other countries. The scale of the problem is indeed such that a new and more comprehensive approach was from the first regarded as essential.

11. Accordingly, after the Colombo Conference, a process of Commonwealth consultation was begun with the purpose of making the most effective possible attack upon the problem, and of focussing world attention on the needs and difficulties of the area. The Commonwealth Consultative Committee, which was brought into being at Colombo, met at Sydney in May and took the process a long step further. The Governments of the Commonwealth countries in the area agreed to draw up a practical and realistic plan of development for a six-year period to run from the middle of 1951, and they put the preparatory work in hand at once. They also decided to provide funds for a technical assistance scheme for the area. This scheme, the detailed organisation of which was worked out at a meeting at Colombo in July, is outlined in Chapter IX of this Report.

12. In the meantime, in accordance with the decisions taken at Sydney, invitations were issued to the non-Commonwealth Governments in the area to join in the work of the Consultative Committee and to draw up six-year plans of economic development. In the event, however, it has not proved possible to secure the full participation of the non-Commonwealth Governments within the time originally envisaged, nor have they been able to prepare programmes of the kind presented to the Committee by the Commonwealth Governments. This Report has therefore confined itself in the main to the development programmes of the Commonwealth countries. It is however, hoped that it will be possible for the non-Commonwealth countries to co-operate fully in the plan in the very near future and to prepare development programmes of their own which, when brought together with those of the Commonwealth countries, would provide the comprehensive survey of the needs of the area as a whole that was originally considered desirable.

13. The preparation of this Report is thus a further step in the process set on foot in Colombo. The idea conceived there has been given shape and content in the last eight months. The scale of the problem has been assessed, knowledge has been gained of the difficulties to be overcome, and the way has been prepared for further advance.

14. The purpose of the Commonwealth Governments in initiating the programme described in this Report is fully in accord with the principles of the United Nations. They intend that it should develop in harmony with the valuable work done

in the area by the United Nations and its Specialised Agencies, who have recognised the need for outside assistance for the development of under-developed territories.

15. These considerations form the background of this Report. The improvement in the welfare of the South and South-East Asian peoples is a vast human endeavour, and the community of free nations stands to gain immensely by it. The political stability of the countries of the area is possible only in conditions of economic progress, and a steady flow of capital from more highly developed countries is essential for this purpose. The conception of the Commonwealth countries' approach to the problem is that a fresh impetus should be given to economic development in South and South-East Asia in order to increase production, raise standards of living, and thus enlarge the volume of trade around the world from which all countries may benefit. It is because this is a world problem of the first magnitude, and not a purely national or regional one, that the Commonwealth Governments have framed this Report for the world's consideration.

Chapter II. The war and its aftermath

1. The second world war inflicted heavy losses on South and South-East Asia. In the fields of battle physical damage caused by the fighting itself was aggravated by 'scorched earth' and 'denial' policies which followed the outbreak of war. Under the Japanese occupation many territories were despoiled and neglected, and economic assets built up over generations were allowed to waste away. Railway tracks and locomotives were removed; rubber plantations and tea estates reverted to the jungle; power stations were driven without care or maintenance. After the war these disasters, combined with a world shortage of shipping, radically disorganised the production and transport of foodstuffs and raw materials within South and South-East Asia, with calamitous results for the economies of the area.

2. Economic dislocation and inflation in many parts of the area were added to the physical ravages of war. The Indian sub-continent, as the great Eastern base of the Allied armies, supplied the forces East of Suez with clothing from mills worked to capacity without normal renewals; at the end of the war machinery was overstrained and in need of replacement. The railways, too, had carried an unusually heavy volume of war traffic and by 1945 were in urgent need of repair. Every effort was made to increase food production at the expense of crops such as cotton, jute and oil-seeds. Home consumption of such goods as cotton textiles had to be restricted in order to maintain exports in the interests of the war effort. These measures, together with the great increase in the money supply arising from war finance, created an inflationary situation which remained a source of serious weakness when the war came to an end.

3. If the state of insecurity had ended with the war, much more might have been done in South and South-East Asia during the ensuing five years to restore a healthy pattern of production and exchange. Unhappily political and social disturbances occurred in large areas with varying intensity at different times. Some Governments have been largely preoccupied with these disturbances and others, although well established, have been compelled to devote a large part of their resources to defence and the maintenance of law and order. In the Indian sub-continent the transfer of political power to the new Governments of India and Pakistan was carried out smoothly, but the partition of the country itself caused considerable economic

dislocation. Attempts are still being made to resolve certain matters which are costly to both India and Pakistan and a serious obstacle to economic advance. In Malaya economic rehabilitation has proceeded a long way, but the measures required to maintain law and order are a heavy drain upon the resources of the Government of the Federation of Malaya and upon the United Kingdom. In Thailand the economic situation has steadily improved. In Burma, Indo-China, and Indonesia grave dislocation has retarded the process of post-war recovery.

4. The central problem has been, and still is, the supply of food. It is here that the impact of the war and of post-war unrest has been most serious, for the effects of the disruption of major sources of supply have been accentuated by large population increases. Rice is the staple food of the hundreds of millions living in the area, and in 1938 over 5,500,000 tons were exported from Burma, Thailand and Indo-China, while imports into India, Ceylon, Malaya and Indonesia were 3,300,000 tons. Immediately after the war there were 15 million acres of abandoned rice fields in South-East Asia and exports from the sources mentioned above were reduced to under 1,000,000 tons in 1946; these were wholly absorbed by the importing countries of the area. In 1950 exports are not expected to exceed 2,500,000 tons. So radical an interruption in the supply of rice naturally held grave dangers for the inhabitants of all rice importing countries of the area. It undoubtedly aggravated the catastrophic famine in Bengal in 1943, although this was also in part a result of the internal strains occasioned by the war.

5. To meet this situation and to prevent the recurrence of famine, was one of the first and most urgent tasks of the post-war years. The International Emergency Food Council was created in 1946 to allocate scarce foodstuffs on the basis of need and to prevent ruinous competition in world markets. It continued in operation until 1949. This was an act of international co-operation of major significance to South and South-East Asia. The meagre rice allocations were also supplemented by large shipments of wheat from the United States, Australia and Canada. In addition, the importing countries themselves took measures to increase still further their own output of food by speeding up irrigation projects and by providing special assistance to farmers.

6. Thanks to these measures and to the gradual recovery of rice production within the area, a sufficient flow of essential foodstuffs was maintained to avert widespread starvation. It must be acknowledged, however, that over the greater part of the area little progress has been made towards raising food consumption. Calculations made by the United Nations Economic Commission for Asia and the Far East, in its recent Economic Survey of the area, show that the output of food in South and South-East Asia is still below its pre-war level, while the population has increased by some 10 per cent. Consumption per head is, therefore, lower than it was ten years ago.

7. Related to the problem of food is that of transport. Reference has already been made to the serious deterioration which took place in the railway system during the war as the result of a great increase in the volume of through traffic, some of which would normally have been routed by sea. There was also loss of rolling stock and locomotives exported directly to war areas. In South-East Asia it was found at the end of the war that more than a third of the pre-war track had been torn up or rendered useless. Road and water transport had also suffered heavily. Large numbers of water craft and working animals—perhaps as many as one-half—were destroyed by

Japanese troops retreating before the Allies or through the looting of farms and plantations by starving refugees during the ensuing chaos. All this had the most serious effects upon the production and movement of crops. Since the war some of the deficiencies in transport equipment have been made good, but not all the railways of South-East Asia have yet been rebuilt.

8. The effects of the war on industry are to be seen mainly in India. Although there is little industry in other parts of South and South-East Asia, the whole area was affected by what happened in that country. The production of war material in India led to a large temporary expansion in the output of steel, electric power, cement and cotton textiles, all devoted to war purposes. The industrial machine, however, especially in the jute processing and textile trades, did not receive adequate maintenance. As a result of this prolonged wear and tear, the accumulated deficiencies in the supply of many essential consumer goods could be overtaken only gradually during the post-war years, and at the cost of a heavy charge on external resources which might otherwise have been applied to new development.

9. In view of these difficulties, it is hardly surprising that there is still a major task of reconstruction in South and South-East Asia. The outstanding fact is the amount of work which has already been done and and the levels of production which are being achieved. The course of the various economies is described in a wealth of detail in the United Nations Annual Economic Surveys of Asia and the Far East, and it is necessary here to relate only the essential facts. In the following table the more significant figures of pre-war and post-war production and exports are presented:—

Table 1 *Production and exports of selected commodities from South and South-East Asia*

'000 tons

	Pre-war	1946	1949
Production—			
Rice (paddy)	70,990	64,987	70,117
Wheat	10,160	9,180	9,517
Oils and fats	3,596	2,844*	3,174
Sugar	6,223	5,789	6,200
Jute	1,831	1,427	1,340
Cotton	1,132	759	606
Tin	116	15	94
Petroleum (crude)	7,960	444	9,034
Exports—			
Rice (paddy)	5,676	956	2,460
Oils and fats	1,319	174	630
Sugar	1,029	2*	36
Tea	315	268	362
Jute	757	391	271
Jute manufactures	894	711	846
Cotton	573	171	177
Rubber	830	891	1,393

* 1947

Note: For the definition and sources of these figures, and for details by countries and years throughout the period, reference should be made to Appendix 1 [not printed].

10. It will be seen that, although production has in general been restored, exports have revived unevenly and exports of foodstuffs are still much lower than pre-war.
Rice. The drastic effects of the war have already been described. Since 1946 the work of rehabilitation has partially restored the flow of supplies. There has been a full recovery in Thailand, but not in Burma or Indo-China.
Rubber. The level of exports recovered rapidly after the war and is now far higher than at any previous time. Orders were placed for the necessary equipment long before Malaya was liberated. But the real effects of the years of neglect under Japanese occupation have yet to show themselves. The long period in which there was no replanting will react upon the productivity of the industry in future years, unless a large programme can be got rapidly under way.
Oils and fats. The main producers of oils and fats in the area are India, Indonesia and Malaya. Immediately after the war the attempts made in India to increase the production of other foods reduced the output of oils and fats. Since that time competing demands for cultivable land have limited production. The level of India's exports of oils has also been affected by the cessation of its imports of copra and by a general increase in home consumption. In spite of internal difficulties, the production of oils and fats in Malaya, which suffered considerably as a result of the war, is now almost back to its pre-war level.
Sugar. Production in the Indian sub-continent has been increased, but in Indonesia, where wartime disruption brought exports to a complete standstill, it still remains far below the pre-war level and is barely sufficient to meet domestic consumption. Over the whole area the output of sugar had just about recovered in 1949 to its pre-war level.
Tea. Although Ceylon and India have substantially increased their production, this has been partially offset by the slowness of recovery in Indonesia. As late as 1949 Indonesian production was only one-third of pre-war.
Jute and cotton. India and Pakistan, the main producers of these commodities in the area, have found it impossible to restore pre-war levels of output because of continuing demands on cultivable land for other purposes. Present plans provide for increased production of both materials.
Tin. The tin mines of Malaya and Indonesia suffered heavily from the 'scorched earth' policy during hostilities and from neglect during enemy occupation; in Thailand the mines were kept short of fuel. Since the war new dredges and pumps have been put into operation and the supply of engineering materials, coal and electric power improved. By 1949 the production of tin had been almost restored to the pre-war level, from the very low level of 1946. This was mainly due to rapid improvements in Malaya and Indonesia. Production of tin in Burma and Thailand remains low.
Crude petroleum. Production in Indonesia, which ceased almost entirely after the war, was restored by 1949 to 80 per cent. of the 1938 level. In Brunei, however, production has greatly expanded since the war and is now nearly five times as great as in 1938.
Electric power. Industrial expansion during the war led to an increase in the output of electric power in the sub-continent of India and this has been continued in post-war years. It is now almost twice the pre-war level, although still insufficient to meet demand.

11. Against this background of dislocation and uneven recovery in South and South-East Asia it is possible to distinguish certain broad financial effects. First

among these was the inflation of prices and costs caused by the shortage of supplies and unbalanced Budgets. In the Indian sub-continent the increase in the supply of money to finance war production and the accumulation of sterling credits against wartime exports led to an increase of 150 per cent. in wholesale prices between 1939 and 1946. In the occupied territories of South-East Asia the enemy financed himself by unrestricted creation of paper money. Over the whole of the area the increase of wholesale prices between 1939 and 1947 was nowhere less than 150 per cent. and was as great as 1,000 per cent. in Indo-China. During the five years since the war the inflationary pressure has slackened, but the upward movement of prices did not show signs of halting until 1949. At the present time, however, account must be taken of the probable long-term effects of the devaluation of sterling and of the rearmament policies recently decided upon.

12. The effects of inflation in South and South-East Asia have been mitigated by the provision of external finance and by using up external assets. The process of rehabilitation has been assisted by import surpluses financed by these means. The attempts by some countries to increase production in various sectors of the economy have, during the past five years, involved increased imports of machinery, vehicles and constructional materials, which domestic industry was unable to provide. Moreover, emergency imports of grain and textiles in the period immediately after the war made possible only by incurring substantial trading deficits which were financed by drawings upon accumulated reserves of sterling. In addition, import licensing controls have been relaxed for certain periods since the war, and this has had the same effect of giving an outlet to inflationary pressures dammed up within the economy.

13. For some or all of the above reasons, India, Pakistan and Ceylon drew upon their sterling balances in the years 1946–49 to the extent of about £340 million to finance their deficits on current account. This external finance could scarcely be regarded as adequate considering the extent of the losses incurred during the war and the post-war needs of the countries. It was nevertheless equal to more than one-fifth of their combined imports from the rest of the world during the period. To this extent the United Kingdom bore the immediate burden of rehabilitation in India, Pakistan and Ceylon, and it was in fact enabled to do this by generous support from the United States, Canada, Australia and New Zealand in the form of gifts and loans (including Marshall Aid) and by the accumulation of sterling balances by various countries. In the Colonial territories in the area the United Kingdom Government have also sanctioned assistance to a total of £95 million in the form of grants in aid of administration, loans and grants for war damage and development purposes, and security expenditure. Of this amount about £47 million will have been spent by 31st March, 1951. The direct burden of rehabilitating the Commonwealth countries in South and South-East Asia has thus been borne to a large extent within the Commonwealth, apart from drawings by India on the International Monetary Fund and on loans from the International Bank.

14. Less progress has been made with rehabilitation in most of the non-Commonwealth countries of South-East Asia. The United Kingdom, Canada and Australia provided some financial support to these countries during the period of rehabilitation. A joint Commonwealth loan to Burma of £6 million was shared between the United Kingdom, Australia, India, Pakistan and Ceylon. India made a loan to Thailand. Nevertheless, the assistance given by the Commonwealth to the

non-Commonwealth countries, as also the substantial aid provided by the United States and other countries, has done no more than meet a part of their needs.

15. A realistic view of the last five years shows that much has been done to restore the disrupted economies of South and South-East Asia. Those countries which have succeeded in maintaining political stability through the turmoil of the period have made headway with rehabilitation, although this has in some cases involved large balance of payments deficits. A stage has now been reached at which it is possible to plan ahead and to move from policies based upon the need to deal with immediate emergencies to the execution of sound and realistic long-term plans for economic development.

Chapter III. The need for development

1. Throughout South and South-East Asia the standard of living is lamentably low, and the economies are gravely underdeveloped. Poverty and hardship are the rule rather than the exception. The meagre diet of most of the peoples of these countries lacks variety; it is composed mainly of cereals, pulses and starchy foods, which do not supply the amount of proteins and fats necessary to proper nutrition. The average daily consumption of food per head is below 2,000 calories, which contrasts with about 3,000 in the United Kingdom. The absence of adequate medical facilities results in a high mortality rate. Illiteracy is very high. There are many ways in which the lot of the peoples in the area might be compared with that of those in more advanced countries, and all would emphasise the need for urgent measures to improve their position. This can be done most economically and effectively by the development of the natural resources of the area. The longer the initiation of the necessary action is postponed, the greater will the problem become. It brooks no delay.

2. Everywhere in the area populations are growing quickly, as is indicated by the following table:—

Table 2. Rates of population increase in South and South-East Asia

	Annual rate of increase per cent
India	1–1.5
Pakistan	
Ceylon	2.2
Malaya	2.4
Burma (1931–41)	1.3
Thailand (1937–47)	1.8
Indo-China (1931–36)	1.4
Indonesia (Java, 1920–30) ...	1.8

If these rates of increase are maintained, the present population of some 570 million will, before 1970, have grown to 720 million, an increase in less than twenty years roughly equivalent to the total population of the United States. To some extent this increase will reflect the lower death rate resulting from improvements in public health—for example, the eradication of malaria from Ceylon. The inevitable

short-term trend towards larger populations only emphasises the need for rapid development. The additional problem which this increase in population involves may, however, be counterbalanced to some extent by the increased vigour and productivity of the people which might be expected to flow from any advance in their standard of living. In the longer run experience suggests that a general improvement in standards of living eventually exercises a steadying influence on the growth of population. In some countries in the area this influence is already apparent from the declining birth rate of the middle classes. In East Bengal, for instance, it has been found that the average size of families tends to be smaller on holdings of ten acres than on those of five.

3. It is clear that agricultural and industrial production will have to rise to provide for the additional population—even at the existing standard of living. A very substantial programme of development is needed to secure any improvement. The necessary statistical data do not exist for a reliable estimate of the extent to which production is keeping pace with population growth in South and South-East Asia, but it is highly probable that the events of the last ten years have caused production per head to deteriorate. As far as the land is concerned, this is not a new process, for in undivided India agricultural yields per acre had been falling before 1939. While the area under rice rose slightly from an average of 66 million acres in 1914–19 to an average of 69 million acres in 1934–35, the average yearly production of rice actually fell from 27 to 25 million tons. This decrease in agricultural yields must be checked and some improvement must be achieved. In essence, however, the problem is one of original development of potential resources rather than mere rehabilitation and the restoration of economic activity to a previous level. The problem may be described as one of increasing the capital equipment of the countries in order not only to keep pace with the growth of populations, but also through increased production per head to permit some rise in the level of consumption. This is a formidable task.

4. The present state of development in South and South-East Asia is probably as low as anywhere in the world. International comparisons are difficult and preclude precise conclusions, but it is possible to give a broad picture of the disparity between the national incomes of countries in the area and those of more advanced countries. From such information as is available, it appears that average national income per head in most of South and South-East Asia ranges around £20, whereas in the United Kingdom it is over ten times as large, and in the United States it approaches £400.

5. By far the largest element of national income in South and South-East Asia is derived from agriculture, which in all the countries provides the livelihood for more than half, and in some for as much as 80 per cent., of the population. The heart of the problem is the under-employment which results from the pressure of population on the land. In Ceylon, for example there are nearly 1,200 people who depend upon agriculture for every 1,000 acres of cultivated land. This contrasts with about 60 in Great Britain.

6. What this difference means in terms of output can be illustrated by a comparison between India, with 306 million acres under cultivation, and the United States with 360 million. In India there are 73 million agricultural workers of all kinds, while in the United States only 8 million are actively occupied on the land. In spite of the much more intense application of manpower, agricultural yields per acre are far below those in the United States; for instance, the yield of wheat is less than 600 lb. compared with over 1,000 lb., and the yield of cotton is only 66 lb. compared

with 313 lb. This disparity cannot be explained simply by natural differences of soil fertility; it is the application of capital which enables the farm worker in the United States to produce so much more than the peasant of South and South-East Asia. For example, in the United States there are over 2,400,000 tractors, whereas in India there are only 10,000. Again, the United States uses, on an area only one-sixth greater, over 13 million tons of fertiliser a year against some 200,000 tons used by India.

7. In communications, fuel and power, and industry the scope for development is illustrated by the comparative examples given in the following table:—

Table 3. *Levels of economic development in 1949: comparative indicators*

	Unit Per'000 population	*India*	*Pakistan*	*Ceylon*	*Malaya*	*United Kingdom*	*United States (a)*
Electricity production ...	'000 kWh	13	1.9	9.6	117	1,033	2,296
Coal consumption ...	tons	80	18	28	85	3,884	3,473
Petroleum consumption ...	tons	7.8	11	23	99(*b*)	327	1,638
Steel consumption ...	tons	3.8	1.3	6	16	194	364
Cement consumption ...	tons	7.2	3.6	19	25	148	229
Locomotives ...	Nos.(*c*)	22	16	32	31	410	309
Carrying capacity of railway wagons	tons	10(*d*)	8.8	4.5	13	276	556
Rail freight ...	'000 ton miles	65	..	..	32	446	4,568
Load-carrying road vehicles ...	Nos.	0.18	0.07	1.41	3	16	43
All-weather roads	miles	0.32	0.1	0.87	0.93	3.7	2.2
Telephones ...	Nos.	0.37	0.21	2.2	7.7	98	261

(*a*) In most cases, figures refer to 1948.
(*b*) Excluding Service supplies and bunkers.
(*c*) Per million population.
(*d*) Excludes 16,516 wagons for which no carrying capacity is recorded.

8. The scope and the need for development are great, but so also are the potentialities of the region's underdeveloped natural resources. In India it is estimated that improvements in agricultural practices and technique alone, through the use of better seeds and fertilisers and through irrigation works, existing steel plants and the construction of additional capacity for an annual output of 500,000 tons, could by 1956–57 secure increases over the current estimated levels of production of 8 per cent. (3,000,000 tons) in foodgrains, 30 per cent. (195,000 tons) in cotton, 50 per cent. (375,000 tons) in jute and 30 per cent. (1,500,000 tons) in oil-seeds. In Ceylon it would be possible in the long run to bring another 3 million acres of land under the plough, thus doubling the cultivated area. In Pakistan two irrigation projects at present in hand, at Thal and Kotri, will make an additional 4,800,000 acres available for cultivation, and a further 2,300,000 acres at present lying waterlogged in West Pakistan could be recovered by the construction of

tube-wells to lower the water-table in the area. Similarly, in nearly all the other countries of the area the application of capital would enable large tracts to be brought under cultivation. This work, much of which will be accompanied by the development of hydro-electric power, is the first step towards that growth in productivity without which many of the ills which afflict South and South-East Asia—poverty, under-feeding, disease, illiteracy—cannot be relieved. The hydro-electric power resources of the area have hardly yet been tapped. Pakistan's potential, for instance, is estimated at over 5,000,000 kilowatts; the actual installed hydro-electric capacity is now 9,600 kilowatts, and in the next six years it is to be increased by 200,000 kilowatts. What is true of hydro-electric power is true also of the mineral resources of the area; in many of the countries the extent of these resources has not yet even been ascertained.

9. The human and material resources of the area are large enough to solve its problems. But if they are not brought into effective use, the position will become worse. Even the present inadequate standards of nutrition will not be maintained, for the pressure of increasing populations will bring them still lower, and this will make it all the more difficult to create the social services which are required to combat disease and to educate the millions who are still unable to read. The growth of productive power is a gradual process which must be spread over generations. The levels now reached in the advanced countries, which are themselves insufficient to satisfy their peoples' aspirations, are the result of 150 years of economic development. It is the early stages which are the most costly and difficult. Basic services—railways, roads, ports and harbours, electricity and irrigation—require a vast capital investment and must be undertaken before production can be increased significantly. In democratic countries a certain minimum of social services must be provided concurrently with programmes for economic development if these are to command the popular support without which they would be frustrated.

10. The countries in South and South-East Asia are at very different stages of development, but none has passed the period at which heavy expenditure on basic services is required. Once the process of development gets under way its effects are cumulative and the difficulties become less. This is illustrated by the experience of these countries so far. In India the production of iron and steel increased from an almost negligible amount in 1914 to 400,000 tons in 1925, and to 800,000 tons in 1939; in the next ten years there was a further increase to 1,100,000 tons. In the same way it was possible to expand the production of cement, already doubled in the five years before the war, by another 47 per cent. between 1939 and 1949.

11. The most effective and efficient pattern of development is different for each country. There is no standard formula which can be universally applied. There are, however, no grounds in experience for the view that development implies uneconomic national self-sufficiency. In fact, the countries in South and South-East Asia with specialised economies heavily dependent upon international trade have the largest national incomes per head. In the ordinary way the growth of national income brings with it automatically an increase in trade. The United States, which has the widest and most complete natural resources of any advanced country, and which could be virtually self-sufficient if it wished, has a foreign trade per head some twenty times as great as that of India.

12. Ever since the end of the war, and indeed during the war itself, considerable thought has been given in South and South-East Asia to the need for development.

Much useful experience has been gained without which it would have been impossible to proceed with the formulation and execution of realistic programmes. The problems of the whole area have been in the forefront of discussions in the United Nations and its Specialised Agencies, and valuable expert investigations have been made, particularly by the Economic and Social Council and the Economic Commission for Asia and the Far East. Now, for the first time, it is possible, as is shown by such detailed programmes as have been submitted, to proceed with the comprehensive attack on the problem which the situation demands. The different countries have of course approached their problems differently, but there is a common strand which runs through the whole. In Chapters IV–VII there is a brief description of each of the Commonwealth countries' Development Programmes, as prepared for discussion and analysis in this report; additional statistical material will be found in the Appendices . . . .

Chapter VIII. The sum of the programmes of the Commonwealth countries

1. The programmes described in the previous four chapters demonstrate the opportunities which exist in the area for raising the standard of living of the peoples through development. They also show that the countries' resources of capital and trained men are insufficient to make full use of these opportunities. All the Commonwealth countries in the area—and indeed the non-Commonwealth countries too—face the same problem, but their needs and circumstances differ widely. For this reason the course of development charted in the programmes, and the problems which will be encountered, are necessarily different.

2. In India, the problem is one of food and raw material shortage, and the need to overcome inflation; so the programme is directed to the expansion of food and raw material production, and the scale of development which can be undertaken is governed by the need to prevent inflation. Pakistan's problem is one of low productivity and of the need to provide some diversification in an almost completely agricultural economy; so its programme provides for more industry and a general advance in power, transport and agricultural efficiency. In Ceylon, and also in Malaya, the economies are at present highly specialised in the production of export crops; it is therefore necessary, without abandoning specialisation in traditional lines of production, to concentrate on opening up new areas for food production in order to give more stability to the economies.

3. All the countries need to undertake basic economic development on a large scale—irrigation, power, communications, railways, roads, ports and harbour installations. Most of this work is normally the responsibility of Governments, and the programmes presented are those of public authorities and are to be financed almost entirely by public authorities, directly or indirectly. Private investment does not normally undertake work in the field of basic economic development. For however much this development contributes to the prosperity of the countries themselves and to the world as a whole, it is not of a character likely to appeal to the private investor. Moreover, the scale of investment required is far beyond the scope of the domestic capital market in an under-developed country.

4. This is why the programmes mainly relate to public investment. But the fact that the work of basic development is for the most part undertaken by public authorities in no way lessens the importance which is attached to private investment.

In general, public investment in these countries is confined to basic services and to industries of strategic importance, such as the production of munitions; the establishment of new basic industries also tends to require Government finance. Both in India and in Pakistan there are a number of undertakings in which Government and private enterprise work in partnership. In the case of Pakistan, the Government found itself compelled to take the initiative in this way, in order to inspire public confidence in the undertakings and to attract private capital to them. It is the intention of the Government to withdraw its participation in these enterprises as soon as private capital is able to provide all the necessary funds. In the general field of industry and commerce, however, the dominant role in all the countries is played by private enterprise.

5. As the development programmes proceed and the national incomes and savings of the countries grow, the scope for private investment will increase. It is expected, for example, that in India private investment will rise by about 60 per cent. in the course of the six-year period. In the Federation of Malaya, where the major export industries are entirely privately owned, private investment in agriculture, mining and industry will be substantially greater than the public investment in these fields. Throughout these countries, public development paves the way for private investment.

6. All the Governments welcome the inflow of foreign private capital, and whilst some regulation is necessary to ensure that the investment is not inconsistent with the wider economic interests of the countries, these regulations are in practice administered in a manner which takes fully into account the countries' need for foreign capital. In the long run, when the emphasis of the investment programmes changes from basic development to investment in industry and commerce, the need will best be satisfied by private capital. Indeed the progress of these countries in later years will depend largely upon the existence of a favourable atmosphere for private foreign investment. Whilst at present the scale of private foreign investment is small in relation to capital needs, all the countries are conducting their policies towards foreign investment in a manner which seeks to build up this favourable atmosphere.

Nature of the programmes

7. The rate of expenditure under the development programmes is as follows:—

Table 18. *Public authorities' expenditure on development programmes*

	Average annual rate			Total
	1950–51 £*m.*	1951–57 £*m.*	*Per cent. of national income*	1951–57 £*m.*
India	169	230	3	1,379
Pakistan(*a*)	32	47	2¾	280
Ceylon	10	17	10(*b*)	102
Malaya and British Borneo	6	18	4	107

(*a*) The Pakistan programme includes £43 million of private investment in 1951–57.
(*b*) Based on a probable under-estimate of Ceylon's national income.

8. In framing these programmes, the Governments have been guided by their experience of development work so far. They have included only as much as they could be reasonably confident of completing within the period, given a supply of

capital and trained men from overseas on the scale indicated. Previous plans have been ruthlessly curtailed in order to arrive at programmes which are both feasible and balanced within themselves. India, for example, has projects worked out which would cost Rs.32,000 million; but the programme is limited to Rs.18,000 million. Pakistan's programme is about 60 per cent. of what it was previously hoped could be accomplished. Post-war experience in most countries, not only in South and South-East Asia, has shown the danger of starting on an over-ambitious investment programme, and consequently of failing to carry it out.

9. The size of the programmes is limited by the shortage of both capital and trained men of all kinds. Even programmes of the size now contemplated could not be accomplished without capital and trained men from overseas. It will be noted that the programmes for Ceylon and Malaya are larger, in relation both to national income and to population, than those of India and Pakistan. This is possibly primarily because of their higher national income per head.

10. In all the countries the programmes represent a considerable acceleration in the present rate of development. With the assistance of substantial economic support from overseas and by drawing down their sterling balances, the countries have been able to do a great deal, although in some cases much of the work has been more in the nature of reconstruction than new development. Organisations are therefore in being to carry out development, and a large number of projects are already under way. A total of ninety-four identifiable projects of £1,000,000 or more, costing in all £569 million, are included in the programmes, and significant expenditure will have taken place on seventy-one of these by June 1951. These development programmes are not a leap in the dark; in great part they involve a speeding up and broadening of work which is already in progress.

11. As far as future development is concerned, the experience already gained is of particular importance. Procedures which have been evolved over the years exist in all the countries for the stringent control of public expenditure. More recently, the problem has been to establish machinery for the co-ordination of large-scale development planning. There are many difficulties in the way of building a sufficiently strong organisation of this nature, but the Governments are fully seized of its importance. Moreover they recognise that the administration of development programmes cannot follow a rigid pattern; rather it must be kept under constant review as the development work gathers momentum.

12. The distribution and the cost of the programmes is described in the following table:—

Table 19. *Analysis of development programmes*

	India	*Pakistan*	*Ceylon*	*Malaya and British Borneo*	*Total*	
	£m.	*£m.*	*£m.*	*£m.*	*£m.*	*Percentage*
Agriculture(*a*) ...	456	88	38	13	595	32
Transport and communications ...	527	57	22	21	627	34
Fuel and power ...	43	51	8	20	122	6
Industry and mining(*b*)	135	53	6	–	194	10
Social capital	218	31	28	53	330	18
	1,379	280	102	107	1,868	100

(*a*) Including multi-purpose projects. (*b*) Excluding coal.

13. In all the countries (except Singapore, where the problems are entirely different) the programmes concentrate upon agriculture, transport and communications, and electric power. These are the basic development requirements, related to the overriding need to increase production of food and agricultural raw materials. They account for over 70 per cent. of the total of the programmes. They include bringing new land into cultivation in all countries. For example, the Ceylon programme envisages an increase of some 20 per cent. in the land under food production, without interfering with the production of export crops. In India, Pakistan and Ceylon, the basic development will be achieved by big multi-purpose projects which combine irrigation, flood control and the production of hydro-electric power. In India and Pakistan much of the newly irrigated land will be cultivated by modern techniques. This work will demonstrate throughout the area the possibilities and advantages of new systems of agriculture. The productivity of the land already under cultivation is also to be increased by greater use of fertiliser, double cropping, seed-farms, improved transport and provision of electric power.

14. Industry accounts for about 10 per cent. of the expenditure envisaged in the programmes. In Pakistan the proportion is nearly 20 per cent, but Pakistan is a country with hardly any industry at all, since the parts of undivided India which subsequently formed Pakistan were the agricultural areas serving the towns; the scale of industrialisation envisaged in the next six years is the minimum necessary to introduce a better balance into the economy. In India relatively little industrialisation is contemplated; the main effort is directed to food and raw material production, and to the provision of power and transport for the countryside, so that rural industries can develop naturally and along economic lines. The general tendency of policy in all the countries is away from the concept of intensive urban development and towards a more balanced economy in the villages.

15. The rest of the programmes is devoted to the provision of social capital—housing, health and education. The need for these services is, of course, very pressing, and it is necessary for them to march in step with the development of productive power. They can moreover have a considerable effect on productivity by enhancing the mobility, physical fitness and efficiency of labour. The expenditure of capital on social services involves a running cost when the services are established, and this becomes a fixed charge on budget revenue. The Governments have therefore had to weigh the relative advantages of the development of production against the extension of social services. In so doing they have had to take into account the fact that the former directly increases the future national income and taxable capacity, whereas the latter represents a call upon future revenue. The countries have struck this balance differently in their programmes. India and Pakistan have allocated only modest funds to social capital; Ceylon and the Federation of Malaya have allocated rather more; while over half of the Singapore programme consists of expenditure on social capital. This is inevitable in a city with the special characteristics of Singapore, with its rapidly rising population.

16. The programmes consist of a large number of specified schemes, which are listed in Appendices 3 to 6. Apart from the large multi-purpose projects, a relatively small part of the total consists of big projects, and most of the remainder is made up of a series of expenditures which could perhaps be grouped together under broad headings, as in Table 19. They cannot, however, be said to represent self-contained operations which can be treated individually without regard to the programme as a

whole. Indeed, even the major projects depend to some extent for their full effect on the carrying through of these other expenditures. In fact, of the total cost of the programmes, only about one-third can be attributed to readily identifiable individual projects. This is shown by the following table:—

Table 20. *Range of identifiable projects in development programmes*

	Projects begun before June 1951		*Projects begun after June 1951*		*Total*	
	No.	*Value £m.*	*No.*	*Value £m.*	*No.*	*Value £m.*
Over £10,000,000 ...	12	223	6	116	18	339
Between £1,000,000 and £10,000,000 ...	59	165	17	65	76	230
	71	388	23	181	94	569

17. All the programmes involve the expenditure of foreign exchange. But the proportion of this expenditure varies widely from programme to programme. This is illustrated by the following table, which shows the division between expenditure on domestic goods and services and expenditure of foreign exchange on imported developmental commodities:—

Table 21. *Domestic and foreign exchange expenditure for programmes,* 1951–57

	Total £m.	*Expenditure on domestic goods and services* £m.*	*Expenditure of foreign exchange £m.*	*Percentage of foreign exchange expenditure*
India	1,379	1,142	237	17
Pakistan	280	165	115	41
Ceylon	102	63	39	38
Malaya and British Borneo	107	87	20	19

* Part of the domestic expenditure will call for external finance. See Table 27 [not printed].

As will be seen, the proportion of the foreign exchange expenditure to the total cost of development is much smaller for India and Malaya than for the other two countries. In the case of India this is because a high proportion of the materials and equipment required is available within the country, and the need for imports is therefore relatively small. This is also true to some extent of Malaya, with the additional factor that the programmes have a large local labour content.

Results of the programmes

18. When the programmes are completed, results like the following can be anticipated:—

More land under cultivation:—

13 million acres (increase of 3½ per cent.).

More foodgrains produced:—

6 million tons (increase of 10 per cent.).

More land under irrigation:—

13 million acres (increase of 17 per cent.).

More electric generating capacity:—

1.1 million kilowatts (increase of 67 per cent.).

19. In terms of the standard of living of the people, the growth of productive power is not likely to show spectacular results by 1957. But the danger at present throughout the area, and in particular in the Indian sub-continent, is that the standard of living will fall, as a result of population growth and the inadequacy of savings and capital investment. The programmes will do little more than hold the present position, but it will be apparent to everyone in South and South-East Asia that progress is being made. The strength of these programmes is that they are designed to lay sound foundations for further development: they aim to provide, in a six-year period, the indispensable preliminary basic development which will pave the way for improvement in the future.

20. The execution of the programmes is expected to strengthen the financial position of the countries, both internally and externally. The growth of productive power will increase national income and therefore the yield from taxation and the amount of savings. The Indian programme, for example, envisages that the net home-financed investment programme, both private and public, would increase from its current annual rate of Rs.2,450 million (£184 million) to an annual rate of Rs.4,360 million (£327 million) by 1957. The increased production, particularly of food, will curb the inflationary forces, and the result will be a healthier internal economy, better able to sustain its own investment programme.

21. On the external side, it is impossible to forecast balances of payments several years ahead, especially for countries whose export earnings are subject to wide fluctuations. It is clear, however, that the export potential of the various countries is likely to rise as the programmes take effect, and this will enable them to increase their total imports. At the same time the tendency will certainly be for the composition of these imports to change. In particular, the increased food production envisaged in all the programmes is likely to reduce the proportion of food imports in favour of imports of capital and consumer goods, even though there is ample room for an increase in food consumption. This somewhat lowered dependence on imported food will in turn strengthen the economies of the countries and enable them the better to meet any crises which might endanger food supplies from abroad. In the result, therefore, there is a reasonable expectation that the development will strengthen the external financial position of the countries. While this is true of all the countries, it applies with special force in the case of Pakistan.

Effect on world trade

22. The increase in incomes is likely, other things being equal, to contribute to the expansion of world trade. The opposite would be true only if the development were consciously planned to lead towards self-sufficiency. While the programmes provide for some diversification of the economies, this is not with autarky in mind. There is such a dangerous dependence on two or three export crops in Ceylon and Malaya that diversification is no more than ordinary prudence, while in Pakistan the economy is concentrated unduly upon agriculture.

23. All the countries are expanding rice production, and the total increase may be of the order of 2,500,000 tons. India expects to increase production by 7 per cent. Pakistan by 6 per cent., Ceylon by 32 per cent. and Malaya by 77 per cent. This expansion will not, however, lead to uneconomic duplication. The total population of

the area at the end of the six years is likely to be some 10 per cent. higher, and the increase in production envisaged in the programmes will to a large extent be taken up by the restoration of pre-war levels of consumption. On balance, it is estimated that the aggregate dependence of all the countries in the area on rice imports will be lessened by not more than 10 per cent., and that they will still have to import a total of 1,700,000 tons.

24. Both the Indian and the Pakistan programmes provide for an increase in cotton production; here too there is such a large potential demand for cloth in the sub-continent that the extra cotton, and the extra cloth, will be easily absorbed. The increased production of jute is likewise directed towards a sound economic purpose. Exports from the Indian sub-continent have fallen since the end of the war. The commodity has been so scarce and expensive that other countries have been stimulated to search for substitutes to an extent which may threaten the future market for the natural product. This danger will clearly be lessened if production is expanded to a level which will enable it to be sold more cheaply. It should, moreover, be noted that even these plans for expansion both in India and Pakistan will not restore production to pre-war levels. In these circumstances the attention to be paid to jute and jute goods is clearly necessary for both countries.

25. The programmes are of a constructive character in relation to world trade and the world economy. The corollary is that a healthy world economy is vital for the fulfilment of the programmes. The demand for the main exports of the area is subject to extreme fluctuations, as is illustrated by the following table:—

Table 22. London prices of South and South-East Asia export commodities

Commodity	*Basis of prices*	1920–29 *High*	1920–29 *Low*	1930–39 *High*	1930–39 *Low*	1940–49(*a*) *High*	1940–49(*a*) *Low*
Tea ...	pence/lb.	20¾(*b*)	15¾(*b*)	18½	11¼	36¼(*c*)	14¼(*c*)
Rubber ...	pence/lb.	35	9¼	9½	2¼	18	11¾
Tin ...	£ per ton	419(*b*)	139(*b*)	311	100	757	209
Copra ...	£ per ton	30	21	23	9	47(*c*)	19(*c*)
Jute ...	£ per ton	78	15	56	14	115	21

(*a*) The period 1940–49 was marked by a general upward trend in prices.
(*b*) 1922–29 only.
(*c*) Average f.o.b. contract prices; the free market price for copra was substantially higher.

The national incomes of these countries, their balance of payments and, in particular, their dollar earnings are thus at all times vulnerable even to relatively minor fluctuations in world business activity. In working out their programmes Commonwealth countries have assumed a relatively high level of world demand for their basic exports. If this assumption were not fulfilled, their ability to carry out these development programmes would be gravely impaired.

Conclusion

26. The conclusion is reached that the development programmes have been framed on a realistic basis. They are designed to provide the foundations for future progress rather than early dramatic results. They are consistent with the concept of an expanding world economy, but are very vulnerable to changes in the level of business activity throughout the world. There are two limitations upon the size of

the programmes—the shortage of trained men, and the shortage of capital, both internal and external. The latter shortage is the more serious. Even these programmes, though limited in the results which they will achieve immediately, are more than the countries can sustain from their own resources. Their economies need support to carry the programmes through. The next two chapters describe the size and nature of the support which they require . . . .

Chapter X. The need for capital

. . .

Conclusion

35. This Report has described in detail the economic problems and programmes only of the Commonwealth countries within the area. Much that it contains, however, would apply with substantial accuracy to those other countries of South and South-East Asia which are not members of the Commonwealth. They all are afflicted by deep and widespread poverty. They all suffer from an acute shortage of capital. It has not yet proved possible for these countries to discuss their economic programmes alongside those of Commonwealth countries, but it is hoped that this may be done at a later stage. When their data and programmes become available, it will almost certainly prove that they require external finance for comparable purposes and on a comparable scale.

36. At such time as these additional countries in the area become fully associated with the work of the Consultative Committee and are in a position to make their programmes available, it will be necessary to make some adjustment in the name and structure of the Committee in order to permit it to operate effectively on a wider basis. If other countries find themselves able to help in the work of economic development in South and South-East Asia, further and probably more radical alterations in the organisation will be required. It may be the wish both of countries providing external finance and of those receiving it that it should be made available on a bilateral basis. It may be, however, that there would also be need for an organisation of participating Governments which could review progress, which could draw up periodic reports, and which could serve as a forum for the discussion of development problems in South and South-East Asia. The form of such an organisation cannot be determined until it is clear what the sources of external finance will be. But it would seem preferable if the organisation could include both countries supplying capital and countries receiving it, who would all meet to consider the problem of development as a matter of common interest.

37. Stress has been laid throughout this Report on the poverty of the peoples in the area. In economic terms that is the cardinal fact which must be held in mind. In another sense, however, these countries are rich. They are rich in the dignity of peasants tilling the soil, and in the wisdom of teachers and scholars. They also possess incalculable capital in the form of the traditions of civilisations which are older than history itself—traditions which have produced treasures of art and learning and which still mould the minds and spirits of their peoples. The worst effect of poverty has been to cloud and circumscribe these human assets. They must be liberated so that they can contribute towards the self-realisation of individuals, towards the fulfilment of national aspirations, and towards the enhancement of the

lives of other peoples throughout the world. The progress of science and technology has suggested ways in which this may be done; and in an age when other countries are increasingly reaping the advantages of scientific and industrial advance, the hastening of a similar process in Asia cannot safely be delayed.

38. Commonwealth countries in the area have shown their determination to do their full share in furthering the economic development of their own countries. It is realised that this burden must be borne chiefly by the countries themselves. The careful preparation of these programmes by the Governments of the under-developed countries and the scrutiny which they have given to all the projects which they have under contemplation in order to reduce them to a consistent and practical programme, is an index of their self-disciplined resolve to move forward energetically. Without external financial assistance something will be done. But it will be done at a much slower rate than would be possible if external finance were provided.

39. And speed is necessary. In a world racked by schism and confusion it is doubtful whether free men can long afford to leave undeveloped and imprisoned in poverty the human resources of the countries of South and South-East Asia which could help so greatly, not only to restore the world's prosperity, but also to redress its confusion and enrich the lives of all men everywhere.

103 CAB 134/228, EPC 5(51)3 9 Mar 1951

'Production of raw materials in the colonial empire': Cabinet Economic Policy Committee minutes

The Committee considered a memorandum by the Secretary of State for the Colonies (E.P.C.(51)18) describing the production of raw materials in the Colonies and discussing the possibility of its further development.

The Minister of State for Colonial Affairs said that the general conclusions to be drawn from the paper were that there was not a great prospect of a large-scale immediate increase in production, but that a good deal could be done in the course of the next few years if firm arrangements were made and the needs of the Colonial territories were met. As the paper pointed out, the level of production could be raised only if capital goods were made available for Colonial industries and transport systems and if Colonial requirements of consumer goods were met as fully as possible. In the near future increased quantities of raw cotton might be obtainable from Nigeria, and possibly also from Uganda. Discussions about using iron pyrites from Cyprus for the production of sulphuric acid were now going on between his Department and the Board of Trade, and a further examination was being made of the possibility of using the sulphur deposits in the New Hebrides. More copper could be obtained from Northern Rhodesia if the Southern Rhodesian authorities would co-operate by making coal available from the Wankie mine, and the Secretary of State for Commonwealth Relations was examining this question.

In discussion the following points were made:–

(a) Repeated attempts had been made to obtain the help of the Government of Southern Rhodesia in making Wankie coal available for the Northern Rhodesian copper mines. It was not entirely clear whether coal or transport was now the bottleneck, but political considerations in Southern Rhodesia continued to hinder

effective co-operation. When the Secretary of State for Commonwealth Relations had obtained a report on the present situation further action should if possible be taken, since our need for copper was urgent and the Northern Rhodesian mines provided a valuable supplementary source within the Commonwealth.

(b) The implication in the paper that shortages of raw materials might in general be temporary was incorrect. Even if no stockpiling had been taking place, the demand for non-ferrous metals would have exceeded the supply, and in the long term it would be necessary to arrive at a policy for limiting consumption as well as increasing production.

(c) The Colonies would undoubtedly need increased supplies of capital goods and consumer goods, and Colonial authorities should be urged to place orders for the former without delay. They might also be encouraged to buy consumer goods in Europe.

(d) Orders from the Colonies for steel bars from the United Kingdom should be confined to essential needs, since steel bars were becoming a bottleneck in the United Kingdom building programme.

(e) The statement, in section (v) of Appendix A, that the present world output of tin exceeded consumption by about 30 per cent was incorrect: 10 per cent was the correct figure. Although recent attempts to revive the tinmining industry in Cornwall had been unsuccessful this might be due in part to deliberate obstruction by financial interests which controlled both Straits and Cornish mines, and it should not be taken for granted that Cornish mining would be uneconomical.

The Committee:—

Took note of E.P.C.(51)18 and of the points made in discussion.

104 DO 35/2380, no 1 19 Dec 1947

[Development of Africa]: memorandum by Field-Marshal Lord Montgomery, 'Tour in Africa, Nov-Dec 1947' [Extract]

[Field-Marshal Lord Montgomery, chief of the imperial general staff, decided to make a tour of Africa at the end of 1947. ('It is terribly important to check up on Africa': FO 800/435, letter to Mr Bevin, 10 Sept). He visited French Morocco, Gambia, Gold Coast, Nigeria, Belgian Congo, Union of South Africa, Southern Rhodesia, Kenya, Ethiopia, Sudan and Egypt. Afterwards he wrote a 76-page report, most of which was concerned with military analysis, region by region. There was, however, a provocative general introduction, reproduced here. Senior ministers took this report seriously. Attlee was 'much interested', and Bevin called for its 'serious and urgent study' (PREM 8/923, Mr Attlee to F-M Montgomery, 21 Dec 1947; Bevin to Attlee, minute, 22 Dec). Creech Jones produced a comprehensive reply (see 106). The CRO generally agreed with the conclusions of the secretary of state for the colonies, believing that Lord Montgomery (especially in relation to the High Commission Territories) had ignored the political realities; Gordon Walker minuted, 'Mr Creech Jones's paper seems very sensible' (8 Jan 1948). On 9 Jan 1948 the report was considered by a special committee of Cabinet ministers (107), chaired by Attlee and attended by Morrison, Sir Stafford Cripps, Lord Addison, Bevin, Alexander and Creech Jones.]

. . . 3. It is impossible to tour Africa without being impressed with the following points:

(a) the immense possibilities that exist in British Africa for development.

(b) the use to which such development could be put to enable Great Britain to maintain her standard of living, and to survive.
(c) the lack of any "grand design" for the development of British Africa and consequently the lack of a master plan in any Colony. There are too many authorities involved; the thing is patchy and disjointed; there are too many Conferences and Committees and not enough policy laid down by a central authority; there is in fact no "grand design" and no master plan.
(d) because of the lack of a grand design, and master plans, no real progress in development is being made.

4. These lands contain everything we need.

Minerals, *Raw Materials*, *Labour* — These exist in almost unlimited quantities.
Food: can be grown to any extent desired.
Power: can be developed economically, since coal is unlimited and can be obtained very cheaply.
Communications: given raw materials, power, labour, and food, it is then essential to have good communications. These require to be developed so as to be suitable for economic and strategical requirements.

5. The market is in the Commonwealth and Empire. And the market exists especially in the United Kingdom: which is a small country, with a large population, with no raw materials, and with no natural resources except coal.

6. The two primary essentials would seem to be:

(a) to develop the resources with the necessary capital, capital goods, brains, and manpower, as rapidly as possible.
(b) to effect such a grouping of British (or Commonwealth) Africa as will break down the many existing barriers. Economic necessity and sound common sense should be the yardstick; these factors should take priority over all political viewpoints.

7. It must be remembered that Africa is a sphere of influence of the Western Powers; no potentially hostile foreign power has a footing in that continent. If ever there should be a "show down" between the East and the West, then Africa goes with the West. Its development is therefore an urgent matter.

8. The following points will be essential to success in the development of British and Commonwealth Africa.

The grand design

There must be a grand design for African development as a whole, with a master plan for each Colony or nation. In this, there must be vision; we must think big, and go for big worth-while projects. The "great opportunity" is there; the "grand design" is lacking.

Long term planning

This is very necessary: based on the grand design and the master plans. It will be useless to adopt a short sighted policy of expanding and developing only where an immediate dividend is likely. We must think big and have vision.

Isolation
This is a very dangerous plaything in the days in which we now live. No nation, no Colony, can stand alone. For full and proper development we need co-operation and mutual support, so as to avoid waste of effort and get the maximum benefit.

Unity
This is vital: if we are to get on with the matter quickly and save Britain from her present troubles. There is no place today for party politics, parochialism, local mindedness, or any policy of laissez faire.

Grouping (see para 6(b)*)*
The present system of more or less water-tight compartments is highly wasteful, is illogical, and can do no good to mankind in general or to Britain in particular. A proper grouping of British (or Commonwealth) Africa should take place as rapidly as possible. This would have to be fairly gradual so that the peoples can be educated to what is required.

The first stage should be a gradual development of a Federal System in the Central African Group, the East African Group, and the West African Group.

The organisation of the "High Commission", with a Central Assembly, which is to come into force in the East African Group on 1 Jan 1948 is a step in the right direction.

A suitable grouping would be:

Central African Federation:	S. Rhodesia
	N. Rhodesia
	Nyasaland
	Bechuanaland (or part of it)
East African Federation:	Kenya
	Uganda
	Tanganyika
	Mauritius
	Seychelles
	Zanzibar
	Somalia (see para 9)
West African Federation:	Nigeria
	Gold Coast
	Sierra Leone
	Gambia.

We should have no nonsense with UNO about Tanganyika; it should be absorbed into the British bosom. The High Commission Territories are an amazing "set up" and should be abolished. Bechuanaland should be divided between the Union and the Central African Federation. Swaziland and Basutoland should be incorporated in the Union.

The second stage might well be a link-up between the Union and the British Central African Federation. Here again the aim should be a form of Federation, starting slowly, e.g. Defence, Communications, Currency, etc.

The third stage should be a much closer co-operation between the British territories and those owned by the other Western powers.

And generally we should welcome U.S.A. assistance, capital, and capital goods.

9. *Somalia*

(a) This territory can be taken to include the following:

British Somaliland
The Ogaden
Ex-Italian Somaliland.

The territory is a financial liability to any nation that takes it on. It is quite impossible to develop the territory so as to make it a paying proposition. The Somali people are virile and nomadic, and are well armed.

(b) British Somaliland is required by Britain; it can provide air bases and, together with the Aden Protectorate, commands the sea approaches to the Red Sea.

(c) The Ogaden cannot go back to the Ethiopians, who have never done anything for it since they seized it towards the end of the 19th Century. The inhabitants are fanatical Moslems; they hate the Ethiopians who are mostly Christians; they are well armed and would fight if their country was returned to Ethiopia.

(d) Ex-Italian Somaliland cannot go back to the Italians, who are potentially hostile to Ethiopia.

(e) The whole British future in eastern Africa depends on stable conditions in Ethiopia and in the Somali lands in the Horn of Africa. The future of Ethiopia is uncertain; the future of Somalia *must not be uncertain*.[1]

(f) I consider that Somalia, constituted as in (a) above, should be taken on by Britain. It should be placed under one Governor and the territory included in the East African Federation. This will enable the finances of the Federation as a whole to be used to support Somalia, without the territory becoming too great a burden on the British taxpayer. As it is quite impossible to develop the country, no attempt should be made to do so on any luxurious scale; we should administer the territory on some form of loose political control through tribal authorities, except in a few urban or otherwise special areas. The normal form of Colonial Administration leads nowhere in such territories, and economic development as commonly understood is not possible.

10. *Difficulties*

These will be immense; so they were when we went to Normandy in 1944. Many people will say that what I advocate above is not possible *yet*; I could have written a paper proving the theoretical impossibility of a landing in Normandy in 1944. There will be many people in the U.K. who will oppose such a plan on the grounds that the African will suffer in the process; there is no reason whatever why he should suffer; and in any case he is a complete savage and is quite incapable of developing the country himself.

The analogy of India would seem to apply; we developed India because the Indians were quite incapable of doing so; we benefitted ourselves greatly thereby; we finally

[1] Emphasis throughout in original.

handed it over to the Indians themselves. The difficulties must be faced; they must be overcome with courage, and before it is too late. In the development of Africa we must adventure courageously, as did Cecil Rhodes. We must face up to the problems now; they will be far more difficult if left for our children. The plain truth is that these lands must be developed in order that Britain may survive.

11. *Brains and "go-getters" needed*

(a) We shall make no substantial progress in the development of Africa unless we import brains and "go-getters".
(b) As regards brains. There is a marked lack of men of real ability in our African colonies; we require men of vision, who will think big, will take risks, and who are good judges of men.
(c) As regards "go-getters". Life flows at a very even tempo; conditions are easy, with no restrictions on food or other necessities of life; income tax is very small. There are masses of servants and no one does anything for him or her self; this is bad for character and is particularly harmful to young people and children. Such conditions, combined with a hot climate, do not make for energetic action. There are too many people in responsible positions who have been living in such conditions for too long; they have become small-minded, they have little "drive", and they take easily to the line of least resistance. What is needed is some fresh blood in each Colony; we need men who will not be put off by difficulties; but who have the drive and determination to get things done: *whatever may be the difficulties*. We need in fact a really good importation of "go-getters" into Africa. If we do not import them, we will fail: with all the resultant and ghastly repercussions.

12. *The danger in Africa*

The population of Africa is probably some 150 million. Of this total only some 3 million are white (Europeans); of this 3 million, 2½ million are in the Union of South Africa. There is an increasing social and political consciousness developing in the African peoples; this is a very great potential danger and must be watched; a well organised Communist movement amongst the Africans could make our position very unpleasant. For this reason we cannot afford to be weak, or to have isolated areas; we must link up our territories into strong combinations, which will have economic, financial, and political strength, and will thus contain contented populations; this is the best way to keep out Communism. Already Communist agents are active in all parts of Africa and they are exploiting to the full the lack of any uniform native policy throughout the British territories. Every Colony, as well as the Union of South Africa, has different native laws. This situation is a menace; the sooner it is righted the better. A good first step would seem to be a meeting of all the Native Commissioners. The real and final answer is Federation into strong groups, as advocated in para 8.

13. *Conclusion re development in Africa*

(a) We have no time to lose.
(b) The first *and immediate* requirement is a Grand Design for British Africa as a whole; this can only be drawn up in London. Next must come a Master Plan, or

blue print, for each Federation (or Group of Colonies).
(c) Immense "drive" will be required to formulate the Grand Design, and in fact to get a move on at all. Many people will say it can't be done; such people should be eliminated ruthlessly. Belly-aching will assume colossal proportions; it must be stamped on.
(d) "Go-getters" will be required in Africa in large numbers. We will do no good so long as we keep Government servants for 20 to 25 years in the same place in a hot climate, and then make them Governors of Colonies in the same part of the world. A man is burnt-out by the time he becomes a Governor; he requires a good "re-bushing" after say 10 years and should then be sent somewhere else and to a better climate.
(e) British and other European settlers in African colonies live their lives under very easy conditions and dislike anything which upsets the even tempo of their existence: such as schemes for progress and development. Many of them require a good jolt which will make them face-up to their Empire responsibilities in these respects. . . .

105 FO 800/435, ff 90–96 1 Jan 1948

[Development of Africa]: minute from Sir O Sargent (FO) to Mr Bevin, commenting on Field-Marshal Montgomery's memorandum

With reference to the attached paper by the C.I.G.S. on his African tour, the following points seem to call for comment by the Foreign Office.

Tanganyika
. . . Field Marshal Montgomery deals with the desirability of forming an East African Federation, to include Tanganyika, and adds that "we should have no nonsense with UNO about Tanganyika; it should be absorbed into the British bosom". Tanganyika is of course now under U.K. trusteeship. If the Field Marshal implies that the trusteeship should be abolished and that Tanganyika (which was formerly under mandate) should be relegated to the status of a colony, the short answer is:

(a) that the trusteeship could only be surrendered to, and by agreement with, the General Assembly which authorised it;
(b) that the Assembly would never authorise so retrograde a step as the relegation of Tanganyika to pure colonial status;
(c) that, therefore, if we were not trustees, someone else would be appointed in our place—which would *not* suit our book. Therefore the idea is an impossible one.

The question of a federation to include Tanganyika may not be legally impossible, though the technical difficulties would no doubt be formidable to say the least. As an illustration, Article 76(d) of the Charter prescribes as one of the basic objectives of the trusteeship system the obligation to ensure equal treatment in social, economic and commercial matters for all members of the United Nations and their nationals. Thus, if it were desired to introduce some uniform economic system within a federation which included Tanganyika, it would have to be governed by the obligations imposed on us as trustee for Tanganyika, and exclusive commercial and

economic advantages enjoyed by the U.K. in e.g. Kenya, could not be extended to Tanganyika.

The Colonial Office may be expected to make these points even more forcibly and at greater length. Moreover, the Field Marshal perhaps forgets that the Trusteeship Council has the right to send missions of investigation periodically to trust territories and, subject to confirmation, it is believed that the East African trusteeship territories, including Tanganyika, are billed for a visit during the coming year.

It is all the more necessary to avoid any action or policy which might be construed as a flouting of the authority of the U.N. in regard to Tanganyika, so long as we need a two-thirds majority of the General Assembly for obtaining trusteeship of Cyrenaica or Libya as a whole. Even without such complications, there is little hope of getting more than the bare majority required.

Cooperation with other Western powers

Field Marshal Montgomery gives this as the third stage. In fact we are getting on with it now. As a result of the Secretary of State's conversations with M. Ramadier[1] and M. Bidault[2] the first meeting is to be held at the end of January of a special Anglo-French Colonial Committee, which will deal in the first instance with West African questions. It has been agreed that, besides the business of organizing its work and discussing how Belgium and Portugal can be brought in, the Committee shall tackle the problems of (a) communications (b) development plans (c) price policy and (d) intercolonial trade. The Foreign Office will be represented on the Committee.

In view of the shortage of facilities in Western Europe for providing capital equipment, one of the subjects which is certain to come up will be the possibility of enlisting American help for development plans, possibly for the International Bank in connexion with the Marshall Plan.

Ethiopia, the Ogaden, and the ex-Italian colonies of East Africa

The gist of the C.I.G.S's recommendations regarding these territories is as follows:–

An all-British, united Somalia must be created, incorporating Italian Somaliland and the Ogaden with British Somaliland in the proposed East African Federation. *N.B.* The reference to "the Ogaden" is presumably intended to embrace also the adjacent Reserved Area, since elsewhere the Field Marshal urges that Ethiopia should be given nothing which she does not at present control save possibly a corridor to the sea at Zeila.

The C.I.G.S. advocates this, roughly speaking, on the grounds that Ethiopia is a hopelessly corrupt feudal State; that the Somalis of the Ogaden and the Reserved Area hate the Ethiopians and would fight rather than be handed back to them; that Italian Somaliland cannot be handed back to Italy because Italy is potentially hostile to Ethiopia; and that as Ethiopia's future, through her own backwardness and corruption, is uncertain, that of the "Horn of Africa" must not be uncertain.

The C.I.G.S. further prescribes that a new Anglo-Ethiopian treaty on the above basis should be concluded without further delay. To make such a treaty acceptable to the Ethiopians, we should promise them (while cutting down the British Military

[1] P. Ramadier, French premier Jan-Nov 1947.

[2] G Bidault, French foreign minister for most of the period 1946–1950; premier 1946 and 1949–1950.

Mission immediately to a total of about 60 all ranks) the fullest measure of help in "getting a good show going in Ethiopia", and undertake to come to their assistance in the event of their being attacked.

As regards Eritrea, to which the Ethiopians have a strong claim, the Field Marshal implies that they must not get it. He does not say who should get it. His argument (see above) that Italian Somaliland should not go back to Italy because Italy is potentially hostile to Ethiopia, implies that Eritrea should not go back to Italy either.

2. These recommendations are not realisable. The Ogaden and the Reserved Area belong to Ethiopia. We are still in military occupation of them, our excuse for this being that we need the lines of communication which pass through them between British Somaliland and Italian Somaliland. Once the fate of Italian Somaliland is decided, that excuse will cease to have any validity, whoever gets trusteeship. The Ethiopians attach very great importance to regaining control over these two territories of theirs, and the inducements suggested by the Field Marshal above are quite inadequate to enable us to negotiate a treaty with them which would provide for the cession of the two territories to us. The most that we can hope for is agreement on an exchange arrangement which we have been attempting to negotiate with them for some time past, under which they would get a corridor to the sea at Zeila and we would get a *part* of the Ogaden and the Reserved Area. The Ethiopians have not so far shown much enthusiasm about this proposal.[3]

3. It is true that the Somali inhabitants of the Ogaden and the Reserved Area do not wish to go back to Ethiopian control and may try to fight to prevent it. But as they are Ethiopian nationals we are not entitled to take their wishes into account to the extent of denying the Ethiopians' claim to get their two provinces back.

4. As regards Italian Somaliland, the most that we could do would be to ask for a trusteeship. It will be remembered that we proposed this at an earlier stage, when the idea of a united Somalia was mooted, and that we had to drop the idea. Even if we obtained trusteeship of Italian Somaliland, the period of our tenure would probably not be allowed to extend beyond ten years, whereas the Field Marshal is evidently thinking in longer strategic terms. Moreover, we feel that to ask for it would be liable to prejudice our chances of obtaining the trusteeship of Cyrenaica (or Libya as a whole), which from the strategic point of view is far more important to us. Finally we have always felt that, if we are to get a trusteeship of the ex-Italian colonies of North Africa, and if Italy, owing to the merits of the Ethiopian claim, is not to get Eritrea, the return to her on a trusteeship basis of Italian Somaliland, represents the smallest sop likely to prevent a revulsion of feeling in Italy against the Western Powers and a consequent danger of her turning more towards the East. Though the inhabitants of Italian Somaliland would prefer us to the Italians, the latter made a good job of this colony before the war.

Sudan

It will be seen that the Field Marshal is against any expansion of the Sudan Defence Force, and says that this idea should be dropped. He does not say why he comes to this conclusion. The idea was first put forward by the Foreign Office, with an eye not to the defence needs of the Sudan, but to the need for creating reserves of manpower for the defence of the Middle East and East Africa as a whole. At present we are awaiting Sir R. Howe's[4] comments on the proposal.

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[3] See part 3 of this volume, p 282 (map).

[4] Gov-gen of the Sudan, 1947–1955.

Egypt
The C.I.G.S. has already re-assured you as regards the references in his paper to the location of the Combined Headquarters in Egypt and the need for peacetime as well as wartime facilities in that country.

106 DO 35/2380, no 3 6 Jan 1948

[Development of Africa]: memorandum by Mr Creech Jones, commenting on Field-Marshal Montgomery's memorandum

I have read the Chief of the Imperial General Staff's memorandum on his tour in Africa with the greatest interest. I have little to say at this stage on its military section, but I feel bound to comment at some length on the introduction which deals with political and economic problems. I will take this first and conclude with a brief comment on the military side.

2. The following is a summary of the views which I shall express:–

I. *The development of Africa*
While I agree with the Chief of the Imperial General Staff as to the importance of a quick and vigorous development of Africa as part of the Western world, I have the following comments on what he says:–

(a) The imposition on the African Territories of a grand design or master plan by central control and direction from London would not be practical politics and would conflict with our declared policy of devolution in the process of building up self-government, which is based on the experience of the history of the British Commonwealth. Such a course would not secure the co-operation of the local people, without which effective development cannot take place. (Paragraphs 3 to 5).

(b) We have a clear and well-understood general policy for political and economic development in Africa; in addition, all the African Territories have comprehensive ten-year development programmes, and there are regional plans as well. These will be supplemented by the plans to be made under the Overseas Development Bill. The present problem is one of execution, not planning. (Paragraphs 6 and 7).

(c) In my view, the Chief of the Imperial General Staff over-estimates the material resources of Africa. To secure development on the scale which he envisages we must be prepared to invest very large sums of money and to provide capital and consumer goods on a much larger scale than at present. (Paragraph 8).

(d) The reason why progress has been retarded in the past is not lack of brains or vigour on the part of the Colonial Service, which on the whole is a first-rate body of men, but lack of appreciation by past Governments in this country of the needs of African development and lack of money through the old policy of making Colonies pay their way. This is now being rectified by many new acts of policy including the operation of the Colonial Development and Welfare Acts and the Overseas Development Bill. (Paragraphs 9 and 10).

(e) The present bottle-neck is lack of capital goods, and particularly steel, and shortage of consumer goods and technical staff. Our pronouncements about Colonial development can only be made a reality in so far as we give the Colonies a

much greater priority than hitherto in the supply of these necessities. (Paragraph 12).

II. *Political questions*

(a) The right means of countering possible anti-British movements in Africa is by developing our existing friendly relations with the African peoples through the existing policy of building up responsible native institutions (Paragraphs 13 and 14).

(b) While I entirely agree with the Chief of the Imperial General Staff as to the importance of regional co-ordination—and this represents existing policy—I am not in favour of the political federation of Mauritius and Seychelles with East Africa, nor of political federation, as opposed to co-ordination, either in Central or West Africa. (Paragraphs 15 and 16).

(c) There can be no question of going back on the Trusteeship Agreement for *Tanganyika*. (Paragraph 17).

(d) I should be opposed to any form of political link-up between the African Colonial Territories and the *Union of South Africa*. (Paragraph 18).

(e) I have always been in favour of a *United Somalia* under British trusteeship, but I understand the present Foreign Office view to be that this policy cannot be put across internationally. It would be difficult to justify the Chief of the Imperial General Staff's proposal that any part of the cost of administering a United Somalia should be imposed on the East African territories. (Paragraph 19).

III. *Military questions*

(a) I warmly welcome, and have always favoured, the Chief of the Imperial General Staff's proposal that the African forces should come under the control of the War Office, but I do not agree that their whole cost can be borne by the African Governments. (Paragraph 20).

(b) The early execution of a plan to link East Africa and the Rhodesias by rail would require a decision on strategic as well as economic grounds. (Paragraph 21).

I. *The development of Africa*

3. *Need for vigorous development*. I wholeheartedly agree with the Chief of the Imperial General Staff in his main contention regarding the importance of a quick and vigorous development of our African Territories. This is essential not only to this country but to Western Europe as a whole; it is necessary not only on strategic, but also on economic and political grounds. The effective economic development of the African Territories is needed both to secure their smooth progress in the social and political fields, and also to help in the supply to this country and the rest of the world of food and raw materials. Our departure from India and the reduction in our overseas investments generally still further increase the economic importance of the African Territories. Politically, our long term aim must be to secure that when the African Territories attain self-government they do so as part of the Western world. Meanwhile we can strengthen the position of Western Europe internationally by building up the economy of Africa and linking Africa more closely with this country and the other countries of Western Europe. At the same time our policy of co-operation with the other Western European countries will be materially assisted

by friendly and fruitful collaboration in Africa. For these reasons I fully accept the Chief of the Imperial General Staff's main theme. I am in favour of actively pursuing the collaboration with the other colonial powers in Africa which we have already started successfully. I agree, that with suitable safeguards, we should welcome American assistance in capital and capital goods.

4. At the same time, I do not agree with the Chief of the Imperial General Staff's diagnosis of the reasons why development has not been more rapid hitherto. I think that he is over-optimistic about the material resources of the African Territories and that he under-estimates the limitations on direction from London.

5. *Importance of devolution*. In support of his plan for a grand design and master plan the Chief of the Imperial General Staff uses a military operation as an illustration. But we are not here concerned with a military operation; we are concerned with the developing relations between peoples over a period of years. The conception of a master plan or blueprint involves central direction from London by means of the issue of orders through a chain of responsibility, as in a military command. But that is not the situation with which we have to deal. We have to deal with countries having legislatures of their own with considerable powers and responsibilities. Whether these countries are treated singly or in groups these powers and responsibilities will progressively increase. In our policies we must be able to carry the local people with us, whether they are Africans or Europeans. The whole experience of the British Commonwealth shows that the best results are obtained not by direction from the centre but by the devolution of responsibility to the component parts. The Dominions were built up in this way. The same procedure was followed in India, which the Chief of the Imperial General Staff mentions. More recently this has been done in Ceylon. In Africa itself the Sudan is a good example of successful devolution. We have always followed a policy of devolution in our Colonial Territories, and at the recent conference of African Governors in London it was generally felt that there should be greater devolution in our relations with the African Governments. Any attempt to secure our objectives by dictation from the centre would not only be contrary to all our pronouncements regarding political devolution and to all the experience of our history; above all it would not work. We should not secure the co-operation of the local people, without which no effective development can take place.

6. *Policy already laid down*. When I say that we must avoid central dictation I do not, of course, mean that we should not have a general policy. The function of the Secretary of State in formulating general policy is well recognised and accepted in Colonial Territories. We have a clear policy for Africa in political development, the important field of local government, education and social services, and economic development. In order to ensure that this policy was fitted to present requirements I held a conference of all the African Governors and Governors Designate in London during November. Broad agreement was reached and the whole field of political, economic and social development was covered.

7. *Development plans of African territories*. The Chief of the Imperial General Staff's memorandum implies that there are no plans for development in each of the African Territories. That is quite incorrect. My predecessor, Lord Hall, asked all Colonial Governments about two years ago to draw up comprehensive ten-year development plans. All the African Governments have done this and with one exception all the plans have been approved both by the local legislatures and in

London. Between them they provide for expenditure on new capital works and the expansion of social and economic services amounting to some £170 million over a ten-year period. Of this some £60 million is to come from the Colonial Development and Welfare Vote and the remaining £110 million from local resources and loans to be raised by the African Governments. This is over and above the expenditure on existing services. The plans include some £30 million for the improvement of communications, to which the Chief of the Imperial General Staff rightly attaches so much importance. In addition all the Colonial Governments have now been asked to suggest schemes of constructive economic development which may be undertaken by the Colonial Development Corporation. The amounts of money involved in these plans may seem relatively small when compared with expenditure in this country; they are large when compared with anything done in the past in our African Territories. The ten-year development programmes provide all Governments with a large field of activity over the next few years which will fully occupy their staffs. The problem, in other words, is now not so much one of planning (except in the field to be covered by the Colonial Development Corporation); it is rather one of carrying the plans into execution. That is the real task before us now and I will deal with it below. But first I should like to say something about the material resources of Africa and the quality of our Colonial Service, on both of which I do not agree with the Chief of the Imperial General Staff.

8. *Material resources of Africa*. The Chief of the Imperial General Staff says in paragraph 4 of his memorandum that minerals, raw materials, and labour exist in almost unlimited quantities; that food can be grown to any extent desired; and that coal is unlimited and can be obtained very cheaply. I think that these statements are greatly exaggerated. Undoubtedly there are large untapped mineral resources, much coal and many people not pulling their weight economically. But Africa is not an undiscovered Eldorado. It is a poor continent which can only be developed at great expense of money and effort. At present vast areas of Africa are barely self-supporting in food. They can be made to produce more food only as a result of heavy capital expenditure on water supplies, bush clearance and fertilisers, etc. and by the use of very considerable supervisory manpower. To develop minerals, including coal, we require large railway construction, for which big supplies of steel and other capital goods will be needed. In most of the East African Territories there is at present an acute shortage of African labour. In some areas it is a real shortage; in others Africans are available, but are unable or unwilling to work because of bad health or lack of inducement through shortage of consumer goods. To develop Africa on the scale which the Chief of the Imperial General Staff envisages we must be prepared to invest very large sums of money; we must supply capital goods, and above all steel; we require much larger supplies of consumer goods; and we need to expand all our government services, which in itself involves the increased provision of supervisory personnel from this country and increased supplies of capital goods for building, etc. I mention these matters not for the purpose of enlarging on the difficulties, but to show that the policy cannot be carried into effect merely by the drawing up of plans. What is required is the supply of material and personnel. I shall revert to this point later.

9. *The Colonial Service*. In paragraph 11 of his memorandum the Chief of the Imperial General Staff says that we are suffering in Africa from lack of brains and lack of vigour. While I am not unaware of certain defects in the Service (defects which

have been receiving my attention), I emphatically disagree with this assessment of Colonial Service. The men whom the Director of Recruitment at the Colonial Office has sent to Africa both for administrative and technical work during the last twenty years have been men of very high quality. We are constantly aiming at improving the standard and tributes to our success in that respect have reached me from many quarters. There can be no question that the Chief of the Imperial General Staff in his remarks does less than justice to the splendid work which has been carried out by the Colonial Service in Africa and to their achievements. If we can provide the Service with the means of carrying the development programmes into effect we can be sure that we shall get first-rate work out of these men. At the same time we are giving special attention to the organisation of Colonial Governments; past defects in this respect have been or are in the process of being put right. The Chief of the Imperial General Staff is wrong in suggesting that our normal practice is to promote Governors and other senior officials only from their own regions. In fact we move people widely throughout the Colonial Empire in our senior promotions, although we have to weigh the advantages of this against the need for developing local loyalties. Of the nine present Governors of African Territories, six have spent either the whole or the majority of their previous service outside Africa. Two have spent most of their working lives in Africa, but on the other side of the Continent to their present posts. Only one, the Governor of Kenya, has served most of his time in his present region; and he is hardly a good example of lack of drive and intellectual ability.

10. *Past lack of money.* The reason why progress was retarded in the past was not lack of vigour in the Service but lack of appreciation by past Governments in this country of the needs of Colonial development and consequently lack of money. The policy of successive Governments here was to make Colonies pay their way and the retrenchment which took place as a result of the 1931 economic crisis had a disastrous and lasting effect on all plans for development. The responsibility lies on past Governments, which took a short-sighted view and were not prepared to recognise that without a very large investment of money the African Territories could not be developed adequately. Matters have been rectified by the Colonial Development and Welfare Acts and the Overseas Resources Development Bill. The sums provided under this legislation, large as they are, are yet not big enough to produce the development we all want and they will have to be supplemented by private investment under conditions of proper public control.

11. *The need for capital and consumer goods and technical staff.* At present, however, and I cannot emphasise this point too strongly, the bottle-neck is not so much lack of money as shortages of capital goods, consumer goods and technical staff, the need for which I have already mentioned. The Chief of the Imperial General Staff has given prominence in his memorandum to the requirements of new railway construction and to the unsatisfactory condition of existing railways in the African Territories. I entirely agree with him; communications, including railways, roads and ports, are the principal bottle-neck holding up increased production in Africa. The African railways did a first-class job during the war and as a result are now worn out. They are urgently in need of locomotives, rolling stock, rails, etc. There are acute difficulties in the supply of steel for these requirements and, largely as a result, there are serious hold-ups of groundnuts in Nigeria and copper in Northern Rhodesia, while on the Kenya, Tanganyika and Gold Coast railways the services are

not sufficient for the traffic offering. In these circumstances the construction of new railways is obviously even more difficult. At the same time schemes of hydro-electric development and many other economic projects of first-class importance are held up owing to shortage of steel. The whole development programme of Nigeria is being delayed because 1,000 tons of steel cannot be secured for building purposes. The acute shortage of consumer goods, and particularly of textiles, is making it impossible to get the best out of African labour. The difficulty of obtaining technical staff from this country, and particularly engineers and doctors, is also a very severe handicap to all the African Governments.

12. If we are to give effect to the policy of quick and vigorous development which the Chief of the Imperial General Staff demands, if we are to fulfil our frequent pronouncements on the subject, and if we are to retain the confidence of the African people, who are expecting rapid development to take place, we must give the needs of Colonial Territories in the three fields I have mentioned, and particularly in the supply of capital goods, a much greater priority than we have done hitherto. The Chancellor of the Exchequer told the African Governors at the recent conference that the rapid development of Africa was vital to the survival of this country[1]. If we are going to translate that statement into action, what we need is not only a vigorous service which we are creating and vigorous planning, which we have, but also the provision of the supplies and skilled staff without which plans cannot become realities.

II. *Political questions*

13. *Importance of friendly relations with the African peoples*. In paragraph 12 of his memorandum the Chief of the Imperial General Staff refers to the dangers of nationalist movements among Africans fomented by Communism. Communism has so far made only limited progress in our territories, but there are incipient nationalist movements in Nigeria and Kenya. These may well be a danger to the development of the territories concerned and I agree entirely that our policy with regard to them must be firm and resolute. But the real answer to these movements does not lie in uniformity of policy, or in federation, or in any other imposed measure. It lies in the maintenance and development of our existing friendly relations with the African peoples. This can be achieved by building up responsible native institutions and by giving them a real part in the constructive work of government. That is the policy which we are pursuing and its success has been conspicuous in the Gold Coast under the administration of Sir Alan Burns.[2] The African members of the Legislative Council there have shown ability and a real sense of responsibility and the settlement of the recent railway and mining strike in the Gold Coast was largely due to their efforts. This policy is, of course, incompatible with one of dictation from the centre; its successful application in the Gold Coast and elsewhere shows the importance of not ignoring political considerations.

14. I do not agree with the Chief of the Imperial General Staff that Communist agents are exploiting the lack of any uniform native policy throughout our territories; in my view they would find it far easier to exploit a uniform policy imposed everywhere without regard for local conditions. In fact, however, subject to the inevitable local variations, there is a broadly uniform policy of native administra-

[1] See part 1 of this volume, 66.

[2] Gov, 1941–1948.

tion, as was strikingly illustrated at the conference of Administrative Officers from all our African Territories held at Cambridge during the summer. We cannot, of course, have anything like a uniform policy in native administration with the Union of South Africa. They aim at maintaining white supremacy; we at building up self-government for the Africans.

15. *Regional co-ordination*. On page 5 of his memorandum the Chief of the Imperial General Staff proposes certain political groupings or federations of the African Territories. What he says generally about the necessity for regional grouping of course represents existing policy. We have set up the Eastern African High Commission and the Central and West African Council[s] to encourage the closest co-ordination of policy and action on matters of common interest within the three regional groups. In East Africa, owing to the close geographical ties of the Territories, and their political and administrative co-operation in the past, we have been able to establish an inter-territorial body with executive powers; in Central and West Africa the Councils are, and in my view can be, merely consultative. All three bodies deal particularly with economic development, communications, research and defence, and I believe that they provide the machinery for regional co-ordination in defence which I entirely agree to be necessary. I warmly welcome the decision of the Southern Rhodesia Government referred to in paragraph 127 of the memorandum to bring their forces under the umbrella of the East Africa Command. I told Sir Godfrey Huggins[3] a year ago that I favoured this and I know that all the Colonial Governments concerned will willingly work in with Southern Rhodesia on defence matters.

16. *The three regions, East, Central and West Africa*. In his proposals for closer and wider political federations I am afraid that I do not share the Chief of the Imperial General Staff's views. I will deal with the three regions one by one:–

(a) *East Africa*. While I agree that in defence, research and certain other matters closer co-ordination between Mauritius and the Seychelles and the East African Territories is desirable, I do not believe that anything would be gained by any form of political federation. Zanzibar already has all the ties which are necessary with the mainland territories. I will refer to Somalia later.

(b) *Central Africa*. I do not understand what the Chief of the Imperial General Staff means when he says in paragraph 120 that in Central Africa each territory is being left to grope along individually. The Central African Council was set up precisely for the purpose of securing co-ordination between the two Rhodesias and Nyasaland. It has done first-class work in this respect, in practically all the fields affecting economic development, road and rail communications, hydro-electric power, migrant labour, research, industrial development, supplies, to mention only a few of the matters covered. My information is that the Council is generally recognised to be a success. Any closer political union of the three territories would involve giving the whole group internal self-government under the effective control of the white population of Southern Rhodesia. Such a step would be, and indeed has been, strongly objected to by the African populations of the two northern territories and I am sure that no British Government could agree at the present stage either to amalgamation or to political federation; nor am I by any

[3] Prime minister of Southern Rhodesia, 1933–1955 (later Lord Malvern).

means certain that Southern Rhodesia could effectively shoulder the responsibility.

(c) *West Africa*. I am anxious to develop the West African Council as a co-ordinating body in a wide field of activities; but the West African Territories are not contiguous and I am certain that it would be wrong to aim at any political federation of Nigeria and the Gold Coast. This would weaken rather than strengthen our position in West Africa and would greatly complicate the political development of the two territories. Our present policy is aimed at welding together the diverse peoples of Nigeria and the Gold Coast into Nigerian and Gold Coast nations. The new constitutions of the two territories were designed to this effect and considerable progress is being made. But federation of Nigeria and the Gold Coast should, I am sure, be ruled out.

17. *Tanganyika*. There can be no question of going back on the Trusteeship Agreement for Tanganyika which was negotiated with the United Nations as the result of a deliberate decision of the Government. What might have happened had we not freely offered to place Tanganyika under trusteeship is well indicated by the present predicament of the South African Government over South West Africa. Our situation would have been a great deal worse owing to our position as a permanent member of the Security Council. Our interests in Tanganyika, both strategic, political and economic, are fully safeguarded by the terms of the Agreement. Any attempt to go back on it, quite apart from its other effects, would be violently objected to by the United States and would have a disastrous effect on the American attitude towards our African policy and perhaps over a wider field as well.

18. *The Union of South Africa*. While I have always supported the closest co-operation with the Union of South Africa in technical fields, in communications and in defence, I should be opposed to any form of political link-up. The wide differences in our approach to African problems in my view make such a link-up most undesirable. The suggested division of Bechuanaland and the handing over of part of it and the two other High Commission Territories to the Union are matters in which the Secretary of State for Commonwealth Relations is more directly concerned than I am; but such a step, which would be against the wishes of at any rate the majority of their inhabitants, would have a very bad effect on African opinion in other parts of the continent.

19. *The Somali territories*. The Colonial Office has pressed strongly from 1945 onwards for the creation of a unified Somalia under British trusteeship, including both Italian Somaliland and the Ogaden. I still believe this to be the right solution both from our own point of view and that of the Somali people; but when this proposal was put forward by the Foreign Secretary at the Council of Foreign Ministers in 1946 it was badly received by the other three Foreign Ministers, and I understand the present view of the Foreign Office to be that this solution cannot be put across internationally. For that reason we have been pushing forward negotiations with Ethiopia for an alternative and admittedly less satisfactory solution under which the essential grazing areas in the Ogaden of the British Somali tribes would be exchanged for Zeila and a corridor behind it at present forming part of British Somaliland. These negotiations with the Ethiopians are now proceeding and I understand that proposals regarding Italian Somaliland are likely to be submitted to the Cabinet shortly. Meanwhile I will only say that the Chief of Imperial General

Staff's suggestion that a United Somalia should be included in an East African federation, so that East African money could be used to support the country, seems to me quite impossible. I see no means by which we could justify the imposition of such a burden on the East African Territories, which are already themselves financially overburdened; nor would there be the slightest chance of the Legislative Councils in East Africa accepting such an arrangement.[4]

III. *Military questions*

20. *Control and financing of the African forces.* I warmly welcome the Chief of Imperial General Staff's proposal that the African forces should come under the control of the War Office. The Colonial Office have pressed for this arrangement since before the end of the war and I am sure that it is the right one. I do not agree, however, that the whole of the cost of these forces should be borne by the African Governments. If, as I understand, this is £8 million (or even £6 million) for East and West Africa, the sum is certainly beyond their present resources and the only effect of imposing this financial burden on them would be to make it impossible for economic and other forms of development to go forward on the lines which the rest of the Chief of Imperial General Staff's memorandum recommends. Some increase in the contributions of the African Governments for defence purposes should certainly be possible and I understand that this matter is now being discussed inter-departmentally. If the War Office retain control and the African Governments are making a substantial financial contribution, it will be necessary to work out some means by which representatives of the local public can be kept generally informed on defence matters. This need in no way interfere with the control by the War Office. What is needed is some form of consultative machinery.

21. *Railway link between East Africa and the Rhodesias.* I do not propose further to lengthen this memorandum by commenting on detailed points in the military section of the Chief of Imperial General Staff's memorandum, which can no doubt be pursued between the War Office and the Colonial Office. I would, however, like to refer to paragraph 119 of the memorandum which deals with the lack of a railway link between East Africa and the Rhodesias. The possibility of building such a link was considered early in 1947 when the Minister of Defence recommended that at the present time, in view of the expenditure involved, there was no strategic justification for the full scale development of any land route across Africa.[5] The Colonial Office was invited to consider further with other departments the economic justification for some further development of rail communications between the two regions and I am hoping shortly to arrange for an expert investigation of the many factors involved. I am convinced, however, that, with the present shortage of steel and other supplies, it will not be possible to develop a railway link between East and Central Africa within the next five years if the justification is to be purely economic. A decision on strategic grounds would be necessary to enable such a project to be given the required degree of priority.

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[4] See part 3 of this volume, 292 & 293.

[5] See 118.

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'Report by the CIGS on his visit to Africa': minutes of a Committee of Cabinet ministers to discuss the memorandum by Field-Marshal Montgomery

The meeting had before them:–

(i) a report by the Chief of the Imperial General Staff on his tour in Africa in November–December, 1947;[1]
(ii) a memorandum by the Secretary of State for the Colonies commenting on certain aspects of this report.[2]

The Secretary of State for the Colonies said that he was in agreement with the Chief of the Imperial General Staff as to the importance of a quick and vigorous development of Africa. Much had, in fact, already been done. The African Colonial Governments had already prepared comprehensive ten year development plans, based on the maintenance of a fair balance between social needs and economic development, to be financed partly under the Colonial Development and Welfare Act and partly from local resources. In addition, all Colonial Governments had been asked to put forward schemes of economic development to be undertaken by the Colonial Development Corporation. As regards machinery, the Division of the Colonial Office concerned with finance and economic development had recently been reorganised and strengthened, and placed under the direct supervision of the Parliamentary Under-Secretary of State. The Colonial Economic Development Council had been set up to scrutinise development proposals by Colonial Governments, and a working party had recently been set up, under the supervision of the Chief Planning Officer, to examine Colonial requirements for resources from this country. In the Colonies, the local administrations had been strengthened in recent years by the recruitment of large numbers of first-class young men and women from varied walks of life in this country. Special attention had been given to the organisation of training courses, both for new recruits and for serving members of the Colonial Service. In many Colonies, Development Boards had been established, and substantial progress had been made in East and Central Africa with the establishment of inter-Colonial machinery for economic collaboration.

Ministers recognised that in recent years much progress had been made in the economic development of the Colonies. They felt, however, that the world economic situation made it necessary to review both our policy and the adequacy and suitability of the machinery for giving effect to it. It could not be assumed that Marshall Aid, over the period contemplated, would be sufficient to restore the economic independence either of this country or of the other participating European countries. For that we must look to the economic development of the Colonial territories in Africa and elsewhere controlled by the Western European powers. It was essential, therefore, that we should devote as much attention and energy to Colonial development as we had to European economic co-operation, if results adequate for our needs were to be achieved before Marshall Aid came to an end.

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[1] See 104. [2] See 106.

Ministers considered that the planning of Colonial economic development which had hitherto taken place was defective in that insufficient attention had been given to the integration of our policy in this direction with economic policy in this country. No attempt had been made to determine on broad lines what proportion of the resources of the United Kingdom ought to be devoted to Colonial development or to assess the relative values of the objects to which these resources might be applied, either between the United Kingdom and the Colonies or between individual Colonies. Thus, for example, there was no agreed criterion by which a decision could be reached on the allocation of United Kingdom output of agricultural machinery between this country and the Colonies, or on which priorities could be determined in the allocation of scarce resources such as steel. As a result it had been found impossible, in preparing the Economic Survey for 1948, to give any indication of the extent to which progress in Colonial development might contribute towards the solution of the balance of payment difficulties of the sterling area. As a first step, it seemed necessary that the machinery within the Colonial Office should be reviewed and strengthened in order that a plan of development might be prepared urgently for the Colonial Empire under which there would be full co-ordination both between the United Kingdom and the Colonies as a whole, and between the development plans of individual Colonies. As a second stage, it would be necessary to co-operate both with the Dominions and with the other Colonial powers in Western Europe with a view to ensuring the maximum degree of co-operation and co-ordination between the various political authorities in the regional or continental areas.

It was assumed that any important military issues arising from the report by the Chief of the Imperial General Staff, on which Ministerial decision was required, would be referred to the Defence Committee. It was pointed out, however, that the Colonial territories were of vital importance to the future of Western Europe in the strategic as well as in the economic sphere, and that this double aspect of the problem would have to be borne in mind in framing Colonial economic policy.

108 CAB 124/1089 18 Mar 1948

[Development of Africa]: address by Mr Marquand (paymaster-general) to a press conference

As you know I returned last week from a seven weeks' tour of Africa, which took me from Cairo to the Cape. I visited the Sudan, Kenya, Uganda, Tanganyika, Northern and Southern Rhodesia and the Union of South Africa. Officials who were with me also visited Nyassaland [sic] and Bechuanaland. We visited farms and factories and mines, steelworks and power stations, research centres, schools and colleges. We had meetings, public and private, with manufacturers, traders, managers, trade unionists, and farmers. We met men of European, Indian and African descent. Above all of course we had long discussions with those responsible for the government in all these territories, and we received from them large quantities of information. Obviously I can do no more today than give you some of my outstanding impressions.

In South Africa I was concerned mainly with questions of current trade between the Union and ourselves. South Africa took £92,000,000 worth of British goods last

year—more than any other single country. We value that export market very highly. We want to maintain and if possible expand our exports there. We are very grateful for the timely assistance which South Africa gave us by means of the gold loan. If we can earn additional gold beyond that by selling goods in South Africa, we shall be helping to meet our dollar deficit because gold can be exchanged at any time for dollars. I was able to assure all whom I met that we have not asked our exporters to divert supplies from S. Africa to the dollar markets. I had very full discussions with South African ministers on the problem of South African exports to the British Colonies. We recognise their anxiety to keep the natural channels of trade open as wide as possible even at a time when our adverse balance of payments makes it necessary to us to scrutinise carefully every import into the United Kingdom or the Colonies which is not absolutely essential. We have agreed to import £60,000 worth of South African footwear to the U.K. in 1948 and that if a modified import policy by the Colonies does not yield satisfactory results individual applications for import licences will be discussed by the two Governments.

I found everywhere in South Africa among persons of all shades of opinion great admiration and sympathy for the immense productive effort made since the end of the war by workers and management in British industry. It is difficult for friends living six thousand miles away from us and naturally preoccupied with their own affairs to understand the paradoxical development in 1947, wherein our industrial output and our volume of exports greatly expanded and yet the deficit in our balance of payments grew worse. The Chancellor of the Exchequer has explained that many times and I need not do so again, though of course I lost no opportunity of doing so in South Africa! I hope that all who care for the welfare of the Commonwealth and for British trade and industry will remember that if a true story is to be told our productive achievements as well as our trading difficulties must be fully explained.

In the other territories which I visited, though of course I devoted a good deal of time to current trading problems, I was chiefly concerned to study projects of economic development. Before leaving London I stated that all these plans needed investment of capital goods, some in very large quantities. I said that it was obvious that all could not be undertaken at once and that orders of priority would have to be established.

I have repeated that wherever I have been in Africa. Indeed nobody could travel through Africa, as I have done, without being aware that many useful, though small, increases of output of raw materials and foodstuffs—quite apart from large-scale long-term developments—are held up by lack of capital goods. If I mention some outstanding potential development it does not mean that I think it can be commenced next week or even next year. We are determined, in co-operation with all other nations who are willing to help, to do all we can to forward the development of Africa, but we realise that our resources are limited. We must plan the allocation of resources for this purpose. We are hard at work on those plans now. I cannot announce plans today. I can only mention some of my most vivid impressions.

Development must begin with transport. That means ports and railways with some roads developed as feeders to the railways. At present the railways of Africa are barely able to cope with the traffic now offering. In one conspicuous instance they are not able to cope. I allude to the Rhodesias, where the full production of copper and chrome cannot be brought to the coast for lack of wagons. It is also well known that the ground nut projects in Tanganyika were held up for a time because the railways

could not at that time deal quickly enough with the peak of the traffic coming into Dar-es-Salaam. These difficulties are being met reasonably quickly. All the railways of Africa have placed orders for additional rolling stock and equipment and British manufacturers are co-operating well in supplying them. But my point is that bigger developments beyond the present will call for corresponding increases in rolling stock and equipment and in some instances new railways and ports.

In the past the major developments carried out in Africa by Europeans have been concerned with minerals. Gold, diamonds, coal, iron, copper are being developed on a big scale already. They will be developed still more in the future, as will other metals. I do not want to underestimate their importance: far from it. A great deal of attention is being paid to them by able men all over Africa, and quite rightly. But it is time that we should devote a similar amount of energy, skill and capital investment to farm products.

The population of Africa is increasing fast. There are very few vital statistics. It is extremely difficult to take a census of a largely illiterate population scattered over vast areas. But if you travel through Africa the evidence of your eyes—the abundance of children everywhere—will tell you what is happening. The major problem of Africa is how to ensure that farm output keeps pace with population growth. As you fly over Africa what you notice most is millions of acres of uninhabited land. You might suppose that the growing population could spread out over this land, even though that would need hard work in bush clearing. That will no doubt happen one day. But it cannot be done easily, and it cannot be done quickly. In some places the soil is thin and poor. But that is not the main obstacle everywhere. Vast areas of the bush are controlled by the tsetse fly—an enemy which has not been conquered. His empire can be pushed back by bush clearing and effective settlement, but settlement is useless unless there is adequate water to supply man and beast and render the soil fertile.

In many thickly populated parts of Africa where water is available agricultural methods are utterly primitive. The "farm" is a small patch cultivated by a woman with no better implements than one hoe. The consequence is bad husbandry and soil erosion. Even in other parts where there are farms run by Europeans who have modern machinery to help them, failure of rain-fall from time to time ruins crops. And so our first task must be to help Africa to feed herself.

That means that we must encourage good husbandry by every means in our power and we must help Africa to make proper use of her water. There is plenty of water available, but the heavy rain-falls are concentrated in particular areas and in short seasons. Thus the precious water to a large extent runs away in flooded rivers which carry soil to the sea, confer very little benefit to the surrounding land, and later dry up again. More rivers must be dammed to provide storage, flood control and irrigation. According to circumstances, some of these schemes can be small and fairly widespread; others must be larger. One or two of the large schemes, such as that for damming the Owen Falls near Lake Victoria have the great advantage not only that they would make water available for irrigation, but that they would provide electric power. This power could be used not only to establish secondary industries, but also for the processing of metals, thus rendering their transport to the coast an economical proposition. We must work out what earth moving machinery, steel and cement we can make available for the dams. We are already planning a big increase of our output of agricultural machinery and equipment, not only to satisfy the needs of

farmers who could use it today, but over a longer period to satisfy those who will be able to use it in four or five years time.

One of the major causes of Great Britain's acute economic difficulties today is the failure of the world's agricultural production since the war ended to meet the needs of the world's expanding population. The consequence has been to turn the terms of trade against us, and we have to pay far more in manufactured exports for every unit of farm products imported than we did before the war. Thus an increase of agricultural production anywhere and everywhere in the world is a help to us. This is always in our minds when we think of African development. But I do want to make it clear that the peoples of Africa themselves cannot multiply and prosper unless the development takes place. We are thinking just as much of their welfare as of our own when we undertake these plans. If we are successful there will not be less land but more land available for the native African in British Colonial Africa, there will be better equipment for him to use, more local manufactures in which he can find employment and better opportunities for the education which he so highly values. In so far as we obtain for ourselves food and materials from this development we will pay for them with implements and railways and clothing and all the other necessities of a fuller life for the peoples of Africa.

I have tried to sketch some of the background against which I think development of Africa must take place. We must not underestimate the difficulties or the size of the investment of scarce resources which will be necessary. But many of the difficulties can be overcome and I am confident that we can work out a properly phased programme of development over a period of years which can yield worthwhile results both for ourselves and for Africa. In considering many African problems we are frequently in harmonious consultation with other Governments, and we certainly look forward to ever-increasing collaboration with them in the task of economic development.

Don't imagine that nothing is being done yet. Our Colonial Servants have been at work for years encouraging and teaching Africans better husbandry. Africans themselves are at work in these Services teaching their fellows about the rotation of crops, about terracing and contour ploughing, about cattle protection and the proper use of animal manures and so on. One of my most vivid recollections is of a long conversation I had with a native African farmer who showed me his well-planned small farm, explained his rotations, discussed most expertly the need for more pedigree bulls from England, showed me his onion crop ready for sale in the Nairobi market and his clean but poorly furnished hut with its pictures of the King and Queen and the Princesses and of his own wedding day. He is not only a jolly good farmer. He teaches in the local School four or five hours a day. Another high-light was my meeting with the Kilimanjaro Native Co-operative Union. They have 30,000 African farmer members, who grow their own food for themselves and also grow coffee for the market. They gave me the best cup of coffee I had in Africa. They sell substantial quantities of coffee every year to our Ministry of Food. They run the whole of their association themselves and have only one European to help them. Like all progressive farmers in Africa they want more of our agricultural machinery, and they want it soon.

I have talked a lot about water storage and irrigation. I was greatly impressed with what I saw of this in the Sudan in a district called the Gezireh. Here there are about 800,000 acres under cultivation by means of the waters of the Nile, brought by a

series of canals from the great Nile dam at Sennar. There are 20,000 tenant farmers on this huge estate in which they co-operate with the Sudan Government and the Sudan Plantations Syndicate. The scheme has been in existence nearly 25 years and has provided over that period very large quantities of cotton for the cotton industries of many parts of the world, including Lancashire. At this moment the main irrigation canal is being widened to provide more water for an addition of another 100,000 acres to the scheme. In years to come this great collective farm can be extended still further if agreement can be reached about even more extensive storage and flood control in the upper waters of the Nile.

In my tour I met hundreds of members of Chambers of Commerce and Chambers of Industry, and many farmers who rightly impressed upon me their need for more tools to expand the production they are now undertaking. There is need for more storage equipment for all sorts of farm produce. There is a pressing need for building materials, for not only is Africa, like the rest of the world, suffering a housing shortage as a result of war-time decline in building, but in many places housing for staff is the essential preliminary to expansion of new undertakings. We had some pretty lively discussions with Chambers of Commerce about the need for increased supplies of textiles and other consumer goods to satisfy the native worker who often lacks incentive to produce a surplus if there is nothing in the shops on which to spend his money. We also had some straight talking from farmers and sisal and tobacco growers who want more tractors and implements. But those discussions are encouraging. We found an immense fund of goodwill for Britain among all who came to them. I was able to assure them of our determination to increase the flow of essential goods to help them to play their full part in our common effort. I would like also to say that I found a similar willingness to help among those trade unionists whom I met. Perhaps I might mention in particular those in the Copper Belt who assured me that they would help in the dollar-saving drive by examining every way of increasing copper output.

The greatest difficulty in giving impressions of a tour covering so immense an area in which one met so many people is that one can select only a few groups of persons or interesting projects for mention. And of course I have spoken only of those parts of Africa which I visited myself. For all that I have left unsaid may I be forgiven. I hope I have conveyed to you my prevailing impression of measured and sober confidence that the obstacles are not insurmountable, that we can accelerate development and that in partnership with the peoples of Africa we can in due course achieve not only a significant contribution from Africa to the redress of the world's economic balance, but a raising of the whole level of life and culture in the immense continent.

109 CAB 124/1089, EPC(48)35 2 Apr 1948

[Development of Africa]: report by Mr Marquand on his visit to Africa, 11 Jan – 9 Mar 1948, section A—general conclusions [Extract]

In the past the major development effort in these parts of Africa has been devoted to the extraction of minerals and production of a few plantation crops for export, such as cotton, sisal and tobacco. In dollar-saving and dollar-earning, mineral development still offers opportunities of great value in the short term and for several

decades; but Southern Africa has reached the stage when disproportionate employment in mining gravely threatens the balance of the community. At the same time the mono-culture of export crops in "plantations"—which is in many ways the agricultural equivalent of mining—is an outmoded form of development which must increasingly be replaced by a pattern of many-sided agriculture which raises "subsistence" crops simultaneously with "cash" crops. The native populations of Africa are increasing fast. The major problem confronting us is how to ensure that farm output keeps pace with population growth. At present there are vast areas out of which all inhabitants have been expelled on account of the risk of sleeping sickness; these areas are for the time being expropriated to the tsetse fly. There are still vaster areas where the tsetse fly and rinderpest frustrate the establishment of a healthy cattle population. At the same time other areas lack surface water and have a relatively low and unreliable rainfall which leads to the recurrent failure of crops and the production of famine conditions. When rainfall is both torrential and unreliable primitive methods of agriculture produce over-grazing, decline in soil fertility and soil erosion. In many regions the growth of population is overtaking the capacity of the soil as at present used to maintain it with essential food. Though this is particularly true in areas of African population, there is a strong trend in the same direction in some areas of white settlement. Even in South Africa, with its numerous social and economic problems, soil erosion is Public Enemy Number One. It is only in very favourable years that many of the territories I visited are not net importers of food.

2. Though the rapid increase of population is partly responsible for this situation, there is not enough man-power *as at present used* to do all that has to be done. For the time being the number of mouths to feed is increasing faster than the number of hands at work, and to a large extent the hands are wastefully employed. Men work as laundresses, housemaids, cooks, waiters and flower gardeners, while women, with babies strapped to their backs, strive ineffectively to cultivate the land with no aid but primitive hoes. One of the chief tasks of development must therefore be to increase the productivity of labour. Greater mechanisation is one way. Increased incentive is another. But without improved health and education, little will be achieved by these other methods. Health means not only medical services, hospitals, inoculations, clean water, better balanced diet and so on. It means houses. Not only is adequate housing a fundamental condition of good health, but to the urban African to-day the prospect of securing a better house or the need to pay rent for an adequate house is probably the strongest incentive of all to increased productivity. I have not arrived at this conclusion without testing it by enquiry whenever and wherever I had the opportunity. It has been confirmed by many men with long experience in African administration. Of equal importance is education. The African values it very highly indeed. I have been surprised at the depth of feeling revealed by Africans when speaking of this subject. While payment of a small fee is still required, the necessity to earn the school fees is an incentive to the parent. More important than this, of course, is the fact that mechanised production and proper farming cannot be carried on by totally uneducated persons. Still more important is the possibility that the education of girls will not only produce wives who want their husbands to work for a higher standard of living, but will in the long run break down the social customs which at present compel women to do work which men can do better and leave men to do work which is most suitable to women. Thus Health and Education services

must be extended as a coherent part of any realistic plan of economic development. If development is to be accelerated then these services must be accelerated. Obviously, I have had no opportunity to study in any detail the plans which are being made in these fields by the Colonial Secretary. I merely wish to make it clear that I regard them as necessary economic investment as well as an act of social justice. I think that an early step should be the raising of the salaries of African teachers, which are far too low in comparison with those of competing occupations and in relation to the scarcity of teachers. Books in the native languages on agricultural and technical problems should be made widely available and in as many centres as possible model co-operative farms which will be an example to the locality in the benefits arising from the use of knowledge in farming might be established.

3. Though in the large towns there are many Africans—especially clerks and the like—who live with their families in permanent houses which are their homes, the typical worker in industries and on plantations is a migrant who spends part of the year in a variety of types of shelter provided by the employer at the workplace, and then returns for a further period to his village. There is no space to dilate here on the crop of social problems which this system produces. I suggest, however, that in all big development schemes for the future those responsible should try wherever possible to build around the industrial unit or plantation a settled African community in which there is housing for wives and families and in which there is sufficient land available to permit the whole family to maintain its traditional association with the land and to provide at least some of its own food. To put the argument upon no higher grounds, too sharp a distortion of the pattern of African tribal and village life by rapid economic development may wreck the development itself by the social and political friction it will develop.

4. To put health and education first is not to deny the importance of more tangible incentives, such as textiles and bicycles, though this is sometimes exaggerated. These are undoubtedly essentials to the African and he is getting less of them than he wants and often less than he got before the war. To increase the effective supply, from whatever source, will give him a greater incentive to work. Bicycles will improve his efficiency as a producer, for a great deal of time is wasted in Africa by walking long distances. In some areas textiles may be dollar savers as well as incentives. In many places in which we were told by employers of the lack of incentive goods, shops catering for the native trade were visibly crammed with textiles and also contained many unsold bicycles. The explanation is that prices are too high in relation to native purchasing power. The problem of satisfying the demand is further discussed in Section E.

5. Part of the present gap between demand for and supply of consumer goods will have to be met by wage increases. Statistics of wages in relation to cost of living are scanty and the position is complicated by the fact that it is customary for the employer to provide free food and lodging. But my impression is that in general money wages have not risen as fast as the prices of consumer goods. Already there have been significant rises in the wages of railway workers. Such a trend is an inevitable part of the redistribution of labour which must accompany development. As labour becomes more costly to the employer he will be compelled to use it more economically. Incidentally, it is to be hoped that rising wages will drain labour away from domestic and personal service into productive employment. No doubt there will be friction in this process of adjustment. There will be strikes and wild statements.

We must expect them and we need not be unduly alarmed when they occur. In general, I am sure that the Labour Officers appointed by the Secretary of State are doing a good job in this field. We shall need more such men as development goes on, but we should have clearly in mind the probability that the African is no more likely in the long run than the Briton to accept trade unions made for him by either his employer or the Government. Where peasants rather than wage-earners are concerned it is by no means always true that an increase in the effective supply of consumer goods would stimulate effort. Many peasants and some wage-earners, after a certain level of earnings has been passed, buy leisure rather than consumer goods. Only by education and training and the practical demonstration of the advantages of a higher standard of living can such habits be changed.

6. Expansion of the present very small labour force in these ways and expansion of the land available for production by means of clearance, fly and pest elimination and irrigation are the fundamentals of development in Africa. It is of the utmost importance that our plans should always be based on a careful calculation of the availability of both land and labour. In general, I think that the former is usually given more careful consideration than the latter. An Agricultural Officer who is asked if he can secure a bigger output of cotton or tobacco, for example, quickly calculates how far that can be done without a sacrifice of food production. But I have a feeling that labour has hitherto been so easily available that the possibility of its quickly becoming scarce it [? is] not so prominently in the minds of planners as it ought to be. To take an outstanding example, I doubt whether industrialists in South Africa appreciate what a profound effect development in the Rhodesias will have upon their labour supply.

7. Even when land and labour are available, certain bottlenecks in the economic system must be widened. The chief is transport. This is dealt with at some length in Section D. In no part of the economic field is it more important that there should be combined planning by the Governments of Africa. They have in large part met the need for standardisation of gauges, &c., but there is competition among them for scarce supplies of locomotives, rolling stock, track and equipment. There is sometimes lack of knowledge of industrial plans affecting transport—for instance it is not certain that plans for developing coal mining and cement production in Portuguese East Africa may not require a considerable modification of the Rhodesian Railways' present admirable plans. Above all the alternative routes for new railways have not been weighed up by anybody with a wide enough knowledge of different territories and of their economic possibilities as well as strategic considerations. An outstanding problem here is the railway outlet from the Rhodesias. It is disturbing to find against a background in London of Western Economic Union that there have been no joint discussions between the Rhodesian and Congo copper belts on the best solution of their railway problems. It is disturbing to find advocates of a new railway to Walvis Bay who are unaware of the possible attractions of an alternative outlet for Rhodesia to Mikindani, the new groundnut port. I understand that there has been no widely inclusive conference on transport in Africa since 1936. I suggest that we should call a Pan-African Transport Conference as soon as possible, inviting to it representatives—both administrators and transport experts—of our own Colonies and Protectorates, of other Colonial Powers, of the Union of South Africa, the Sudan and perhaps Egypt.

8. Other "bottlenecks" of great importance are the following:–

(a) *Building materials*. Especially roofing; nails and other small metal goods; and cement. In many instances, *e.g.*, the expansion of railway transport in the Rhodesias—important schemes of development are prevented by lack of housing for key staff.
(b) *Bags*. There is serious shortage even now. Increased supplies are essential if there is to be expansion of output of cotton, maize, groundnuts, &c. Reference is made in Section B to possibilities of African production of fibres for bag-making.
(c) *Earth-moving machinery, water-boring machinery and heavy tractors*. So important are these for building dams, clearance, roadmaking, &c., that their availability may be the main determinant of the extent and speed of development. In some cases the provision of a small amount of machinery, even if dollars be paid for it, would pay in dollar saving in its first year. In the short run increased supplies must come, if at all, mainly from America. I suggest that in order to ensure maximum utilisation a stock of such heavy machinery be procured, hired out, and, if necessary, sometimes operated by a specially created subsidiary of the Colonial Development Corporation. It seems reasonable that our production of lighter tractors should be supplemented by some production of heavy types. I suggest, however, that (if this is not already being done) the Planning Staff should assess carefully how far such plans as those of Vickers–Rolls-Royce or Massey-Harris to produce heavy tractors should be extended. This looks like being a product almost exclusively for export, especially when we cease to produce open-cast coal, and therefore it may be a precarious undertaking in view of American comparative advantage. Would it not be wise also to set up a special section in the D.S.I.R. to report not only on the best types and methods of production of heavy field machinery, but also upon decorticators, retters and other types of ancillary machinery which are an essential part of an extension of supply of farm products? (See Section B.)
(d) *Hand tools*. The good effect of several excellent centres for training craftsmen is largely wasted because the carpenters, smiths, plumbers, &c., are later unable to set up business for lack of tools.

9. To many questions about development possibilities the reply is that the answer awaits the completion of research. Nobody is to blame for this, but if we want answers quickly, we must intensify research. Tsetse fly research is obviously most important. Unless and until the fly is conquered large-scale ranching, for which parts of Africa are otherwise eminently suitable, is impossible. Geological research is hampered by small establishments. Yet the greater part of the possibilities of mineral development in Tanganyika, for instance, is unexplored. Forestry departments are too often overworked in controlling bush fires and day-to-day problems and too little staffed to cope with the large-scale plans and research needed for forest regeneration and exotic plantations. Veterinary scientists, agronomists, soil chemists, entomologists, mycologists and others are needed. It is good news that terms and conditions of service attractive enough to secure good men are likely to be approved in the near future. Where there is likely to be a shortage of British specialists for some years let us try to fill the gap temporarily by engaging Americans or others. Let us ask for more help in these matters from the Rockefeller Foundation. There should be a Director of Research in each group of territories with authority to plan his work without detailed financial control. Let us encourage not merely the circulation of

papers but the interchange of visits between active research and technical workers in one colony and their opposite numbers in others and let us include the Sudan in such a programme.

10. Increased production of farm products on any large scale in Africa necessitates provision of water by boring or damming—mainly the latter. The Gezira Scheme in the Sudan is the most important of its kind now in existence in Africa. More than 20,000 tenants farm 800,000 acres, from which they largely feed themselves, their families and their hired labour—a total population of at least 250,000—and also produce for export substantial quantities of cotton of the highest quality. In the eighteenth century in England a revolution in agriculture was brought about largely by requiring tenants to observe suitable crop rotations. Something like a similar revolution—without its consequences of dispossession and unemployment—is becoming necessary in Africa to-day. The Gezira Scheme is an outstanding exemplar in the evolution of a controlled husbandry suitable to African conditions. From this scheme valuable lessons in collective farming, rotation of cash crops with subsistence crops, co-operative buying and marketing, integration of scientific research with farming practice, education of native cultivators, &c., &c., can be learnt. Officers of that Scheme should be asked to visit various agricultural experiments, pilot schemes, &c., in the Colonies. Colonial Officers in the agricultural service should be not merely encouraged but instructed to visit and study the Gezira Scheme.

11. At present, widening of the main Gezira irrigation canal is going on. When these works are completed (probably in 1952), a further 100,000 acres in the Gezira can be cultivated. But by damming Lake Tana in Ethiopia additional water could be made available for both Egypt and the Sudan. It has been calculated that it would enable Egypt to increase her crop acreage over a number of years from 7¾ million acres to 10 million acres. It would make possible the doubling of the cultivated area of the Gezira: 40,000–50,000 more acres would be brought under cultivation each year following completion of the dam until the total additional 800,000 acres were in hand. The dam itself—which may cost about £4 or £5 million—would take about four years to build. Some preliminary work of surveying, &c., has been done, but for technical reasons a re-survey is said to be necessary. Obviously the sooner the agreement of Ethiopia to commence construction can be obtained the better.

Of greater importance to Egypt and considerable importance for the Sudan is the scheme to provide water storage and Nile flood control by damming the White Nile at Owen Falls in Uganda and raising the level of Lake Victoria by about 4 feet. This would make possible hydro-electricity generation on the grand scale in Uganda. At present the principal proposed user would be a textile factory, but two major schemes may be developed. These are further discussed in Section D, paragraph 18.

In my opinion planning of the control of the Nile waters, with its associated possibilities of agricultural and industrial expansion, is the most important of all development possibilities in Africa. The full cost of the maximum scheme is estimated to be somewhere in the region of £60 million. Construction would take ten years and the full effects could not be realised for a further twenty years. Of course, it must be remembered that, though capital investment from this country in the Sudan would be welcomed, any definite tie-up of the product to the British market must be ruled out. For that reason this project is a particularly suitable one for the International Bank to consider.

12. Other large schemes which seem to be sound and feasible within a reasonable time are:–

(a) The Sabi Basin Scheme in Southern Rhodesia. Reports by the consulting engineers are not yet available and it is too early to pronounce a final judgement; but it is very likely that this will be a major food-producing project covering 500,000 acres. It is probable that the consulting engineers will recommend an initial pilot scheme covering 30,000 acres and providing water by pumping. If so, this should be started as soon as possible. Those likely to be concerned should visit the Gezira Scheme before commencing operations.
(b) Rice production in Tanganyika.
(c) The securing of hardwood timber from the groundnut area, Southern Tanganyika. I have not mentioned any of the groundnut projects in this report as I made no attempt to study these in detail, but reference is made in Section C to the timber which may be, as it were a by-product.

13. In the longer term, apart from rather vague schemes about which no judgment can be made until more research has been done, the following are very important:–

(a) Food (probably including groundnuts) and fibre (cotton and possibly jute or jute substitutes) in the rainfall areas (about 10,000 square miles) of the Southern Sudan. Reports of experimental plantings are not yet available, but the prospects seem to be good. The territory would have to be opened up by new railway construction and a close study of future labour supply in the light of other development plans seems to be necessary.
(b) Softwood afforestation in Kenya and Tanganyika. This is dealt with in Section C. If it is to be undertaken so as to yield results in 30 years or so, a decision in principle and an expansion of research activity is required as soon as possible.
(c) The Tana River Scheme in Kenya. The Member for Agriculture for Kenya has promised to come—or to send a representative—to Britain within three months to discuss this fully.
(d) The Kariba Gorge hydro-electric scheme in Southern Rhodesia. Provided electricity could be produced at a low enough price, this would greatly reduce the transport demand on the Rhodesian railways, release coal for other purposes than copper-refining and reduce the cost of copper, besides making possible other industrial development. Sir Miles Thomas,[1] who has carefully studied the scheme, has told me that he thinks it could be completed in ten years' time. On the other hand some copper companies wish it to be completed by 1956, by which date they say their present refining plant must be renewed. A possible and less expensive alternative to this is the Kafue Scheme in Northern Rhodesia, about the feasibility of which a report is expected in two months.
(e) Bechuanaland. Here absence of tsetse fly and rinderpest make possible large-scale cattle ranching provided that the Khansi Area can be opened up. The construction of a railway connecting Southern Rhodesia with the Atlantic coast would do this provided a suitable route were chosen. This is probably the most powerful argument for such a railway.

[1] Chairman of BOAC and member of board of CDC.

14. Those mentioned above are some of the outstanding projects which might yield very substantial results. Other projects are discussed in Sections B and C, as are some aspects of industrial and agricultural undertakings already in active operation. Concerning the Wankie Coalfield I had an interesting conversation with Sir Godfrey Huggins about which a verbal would be more appropriate than a written report. Until the estimates of quantities of steel and capital equipment required, which the respective Ministers have asked the territories to produce, are available it is not possible to assess the investment required or the return upon it which can be expected.

15. There is much talk but little action about tourism. Yet, with little investment required, tourism could be a substantial dollar earner in the short period. American interests have offered to erect a prefabricated hotel in Nairobi, near which there is hunting and mountaineering country and which has an excellent game reserve. The Northern Rhodesian Government is about to advertise carefully chosen land near the Victoria Falls which they will grant to an approved concern willing to erect a hotel at a cost of £250,000. We should, I think, make a special effort to supply all the materials which cannot be provided locally so that the project can be completed as soon as possible. Some £300,000 is being spent on an airport, near the Falls. This should certainly be completed by June 1949 and will accommodate the large aircraft of the American Services to South Africa.

16. If there are equally eligible development projects in West Africa, not to speak of other Colonies, the total investment which could prudently be undertaken will probably be beyond our ability to undertake within a period sufficiently short to give as early results as we need. The supply of certain vital items of the necessary capital equipment can be secured quickly enough (if at all) only from the United States. The planning of full utilisation of the Nile Waters depends upon agreement with Egypt and Ethiopia. Agreement with Belgium and Portugal and possibly France about transport, labour supply and the exchange of scientific information would greatly help our planning. For all these reasons consultations with these and perhaps other European countries are essential. There is not a great deal of foreign investment in the Colonies I visited. The American holdings in copper mining are perhaps the chief example. But there is evidence of a fair amount of interest by American private enterprises in possibilities. I think Colonial Governors would welcome a directive as to what attitude to adopt to such enquiries. Such a directive should give them full authority to act (within the general limits laid down by the directive) without waiting for further reference. American business men are apt to lose interest quickly if they see a prospect of long triangular correspondence between America, a Colonial Government and Whitehall.

110 CAB 134/217, EPC(48)35 27 Apr 1948

'Report by the paymaster-general on his visit to Africa and interim report by the Colonial Development Working Party': memorandum for Cabinet Economic Policy Committee by Sir S Cripps (Exchequer)

The report by the Paymaster-General on his visit to Africa from 16th January to 9th March[1] and the Interim Report by the Colonial Development Working Party are circulated together. These two reports are complementary and agree in their broad conclusions.

2. The Paymaster-General's report covers all aspects of development within eastern Africa from the Sudan to the Cape. It draws attention to the urgent problem of raising native standards of farming to provide food supplies for the expanding native population, to the shortage of trained staffs and to the substantial new capital investment in transport, particularly railways, which will be necessary before any considerable development of export production in Africa can take place. He suggests that the Colonial Administrations should be given guidance about the investment of foreign capital in the African colonies.

3. The Working Party on Colonial Development in their Interim Report have dealt with a few broad problems of development in all the territories administered by the Colonial Office, whether in Africa or other Continents. They have reached very similar conclusions. They state that resources, and not finance, limit the pace of colonial development and that iron and steel in particular are reaching the colonies in quantities inadequate to maintain existing capital. Expansion in areas already developed is to be preferred to the development of entirely new areas, which would require railways and other basic services. The shortage of administrators and trained technicians is a serious problem. Given appropriate safeguards, foreign financial loans will be a means of achieving developments which must otherwise be indefinitely deferred.

4. I invite my colleagues' attention to the Paymaster-General's note covering his Report on the matters upon which decisions or further reports are desirable. The conclusions and recommendations of the Working Party on Colonial Development are summarised on page 17 of the Interim Report.

5. I also attach (a) the observations of the Economic Planning Board on the Interim Report of the Working Party and (b) a note by the Chairman of the Working Party setting out the lines on which he proposed they should proceed.

6. I recommend that the Interim Report of the Colonial Development Working Party should be endorsed and that the Central Economic Planning Staff should be invited to review the detailed recommendations of the Paymaster-General's Report with the appropriate Departments and to co-ordinate action on them. I also recommend that the proposals of the Chairman of the Working Party should be accepted.[2]

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[1] See 109.

[2] This paper was discussed on 6 May 1948: see 125.

111 CO 537/3561, no 1 27 Sept 1948

'West African tour – 1948': report by Mr Rees-Williams to Mr Creech Jones, conclusions and recommendations

1. *General*

I submit the conclusions and recommendations arising out of my tour of West Africa. I have not gone into details, first because you know the area so well and secondly because I have cleared problems wherever possible with the Governments on the spot. A full report of all meetings wherein such matters were discussed has, in every case, been despatched to you.

2. *Conclusions*

(1) *Political*

Whilst my tour was not directly concerned with political matters, they naturally arose in the consideration of economic questions. I found that in the country areas, i.e. out of the artificial atmosphere of the capitals, people were interested in crop prices, high cost of living, shortage of supplies and the like. They were only interested in politics to the extent to which they believed these matters could be improved by political action. Politicians, like Danquah,[1] had played on economic disturbances to gain political ends. The responsible elements were horrified at the thought of self-government. The old ones remembered the barbarism of the time before the British arrived in the country and had no wish to return to such a condition, and return it would be. But not being sure of the Government's intentions, they were sitting on the fence. They did not know whether the rebels of to-day might not be the masters of tomorrow. The people of the Northern Territories, too, are both friendly and anxious to retain the European association for a considerable time to come.

When we consider that only 50 years ago barbarism had full sway it will be seen how thin is the veneer of civilisation. In my view the West African is nothing like as advanced as the Malay or the Burman and of course far behind the Chinese. So too, as in East Africa, his attitude is a mendicant one. He looks on Government as a gigantic Father Christmas able to dip in his bag and pull out trains, schools, hospitals, roads, motor cars and everything else.

(2) *Defence*

There would seem to be no difficulty in raising two or three divisions of West African troops. The local commanders are of our mind on the questions of King's Commissions, technical training and mass education.

In my view the present size of the Force is entirely inadequate even as a gendarmerie. The liaison between civil and military authorities is good.

(3) *Security*

The Governments agreed with our views on intelligence and the respective roles of political and police officers.

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[1] J K K B Danquah, lawyer and journalist; founder of United Gold Coast Convention, 1947.

As to the police arrangements, whilst improved, they are to my mind entirely inadequate. In Nigeria for example there is no radio communication even to the various residencies, and for a country the size of Great Britain, France and pre-War Germany with a population of 27 million they have a police force of less than one-third of the Metropolitan police. In Sierra Leone the Commissioner of Police for the Colony has no authority over the police (called Court Messengers) in the Protectorate.

The lack of organization, the small size of the police force and the inadequacy of the military forces gives rise in my mind to serious apprehension if serious disorder breaks out.

(4) *Agriculture*

In West Africa, as in East, the greatest problem is the tsetse fly. This occupies at least three-quarters of the area. It makes any radical improvement of the soil or methods of agriculture practically impossible, for without animals soil fertility must decline, and shifting cultivation continue.

In tree crops as a rule the species are mediocre. This applies, for example, to cocoa and palm oil. In the Gold Coast and Sierra Leone there is a dangerous reliance on one export crop.

To add to these depressing features, the land tenure systems discourage good farming practices, and the agricultural departments are chronically short of staff.

There are isolated good pieces of work being done in the North to encourage mixed farming and in research at Tafo and Benin on cocoa and oil palms respectively.

The Marketing Policy and the Marketing Boards are, I am sure, the right policy so long as the latter do not fall into the wrong hands. This is important when one realises that, for example, the income of the Gold Coast Cocoa Board is greater than the revenue of the Gold Coast Government.

(5) *Industrialization*

There is a great demand for industrialization with no conception of what it means. Every territory wants to be self-sufficient in everything which is absurd. In fact agriculture must remain the staple, but there is room for processing plants and also for light engineering firms and for those making consumer goods. The Industrial Development Corporations have made a beginning but there is a great lack of the African entrepreneur and manager. The African looks for safe jobs where he can wear a white collar. His mendicant outlook however blames government for all his shortcomings and believes that it has all the means to provide him with an up-to-date economy with no trouble or work on his part.

(6) *The co-operative movement*

This as yet is almost entirely confined to producer societies, mainly cocoa. The societies themselves are small in membership but have fairly large turn-overs because of the high price of cocoa.

The movement is capable of considerable expansion on the consumer side. But the societies must be able to import as well as retail.

(7) *The monopoly firms*

Everywhere I met hostility towards the big import houses, especially U.A.C., among

Europeans as much as among Africans. This is the one matter upon which there is common agreements

I believe this to be a matter of the highest political importance. In fact, more than anything else, the Labour Government will be judged on its treatment of the big monopoly firms.

There are only two courses available. One is to nationalize the big firms; the other is to bring into being either state trading or co-operative societies as real competitors and thus break the monopoly. I do not believe the former method is practicable.

As to the tin mining royalty of the U.A.C. for which no return is given and which amounts to approximately £235,000 a year, I have suggested various courses to the Nigerian Government, and a note of my suggestions has already, I believe, been sent to you. I do not believe that this royalty is justifiable.

(8) *Public relations*

I believe these to be bad first because of the lack of the right approach, secondly because of the lack of machinery.

The average officer, and more particularly the technical officer, does not regard it as any part of his job to explain to the people what is happening, thus the most appalling ignorance is present. This is regrettable always but it is highly dangerous when the people are called upon to undertake some task they hate e.g. to cut out trees in the swollen shoot campaign.

There is no general system of radio broadcasting.

The Overseas Broadcast of the B.B.C. is puerile and quite unfitted for Africa. The news items especially would seem to have been chosen by someone whose delight it was to create alarm, despondency, mistrust and derision in the African mind.

The Public Relations departments are doing their best within their limited resources and have achieved some success with the local press.

With regard to the Regional Public Relations Offices, I feel here as I felt in East Africa that their scope is too limited. On the present basis I doubt whether they are worth the money they cost. They should either be more or not exist at all. It is difficult to see the justification for spending the British taxpayers' money, for instance, on the appointment of a superintendent to control the work of two expert photographers.

(9) *Mass education*

This is almost non-existent and even at Udi it has fallen away badly. We are now dropping between two stools. In Nigeria the Education Department has taken it over and is trying to run it with paid assistance. The political officer regards it as another departmental matter and not his pigeon.

In the other territories 'mass education' has hardly got to the blue print stage.

(10) *Transportation*

(a) All the territories are inadequately served in railway communications. In Sierra Leone the problem is one of relaying and re-aligning a 2 ft. 6 ins. gauge, in Nigeria the new locomotives cannot be used on parts of the line because of the light-weight rails.

(b) Roads are a problem, dusty in the dry weather, a sea of mud in the wet. Development is held up until the railway and road services are adequate.

(c) Air Services are poor. The inter-territorial schedule is operated by Doves which are not suitable in my opinion for the long and dangerous haul over Liberia and French territory. I cannot understand, too, why West African Airways in conjunction with East African Airways do not run a trans-continental service. They are now losing the very paying pilgrim traffic to Jeddah and the Levantine traffic to Syria and the Lebanon. A South African Charter Company is getting it all.

(11) *Groundnuts hold-up*

The hold-up at Kano is based on a misconception. Even more than engines and waggons the difficulty is one of too light rails. The section south of Kaduna is now two-thirds relaid, the other part between Zaria and Kano will be relaid after the harvest. Locally they expect a bumper harvest of 350,000 tons with 40–50,000 tons from French territory. At the rate of 40,000 tons clearance a month, the Railway estimate, the stores should be cleared by November 1949. They only lost 300 tons last year, due to faulty covering of one pyramid. Local dealers told me that they prefer storing nuts in pyramids to storing them in warehouses. There is a shortage of tarpaulins as waggon covers.

(12) *Swollen shoot*

I have already sent to the Office, at the request of Lord Listowel, my views on the swollen shoot situation.

Briefly these are that the only known method is to cut out diseased trees at an early stage of the disease. At Tafo they are experimenting with mealie bug eating insects, resistant strains and other weapons but as yet no sign of success is in sight.

The campaign in the Gold Coast had considerable prior publicity but undoubtedly there were some unpleasant features. Payment was made by the acre, and the labourers were paid on the basis of every 25 trees cut out. As could be foreseen the good were cut out with the bad. When they were operating in the devastated areas this did not matter so much but when they swung over to Ashanti with the idea of creating a cordon sanitaire and meeting the disease from the North, the situation became changed. There was little swollen shoot and the farmers were disturbed. Cocoa was at a high price, there was little sign of damage and compensation was inadequate. Into this picture came Danquah and his associates. They spread stories that the Government had become leagued with the U.A.C. to ruin the Gold Coast Cocoa industry and replant it in South America and in Malaya. The explosion followed.

(13) *Staff shortages*

A really serious situation has arisen in the West African Colonies owing to the lack of European staff. Unlike South-East Asia or East Africa, there are no Chinese or Indians to perform the semi-skilled work. Thus the European has to do both skilled and semi-skilled tasks.

The lack of skilled man and woman power felt everywhere in the Colonies is accentuated by the above condition and by the bad name West Africa has got for climate, disease, lack of educational facilities and political disturbance. Added to all these there is the practice of virulent press campaigns against individual European officers.

The African of course with his childlike outlook wants the best of both worlds. He

wants more of European technical assistance with fewer Europeans. This does not apply to the people of the Northern territories who desire the aid of Europeans and are prepared to pay for it. The Administrative Service is receiving a number of excellent young men but they necessarily have little or no experience. It is rare to find anyone other than a Cadet in charge of a district. 90% of the Administration in the Gold Coast and 75% in Nigeria have been appointed since 1945. Even so the Administration is desperately short of officers.

This shortage of administrative and technical officers is having a serious effect on normal administration and it makes, of course, complete nonsense of large scale development.

(14) *Supplies and the inflationary tendency*

I found that in Nigeria supplies of cotton goods of the Japanese re-printed variety are coming through quite well. In West Africa generally there is a great demand for traditional English cotton goods, for kerosene, Raleigh bicycles, corrugated iron sheeting and concrete. The market is almost inexhaustible for the above.

In order to deal with the inflationary tendency of a doubled price for cocoa, an enhanced price (about 20–25%) for other vegetable export products and vast inducement sums for cutting out trees infected with swollen shoot and replanting (£9 million in Gold Coast alone) large imports of consumer goods of the right types will be needed immediately.

I believe that there is no drive in West Africa in the Savings Campaign. In no place where large sums were being paid out did I see posters, propaganda, or a van. Savings would help a great deal in combating the inflationary tendency.

(15) *The modern state*

One feature that strikes me more than any other is that the West African Colonies, like all others, are battling with the problems of the modern world with little of the machinery or the outlook of a modern state. Some of the senior officials seem to regard modern planning and development as just the most recent Whitehall fad. First it was indirect rule, then social welfare, later mass education and now economic development. There are few aids such as up-to-date statistical data. The departments keep a departmental mind and the agricultural departments do not for example always visualise the profound economic and social implications of what they are doing.

Unless all departments work as one machine with a common purpose the result must end in frustration and a great loss of effort.

They have lost very largely the contact with the people on the ground that the colonial officials in the old days had without gaining the expertise of modern administration. We must help them to regain the former and to achieve the latter.

Finally

I have given my conclusions based on my observations. It may be thought that I am critical or pessimistic but the reverse is the case. The tropical soil harbours diseases of the most malignant kind, the administration is suffering from the niggardly pre-war policy to an unprecedented extent, technical and semi-technical men and women are desperately short.

Yet we have positive achievements that have been overlooked. In the lifetime of a

man of late middle age the country has been recovered from barbarism, law and order prevails if somewhat tenuously, social and educational progress has been made.

I feel that there is great vitality in the people and that there is an immense fund of goodwill towards us except among the political self-seekers on the Coast.

I believe that it will be possible to enthuse the people to develop themselves. They are desperately keen on education for their children and on economic development which they tend to see as industralization.

I have therefore ventured to make the following recommendations, which relate to the foregoing conclusions and are similarly numbered.

Recommendations

(1) *Political*

In my view our policy on building up local government and identifying the people with the progress of their country is the sound one. We should build on a broad basis and not as in India and Burma on a narrow one. The people as a whole must go forward and not a few politicians on the sea coast out-of-touch with the needs of their own people.

There can be no real advance unless the people share in the desire as well as in the achievement.

We should give full support and encouragement to our friends, especially those in the Northern territories in every Protectorate.

(2) *Defence*

We should urge the Cabinet to come to a decision on a West African Corps, and the War Office to clear the outstanding points at issue.

(3) *Security*

The Police Adviser should go into the whole question of police, intelligence, transportation, communications and size of forces.

(4) *Agriculture*

We must push on with our war against the tsetse fly and our research into crop diseases and into better yielding strains.

In those areas where there is no tsetse fly the State should set up model mixed farms of its own.

In other areas the State should set up pig farms.

In both the local farmers should be induced to take advantage of the breeding or fattening stock available.

Apart from these suggestions our plans for mechanised groundnut and rice production and the introduction of better yielding strains of cocoa and palm trees would seem to be on the right lines.

(5) *Industrialisation*

We should point out to Trefgarne[2] that even more than finance the Africans need

[2] Sir George Morgan Trefgarne (1st Baron, 1947); founder chairman of Colonial Development Corporation, 1947–1950.

managerial and technical training. His corporation is their great hope of the former. There is no need of him to be frightened of the Gold Coast. I found that I was able to persuade them of the need for the C.D.C. without great difficulty.

As regards technical training in all its branches, I feel that all the West African Governments should give more attention (a) to the setting up of trade schools (b) to the setting up of technical colleges (c) to the training establishments run by the P.W.D., railways and other governmental concerns and (d) to scholarships for apprenticeships in engineering in United Kingdom shops. I consider, too, that the Governments might also consider business scholarships for young Africans with commercial firms in the United Kingdom.

(6) *The co-operative movement*

I believe it is necessary to organize a double tier consumer co-operative movement. The first being a wholesale-import co-operative whose members would be unions of small retail societies or the societies themselves. These societies would form the second, or retail, tier. It is quite obvious that the present societies cannot run them themselves so I suggest that business executives from the C.W.S. and the Scottish C.W.S. be imported to run the former and executives from the big retail societies like the Woolwich Arsenal and the South Suburban [sic] be imported to run the latter.

(7) *The monopoly firms*

These should be dealt with by the Co-operative Societies I have mentioned. In addition I suggest that price control be reimposed on rare commodities all the way down to the consumer.

As to the tin mining royalty of the U.A.C. this can be (i) extinguished without compensation (ii) be reduced to a nominal figure unilaterally under the original Treasury minute or (iii) extinguished for a comparatively small sum to be fixed by the Nigerian Government.

(8) *Public relations*

(a) In Sierra Leone, in the Gold Coast and in Nigeria respectively the installation of radio transmitters powerful enough to reach the whole territory. In towns that these broadcasts be re-diffused and in country districts that arrangements be made for public listening in every village, through the most convenient authority (headman, chief, policeman, postmaster). The programmes be arranged locally and that local material be used as much as possible.

(b) That the B.B.C. be approached urgently to re-cast its overseas programmes to make them more suitable for the African listener.

(c) That technical officers of Government be encouraged to give talks on their work from time to time, and that Government departments as such have a nation wide 'week' when, for example, the educational or agricultural department is on show.

(d) That Governments realize that people want circuses as well as bread. The administration is honest and hard-working but dull. More bands, more parks, more fairs, more sparkle is wanted.

(e) That every officer be made to realize that he is a public relations officer. 'Theirs not to reason why' went out with Tennyson.

(f) With regard to the Regional Public Relations Offices, I suggest that Ministers,

with the officials concerned, should as soon as possible go into this whole question and on the basis of the experience gained and on the views which have been formed evolve the future policy with reference to this organization. I am not at all satisfied from what I have seen in both East and West Africa that its scope, and hence the work it is doing, justifies its expense.

(9) *Mass education*

In my view this can only be achieved through the medium of broadcasting on the scale I have suggested, by extending publications of the type of "Nigerian Citizen" and "Gaskija", and by persuading the leaders of African opinion to take a hand in the movement.

(10) *Transportation*

(a) *Rail.* I think the Sierra Leone railway should change to a 3 ft. 6 ins. gauge. As to the rest we must continue to give these railways all the assistance we can in getting supplies.

(b) *Road.* I think that where it is impossible to tar all roads the bad parts should be tarred; often a few hundred yards makes a road of 50 miles long impassible.

(c) *Air.* We should assist West African Airways to obtain more powerful 'planes than Doves for the inter-territorial services and should approach the Ministry of Civil Aviation in order that transcontinental traffic may be started, Kano–Khartoum–Jeddah and Damascus.

(11) *Groundnuts hold-up*

There is nothing we can do here other than that already mentioned except to assist in obtaining more tarpaulins for the trucks.

(12) *Swollen shoot*

The only solution is to cut out all trees immediately they become infected and to pay compensation *per tree* cut out and *replanted* on a generous scale.

These measures, which are being taken in hand in the Gold Coast and should be followed in Nigeria, must be accompanied by a vigorous propaganda campaign. It really means officers speaking to small bodies of farmers in every district affected and answering their questions. The written word is not enough. This is a case where nation-wide radio broadcasts would be a great help but would not in themselves suffice.

If the B.B.C. Overseas broadcasts could be persuaded to turn from their pre-occupation over bandits in the Balkans, strikers in the Midlands, the latest panic rumours from Berlin and English football and racing results and consider for a time the needs of our Colonial territories they too might assist in this matter.

(13) *Staff shortages*

The only answer is to offer such terms in pay and conditions as will induce people of the right type and with the right qualifications to go to West Africa.

Finance Committees should be told to stop crying for the moon and to take a realistic attitude on this matter. If put to them bluntly I am sure they will do so but there must be no beating about the bush. If they want good men they must take them on the good men's terms.

There will, too, have to be a considerable addition to the European semi-skilled ranks to relieve the skilled men of much routine work. This particularly applies to agriculture.

(14) *Supplies and the inflationary tendency*
(i) Our policy in this direction, accepted in the main, I understand from Mr. Poynton's letter, by the other Government Departments concerned, is the right one.
(ii) I suggest that we should send a despatch to all Colonies where there is an inflationary tendency pointing out the necessity for a savings drive accompanied by propaganda and facilities for paying in and drawing out whether to or from a mobile van or otherwise.

(15) *The modern state*
We must suggest to Governments their requirements to bring men from the old Colonial outlook to that of the modern state. We must help them with the advice and technical assistance they require.

On the economic side, the Economic Development Liaison Officers can help a great deal. After they have had a tour of their respective areas I would like to have a conference with the appropriate officials and with the Development Liaison Officers to ascertain in what way we can assist the Colonial territories in this part of their evolution.

112 CO 852/603/6 28 Mar – 7 May 1946

[Tanganyika groundnuts scheme]: minutes by S Caine, A B Cohen, G M Roddan[1], Sir H Tempany[2], Mr Hall and Mr Creech Jones

We had already heard of this. It is prima facie of the greatest interest and will be examined as promptly as possible. Obviously a lot of difficult questions will arise—soil possibilities, native rights, labour conditions, source of finance, availability of plant, etc. . . .

S.C.
28.3.46

I can only speak from the point of view of the development of Tanganyika, not from the world food situation point of view. From the purely Tanganyika point of view, if it could be carried into effect, this might be an immensely valuable means of developing the territory and filling the vast empty spaces along the central line of Tanganyika. I understand that Mr. Samuel[3] discussed a much smaller project briefly with the Chief Secretary and Financial Secretary when he was recently in Dar es Salaam and that subsequently his local representative has put this smaller scheme to

[1] Assistant agricultural adviser, CO, from 1943; deputy adviser, 1947; deputy director of agriculture, Kenya, 1948.
[2] Assistant agricultural adviser to S of S colonies, 1936–1940; adviser, 1940–1946; vice-chairman, Colonial Advisory Council on Agriculture, 1940–1943.
[3] Managing director of the United Africa Company.

the Tanganyika Government tentatively, and that they have welcomed it (of course it is all in a stage of preliminary examination). I understand also that this scheme is regarded by Mr. Samuel as a project beyond the scope of unassisted private enterprise. It would, in fact, be necessary to form a public utility company with large scale Government participation.

I suggest that when the letter to Sir F. Tribe[4] has gone off, Mr. Caine, Mr. Monson and I might have a talk as to the various points to be investigated with a view to having an early talk with Mr. Frank Samuel himself.

I make no comment at this stage on the proposition that Sir C. Lockhart[5] should be put in charge of this development.

A.B.C.
29.3.46

The Agricultural difficulties are these:–

1. *Unreliable rainfall*

About half of the stretch in question, Dodoma to Tabora, is in the Central Province, the most arid in the territory, with a rainfall in the under 30″ class. The tract suggested lies within the main groundnut producing zone in Tanganyika Territory. The groundnut exports from T.T. over the past 13 years have been:

1933	19,177	
1934	8,036	– Drought
1935	16,429	
1936	22,786	
1937	22,251	
1938	3,579	– Severe drought and rosette disease
1939	4,496	– Badly distributed rainfall
1940	8,185	
1941	11,312	
1942	13,193	
1943	1,752	– Drought
1944	627	– Continued drought

The project appears to be precarious on this count.

2. *Soil*

I am always suspicious when I hear of vast tracts of uninhabited fertile land. There is usually a snag, it may be soil, or lack of water, or it may be tsetse. The area in question is some 3000 to 4000 ft. up and undulating and the Central Province presents some of the worst examples of soil erosion in the territory. The soil is light and easily erodible, and it is certain that soil conservation measures (not estimated for) will be essential. Obstruction by conservation measures to mechanical cultivation may possibly be overcome by adopting strip cultivation.

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[4] Permanent secretary, Ministry of Food, 1945–1946.

[5] Chief Secretary, East African Governors' Conference; formerly financial secretary of Northern Rhodesia (1937), of Kenya (1938), and of Nigeria (1942).

3. *Fertility*
Soil types vary tremendously within this area even over quite small distances and within any large block and under the best conditions. I understand that if 50% of the area is suitable for groundnuts, this would be a maximum. The area is largely scrub and woodland covered, and does not possess any marked degree of fertility. The light soils in particular are of low fertility. In regard to the maintenance and improvement of this fertility, I gather the proposal is to crop, for four years, two crops of groundnuts then one other crop followed by a further groundnut crop and then grass fallow for three years. I know it is a common practice in many parts of the tropics to take successive crops of groundnuts from the same land. Only experiment can show whether this can be done in this area without the aid of manure (not estimated for). I am, moreover, doubtful whether the three years grass fallow will have the desired effect. Firstly if by "grass" is meant natural regeneration of scrub growth, etc., this is not an efficient restorer of fertility over a short period, or if, as seems implied by the grazing proposals, it is proposed to establish grass, this can only be done by planting (which is, of course impossible on such a scale) or by seeding, and we have not yet reached the stage when we can suggest a suitable mixture or provide the necessary seed. Secondly, when Dr. Martin of Uganda, the East African authority on this subject, visited T.T. in 1943 and made chemical and structural tests on a range of soil samples, he pointed out how lacking in colloidal binding material are the lighter soils and how, therefore, on these soils there is doubt if benefit can accrue from a grass rotation.

4. *Rosette disease*
Experience everywhere has shown how important it is that groundnuts be planted immediately there is sufficient moisture to make this possible if rosette disease is to be reduced to a minimum. The optimum planting time is very limited, even a few days may make all the difference between a full crop and failure, due to the onset of this disease. It seems doubtful whether sowing of the vast areas can be completed in a short period without a most extravagant use of expensive machines. Further, I have confirmed by speaking to Dr. Neave, that by continuous and concentrated cropping with groundnuts there would be a very strong tendency for the vector of this disease (Aphides) to multiply and therefore also a corresponding increase in the disease. Control of Aphides by spraying is not practical. In this regard we would be at a disadvantage as compared with America where rosette disease does not occur.

5. *Distribution of labour*
The quick maturing varieties will suit this area best, and these have a growth period of about four months. During the initial stages it will be possible to use men and machinery during the off-crop season for stumping, clearing, etc., but when this work is completed it is difficult to see how employment is to be provided throughout the year.

6. *Selection by aerial survey*
A preliminary selection might usefully be made in this way but it would have to be correlated with existing knowledge and a further and no doubt very considerable amount of ground work.

7. *Seed supply*
Difficulty will be found in obtaining the large amount of seed of varieties which have been proved suitable under T.T. conditions.

I take it it is intended to export the decorticated nuts. We want the valuable "Poonac" (residue after extraction of oil) for cattle feed here, but surely it savours very strongly of mining to take everything out of the T.T. soil and put nothing back. Under a system of peasant holdings on the lines of the Sudan Plantations it might be possible to extract the oil on the spot but retain the Poonac for cattle feed and to return it to the soil in this way. But this is another question.

From the agricultural point of view, I do not regard the project with any enthusiasm.

G.M.R.
4.4.46

I was invited to attend a short discussion of this scheme with Mr. Samuel on April 15th. at 3 p.m. having returned to the office that morning after a three months absence. I had only time to obtain the sketchiest idea of what it was all about and could make no useful contribution to the discussion, beyond indicating that so far as I could see Mr. Roddan's criticisms are valid.

Even now as this paper is marked in red I have not been able to examine it carefully but I have been able in the short time available to make a cursory examination of it. That examination increases my sceptism [sic] of it.

The scheme envisages the cultivation of 2½ million acres that is 3900 square miles, rather less than the total area of Jamaica. The largest plantation area in the world is the Sudan Plantations dealing with an annual crop—cotton—this occupies 1 million acres of which 850,000 acres are cultivated. Having recently seen something of this enterprise and the difficulties that have had to be overcome, I frankly doubt if it is possible to build up what would probably be the largest single crop plantation enterprise in the world at short notice.

It seems remarkable that the proposal should have received such very cursory scrutiny from the agricultural point of view, in the initial stages, since it is primarily an agricultural scheme. I do not think that e.g. a large scale engineering scheme of comparable magnitude could possibly have got as far as this without full preliminary examination of the technical aspects by a committee of experts. I would urge that if it is possible this ought to receive similar treatment.

I know that the proposal to send out a delegation is supposed to provide for this, but I do not think that this should be done until the scheme has been properly examined on this side.

In regard to the proposed team for the visit, I do not think that the composition is satisfactory. I would not care to rely on the verdict of only experts nominated by Mr. Samuel, supplemented by Mr. Roddan and members of the T.T. Dept. of Agriculture. Mr. Roddan has great ability but he has had no practical experience at all of ground nut cultivation, while among the Tanganyika Department there is no officer that I am aware of who has first hand experience of really large scale mechanised plantation agriculture. It would throw the main responsibility on this side on Mr. Samuel's nominee who presumably is responsible for devising the plan. If it should be decided to send out an expert on our side I would strongly advise that the attempt should be

made to enlist the assistance of Captain Mackie[6] who knows groundnut cultivation from A to Z in its Nigerian aspects and is a very sound agriculturist.

From a very cursory examination of the estimates I am inclined to question the validity of some of the premises on which they are based e.g. I doubt whether a staff of 3 Europeans can adequately supervise a block of 35,000 acres under an annual crop which has to be planted within a short space of time with the onset of a very variable rainfall, and only takes 4 months to mature.

I also doubt whether entire reliance can be placed on mechanical means to carry out the weeding in the early stages of growth. Certainly in the Sudan with cotton it cannot and the problem of finding labour to perform this essential task is one of the biggest headaches the Syndicate have to face. Sir Frank Engledow[7] and I spent half a morning with the Manager of the Syndicate discussing this particular problem. Mr. Samuel assures that all the problems of mechanisation have been solved in the States but no details are forthcoming. I have no information myself on the subject and we ought to have full details since the whole scheme hinges on employing a very small labour force.

I will not comment further here but would urge that before the step is taken of sending out a delegation a small committee of experts should be asked to examine the scheme here. If so desired I would be prepared to suggest names.

H.T.
30.4.46

Sir George Gater discussed with Sir Harold Tempany, Mr. Cohen and myself. It was agreed:–

(1) That we should proceed with arrangements for local investigation, but that the investigating team when chosen should have preliminary discussions with a "briefing committee" of which Sir Harold Tempany and Sir Frank Engledow would form the nucleus.

(2) That the investigating team should be somewhat stronger than envisaged in the previous minutes, and should consist of a senior man with wide Colonial agricultural experience, the U.A.C. representative, another agriculturist with experience of mechanised agriculture, and an administrative man from the Colonial Office. The names of Sir Geoffrey Evans[8] and Captain Mackie were mentioned in the first category, although considerable doubt was felt as to whether it would be possible for Captain Mackie to work in harmony with any U.A.C. representative. Sir Harold Tempany mentioned the name of Mr. Cuplin (?) as an expert on mechanised agriculture.

It was agreed that the immediate steps to be taken were:–

(a) to tell the Ministry of Food of our proposals and get their agreement; this I have done—see copy of letter attached;

(b) to have a preliminary conversation with Sir Frank Engledow, which Sir Harold Tempany, Mr. Cohen and I hope to have this afternoon; and

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[6] J R Mackie, director of agriculture, Nigeria, since 1936.

[7] Drapers' professor of agriculture, Cambridge; member of Colonial Advisory Council on Agriculture, Animal Health and Forestry.

[8] Economic botanist, Royal Botanic Gardens, Kew, since 1938; formerly principal of Imperial College of Tropical Agriculture, Trinidad.

(c) to recirculate the file for the information of the Secretary of State and Mr Creech Jones.

S.C.
3.5.46

This should be proceeded with all speed.

G.H.H.
6.5.46
A.C.J.
7.5.46

I think the inclusion of Mackie & Geoffrey Evans in the team would be of immense value. There seems great force in the Minute of Sir Harold Tempany. The course suggested in Mr Caine's Minute seems a wise one.

A.C.J.
7.5.46

113 CO 852/1003/3 23 Apr–29 May 1946

[African agricultural policy]: minutes by S Caine, A B Cohen, Sir G Clauson, Sir F Stockdale[1], and Sir G Gater

We have for some time been concerned about the very fundamental question of the speed at which it may be possible to effect technical improvements in Colonial and especially African agriculture, having regard to the nature of the social structure and the forms of economic organisation with which we are working. The topic keeps coming up in one form or another. Various aspects of it crop up from time to time on the Economic Advisory Committee, and it was repeatedly touched upon at the recent Colonial Service Conference in Oxford.

2. It is hardly necessary to emphasise the basic importance of the improvement of agricultural technique in Africa. Production per acre or per unit of manpower is low, and although it is easy to exaggerate the possibilities of improvement and to ignore the absolute limitations set by the basic soil fertility and climatic conditions, there is very little doubt that substantial improvement could be made.

3. Equally there is no doubt of the urgent desirability of such improvement in productivity. There has been too great a tendency to allow the temporary and purely marginal surpluses which were so troublesome in the 1930's to obscure the fact that the world is still short of everything, and above all food, and is likely to go on getting shorter if the present powerful trends towards increased population continue to operate. The essential message of the Hot Springs Conference and the Food and Agricultural Organisation is fundamentally true, i.e. that the world must have more food if a higher standard of welfare is to be attained, and it is not impossible that the present acute food crisis is only a specially sharp attack of an underlying condition of scarcity which will be with us for many years to come.

[1] CO adviser on development planning, 1945–1947; deputy chairman of CDC, 1947; formerly comptroller for development and welfare, West Indies, 1940–1945.

4. It is therefore a matter of urgent public importance, in the widest sense of the word public, that the land should be used in the most productive way possible, i.e. productive over a long period of years. It is important that its current fertility should be enhanced as much as possible without destroying its permanent fertility. Accordingly, it is necessary to steer between the extremes of mining the land for immediate advantage and adopting cultural routines which leave the soil permanently undamaged only at the expense of making quite inadequate current use of it.

5. The attainment of the right middle course requires, therefore, an intelligent and discriminatory application of many novel technical methods. The use of mechanical cultivation, greater application of fertilisers, more elaborate systems of mixed farming, and more scientific methods of preventing soil erosion are among possible lines of improvement.

6. At certain points, however, any such developments inevitably come into conflict with customary practices and ways of thought which are closely bound up with the whole social system of the communities concerned, and the question constantly arises whether some modification which will have significant social consequences is worth while for the sake of the technical improvement it would make possible. Broadly, there can be little doubt that the social structure throughout most of our African territories acts as a pretty heavy brake on change. That is by no means wholly a bad thing, but at least we must face the fact that we cannot have technical improvement and a changeless social structure at the same time.

7. Typical of the problems which arise in this field is that of land tenure. It would, I imagine, be generally agreed that African systems of land tenure and the cultural routines associated with them, if maintained to the full in their traditional form, would effectively prevent any rapid technical change, possibly any change at all. On the other hand, the relationship of the community to its land is so fundamental to the social structure that changes in it would have large and not easily calculable effects in many departments of social life. There is, therefore, a natural reluctance to embark on change. At the same time, there is little unanimity as to the kind of change at which we ought to aim. A line of development which is not very commonly advocated openly nowadays is that of the development of individual tenures of the type with which we are familiar in this country, but it is certainly possible to make out a case for that as a liquifier of the system and a powerful agency for experimentation and change. Probably there would be more intellectual support today for the deliberate transformation of communal land tenures into some system of collective or State or co-operative farming. Others again, and perhaps the most powerful in practice, incline towards a less clearly thought out modification of the existing systems by adding controls, prohibitions, etc., aimed at enforcing particular cultural practices thought to be desirable in the public interest. I was struck in this connection with the very general inclination among the officials present at the Oxford Conference to accept a quite substantial degree of compulsion in the introduction of agricultural and other improvements.

8. There is an analogous problem in the improvement of the productivity of Colonial populations themselves viewed as a factor of production. It cannot be questioned that today the majority of Colonial populations, certainly in the West Indies, are inferior in efficiency as manual labourers and in initiative, enterprise and organising ability as entrepreneurs and managers to the average of this and other countries which are advanced in the western sense. We cannot reject entirely the

possibility of innate racial inferiority, but there is certainly insufficient reason at present to accept that explanation. Climatic and living conditions and a social structure which, as already noted, is inimical to change, and therefore to enterprise, are at least substantial factors in this inferiority. Both are to some extent susceptible of control, and changes in the social sphere may possibly in the long run be the most potent of influences towards increased efficiency of productivity. It is at least a very plausible social hypothesis that a major civilising influence comes from the action of the elite among a community, but only if the social structure permits the natural elite to emerge from the average ruck. It is certainly very doubtful whether traditional social customs in many of our Colonies have given full scope for such emergence of the more enterprising individuals in the community, and there might be substantial economic benefit from change which genuinely made all careers open to the talents.

9. It would, I think, be quite fair to say that official policy has hitherto held back from active encouragement of such changes, because of a general preference for social stability. My personal inclination is to doubt very much the emphasis hitherto laid on that aspect. For one thing, I doubt whether the dams it has been sought to create against the current of change will hold. We cannot wholly prevent the impact of modern conditions and modern ideas on Colonial communities, and changes will happen whether they are encouraged and recognised or not. If we try not to recognise them, the result is that they merely go on underground or in less desirable forms, or that we fail to deal adequately with their incidental evils because dealing with the evil would be necessarily recognising the fact. I do not pretend to any great knowledge, but I have a strong impression that many social evils of urbanisation are developing in Africa because of an unwillingness to admit that the urbanised, de-tribalised native has come to stay and must be properly provided for.

10. Apart from these purely general considerations, the problems of inter-action of economic development and social structure are constantly arising in individual form, e.g. in connection with the present apparent difference of opinion between the Colonial Office and the Government of Nigeria about general policy with regard to industrialisation, in connection with the proposed large-scale development of groundnut production in Tanganyika, and in connection with the attitude of the Government of Uganda towards a project for development of increased sugar production.

11. It will be remembered that these subjects were brought up in a theoretical way in memoranda circulated to the C.E.A.C. largely written personally by Dr. Arthur Lewis[2] when he was Secretary of the Committee. He put forward the necessity of what he called agricultural and industrial revolutions in the Colonies in forms which did not wholly appeal to the Committee, but the discussion led directly to the fundamental issue of the compatibility of such changes with policy in the social and political fields. The Committee accordingly felt that before they could usefully pursue the discussion, they needed guidance from the Secretary of State, and they put a series of questions to him. These questions and the answers will be found at No.31 in 19260/44.[3] The general purport of the answers was such as to persuade the

[2] (Prof) W A Lewis, lecturer at London School of Economics, 1938–1947.

[3] See BDEEP series A, J M Lee & P Rich, eds, *Colonial policy and practice, 1924–1945.*

Committee that there was little advantage in pursuing the discussion of "revolutionary" economic change any further. I suggest that the whole subject should be reconsidered now. On the agricultural side, some members of the C.E.A.C. indicated at the last meeting a desire to be given an opportunity of re-examining certain fundamental questions of agricultural development on the Committee's Primary Production Sub-Committee, but if anything of that kind is to be done usefully, a first essential is, I think, to withdraw the limitations implicit in the answers given to the Committee's questions in 1944. Perhaps the best thing would be to ask the C.E.A.C. to re-examine the whole subject, while suggesting that there should be associated with them for this particular purpose others more directly concerned with the social aspects, including perhaps members of the Office particularly responsible for the African territories which constitute the nub of the problem.

S.C.
23.4.46

I am very glad indeed that Mr. Caine has raised this matter. It ties up closely with certain ideas which we have been trying to develop in the African Division and I agree that this particular problem needs urgent tackling.

On what I judge to be Mr. Caine's main point, the necessity for the adaptability of native institutions to social and economic change, I entirely agree. I believe that in many parts of Africa opinion has developed rapidly during the last ten years and that a wide measure of support would be found for Mr. Caine's views among Governments and individual officers. We at this end are at present engaged in considering the possibility of a re-definition of policy with regard to native administration. Put very briefly we believe that the Lugard–Cameron policy of building up the native administrations in accordance with local custom has served its purpose and had its day and we should like to see the emphasis in the future placed on the following points:–

(1) Native administrations should be regarded as local authorities and their composition etc. should be reviewed with the object of securing the maximum degree of efficiency in operating local services.
(2) They should be adaptable to the needs of social and economic change.
(3) They should find a much greater place than they have in the past for the more progressive and the educated man.

This is not the place to go into all the implications of the above. What is involved is not the throwing overboard of tradition, but the shifting of the emphasis from tradition to efficiency. From this point of view I do not believe that the answer to the first question at No.31 on 19260/44 ought to be allowed to stand in its present form. I do not believe that we can afford to sit back and allow the process of social change slowly to work itself out over a period of generations. Native society in its traditional form is dissolving in many areas as a result of the impact of European ideas. The natural process is a good deal faster than is often admitted and Governments have themselves also got to move pretty fast unless they are to be left behind altogether.

In our approach to the problem of re-defining policy with regard to native administration we are aiming at making the native authorities a more suitable organ for encouraging desirable developments, both social and economic, and for dealing with the consequences of those developments whether they derive from the

conscious actions of Government or from natural processes. In this we have so far concentrated on four aspects:–

(1) *Land tenure*. We have tried to provide what was hitherto lacking, machinery for discovering the facts and advising Governments on policy, so that this may be less haphazard and more consciously directed. Machinery for this purpose has been set up here and is being set up in the African territories.
(2) *Legal systems*. We have recently sent a despatch to all African Governments (copy attached)[4] emphasising the necessity for guiding the development of African law to meet the requirements of social and economic progress.
(3) *Native authorities*. We are in process of considering how the native authorities themselves can best be fitted to play their part in economic and social development.
(4) *Administrative machinery*. The Governments must have proper machinery for forming and carrying out policy if they are to play a more positive and constructive rôle in the stimulation of social and economic change. What we have in mind is a Secretary for Native Affairs (or whatever more suitable title can be found) who would be the Government's adviser on the general policy as well as technical matters connected with native administration. He would have on his staff officers specialising on land, law, agricultural organisation, co-operation etc. (according to the size of the territory). This machinery has already been set up in Kenya where more active thought is being given to these problems possibly than anywhere else in Africa at the moment.

What the above would do, if carried into effect, would be to create the necessary framework for economic and social development in the sphere of native administration. But what form is this economic development to take? That is a question to which I have not yet seen the answer, and all these plans must come to nothing unless a satisfactory answer can be given. Most people agree that peasant agriculture is not enough, but are we to aim at large-scale co-operative units with European management in the first instance, at plantations largely financed by private enterprise with Government control of general policy and of conditions of labour, etc., at betterment areas with existing social customs but subject to strict control of methods of cultivation etc., or at settlement based on individual tenure by Africans? Probably the solution will vary from area to area, but what, to my mind, is urgently required is a study of what has already been done in Africa and elsewhere in the Colonial Empire and in other parts of the world and considerable experiments in the field in different methods of agricultural organisation. With this in view, we need, I believe, a far greater emphasis on agricultural economics than Colonial Agricultural Departments have hitherto placed on it. We also need strong directions from here as to the problems which must be tackled, (rather than detailed solutions of these problems). Finally we need very considerable finance to cover the cost of the increasingly large experiments which will be required as the policy develops. I doubt whether this finance can be found to any large degree by the Colonial Governments themselves or from their own territorial or regional C.D. and W. allocations.

One point which Mr. Caine does not mention in his minute but which was

[4] Not printed.

emphasised both by Sir P. Mitchell in his recent despatch on land policy and by Sir F. Engledow in his talk on his East African visit is the present inefficiency of African labour and the unwillingness of the average African peasant to make the effort which would be necessary in connection with any radical change in the basis of agricultural production. I believe myself that this is an even greater bar to economic progress than the unsuitability of native administrations in certain areas in their present form. Mr. Caine refers to compulsion and I agree that this may be necessary. But you cannot compel large numbers of peasants to adopt a way of life for which there is not a fairly general desire among them. You can in fact only do it through the native administrations themselves. Compulsion may have to be resorted to, but inducement will I think be a more powerful method and it is to the kind of inducement required that we ought to direct our attention. A good deal of research in labour efficiency will I am sure be necessary.

As regards the procedure for considering the economic aspect of this problem reference to the Primary Production Sub-Committee will no doubt be appropriate, but the problem is an intractable one and I feel sure that if such a reference is to produce useful results we shall have to have something pretty concrete to put before the Sub-Committee when they are asked to consider the subject. Could we adopt for this the same technique as we have adopted recently for African law and earlier for land tenure? Could we have a small official group (perhaps under Mr. Caine's chairmanship) to draw up a memorandum of what we have in mind? If that would help, Mr. Cartland's services could be provided as secretary seeing that he is concentrating now on these long term problems.

I am sorry to have delayed this file.

A.B.C.
6.5.46

I am sorry that I have somewhat delayed this paper, but it did not seem as urgent as the mass of stuff which has recently been passing through my hands; and it certainly needs very earnest thought.

Money is proverbially the root of all evil, but I believe that in the ultimate analysis the reason for most of the economic stagnation in Africa is a lack of money consciousness. The reason why most Africans lack the will to make more productive effort is that they have no particular desire to earn more money. It is not for one like myself who has never penetrated further into Africa than Cairo, which is wholly atypical, to pontificate on the subject of what goes on in the African mind, but the impression left on me by the second-hand information which is all that I have, is that the needs and desires of the African are few. He wants enough to eat and drink, female (or male as the case may be) society, social prestige to the extent to which his social position permits it (which may be evidenced, as the case may be, by such things as the possession, individual or communal, of land or cattle, a good practice as a witch doctor, a position as chief and so on) and beyond that leisure. Most of these are either easy to get (food and society) or definitely unattainable (e.g. the hereditary position of witch doctor). The balancing factor is leisure. Until the African mind can be stirred, he will go on preferring leisure to other joys involving effort, and the largest inroad he will voluntarily make on his leisure is to earn enough to fill the gap between what he has and what he *at present* wants.

In these circumstances, short of the long term policy of education, which may

need generations to debunk the charms of idleness, we have, it seems to me, to think out more or less unscrupulous or disingenuous methods for discrediting leisure and stimulating a desire for money. One obvious method is to stir up the women to make greater demands on their men. It is the fashion papers and the like which cause many wives and daughters in this country to drive their menfolk to the tread-mill. Fashion papers in the ordinarily accepted sense of the term are not a starter in an illiterate country, but the experts with local knowledge might well be able to suggest methods of stimulating feminine cupidity or vanity.

Another possibility is the French method of using decorations and titles as a stimulus. The Palmes Académiques and the Ordre (or Medaille?) de Mérite Agricole, are partly a form of political pandering to the inherent snobbishness of the French, but partly also a carefully designed plan for stimulating intellectual and economic activity. A considered scheme by which the Chief whose chiefdom was agriculturally most advanced got the African Medal for Native Chiefs quicker than his less progressive neighbours, and the individual farmer with a good record got a medal for agricultural efficiency might well lead to results.

Again one can use idleness to defeat itself by persuading the African that improved methods will mean the same result for less effort, and hope that the results increase efficiency of production quicker than the effort decreases.

Other devices could no doubt be suggested by others better qualified than myself.

My conclusion however is pretty clear. This is a mixed problem of psychology and technology.

On the psychological side it is for the sociologists to think out a scheme of research designed to discover why the African does not like work and what means can be found of making him like it. This may lead into fascinating medical by-paths, such as the relationship between idleness and diseases like hook-worm.

On the technological side, which personally I rate lower than the other, though the fashion is rather the contrary, it is for the agricultural researchers to investigate means of increasing the productivity of labour.

A combination of the two, i.e. more work and more efficient work, seems the only way out of our present impasse.

G.L.M.C.
20.5.46

I am in entire agreement with many of the views expressed in the previous minutes. There is, in my mind, no doubt that Colonial policy is at the present time at the parting of the ways. It can no longer proceed along the traditional lines of the past and unless there is a breaking of new ground the present feelings of frustration—still pent up in the hearts of many—will lead eventually to explosions which will have far-reaching effects.

I will not deal at length with the West Indies in this minute as the peoples of that area are not representatives of indigenous peoples with their anchors in the land and their traditional customs. They have all been nurtured on the British model and their social changes and advancements have followed upon the lines of social developments in this country. This will continue. Our first aim in the West Indian area should be to encourage the evolution and development of a sound "middle class" and afford to these the opportunity of service to their fellows through local government and social services. The upsurge of feeling in Jamaica is an expression of the lack of

opportunities and of the desire to secure remunerative employment in productive occupations of interest and possibility. There is, however, a lack of middle class attachment to the land. In Grenada a middle class which has its roots in the land exists and has a stabilizing effect. Throughout the West Indies, however, there is amongst educated youth a deep feeling of frustration because of the lack of opportunity and because of the barriers which West Indian society has erected in the paths of many. Whatever we may think here, there is still a marked colour barrier in many parts of the West Indies and whilst colour prejudice has its base in economic fields, this does not represent the whole picture in the minds of very many of those of all races who were born in the West Indies and who have lived their lives there. These prejudices will be outgrown with the spread of secondary and higher education and will be overcome if we can succeed in creating men of substance and of affairs in what I have described above as "middle class".

In the West Indies the people must be encouraged (1) to protect their natural resources in land, water, forests and minerals; (2) to plan the utilization of the resources which are available to them; (3) to diversify their occupations; (4) to improve efficiency through educational systems designed to afford opportunities for all and give technical or vocational training for a greater number than is provided at present. Progress will only be made, however, by jerks unless Governors and Administrators are given fairly precise directions in regard to the policy to be pursued, which must include a greater use of the knowledge of technical specialists and of the people of the area.

I will not expound further in regard to the West Indies. What applies in that field, applies equally to many of the smaller scattered island communities, even though some of these, e.g. in the Pacific—have their traditions and customs from the past. Fiji is an example where "detribalization" is taking place fast and it must be recognised. It is impossible to expect the youth to conform to the customs of their "elders" and there must be found room in local government for the conservatism of the elder and the liberalism demanded by youth.

The main issue has however to be faced in Africa. It is there that we shall be confronted with distress and explosion in certain areas unless early steps are taken to map out a course for the near future. From all I have been able to gather recently there is growing in East Africa a great feeling of frustration—not only among the younger members of the Colonial Service—both administrative and technical but amongst the peoples themselves. British rule has, it has been argued, removed the excitements of life which were known in the past. No longer are there inter-tribal wars, no longer exciting chase against wild animals. Life for the young members of a tribe has become much more drab and where are the outlets for the activity of what should be the "productive" years. Populations are increasing. Many of these are being cramped, either by nature or the tsetse, into circumscribed areas and the devastation of the soil which is taking place is now accepted by all. In a few decades many areas of East Africa will be little better than deserts—with their misery for untold numbers. In many areas, remedial measures can no longer be economically practicable and may have to be abandoned to nature. The reduction of population and of stock is inevitable and we cannot face the transfer of man and beast to other areas—in order to relieve the present growing distress—without creating safeguards against a repetition of the pending disaster. I am certainly glad to see that Sir Philip Mitchell has placed on record his views on the population and land problems of Kenya—and

indeed of East Africa as a whole. These views have been fully confirmed by Sir Frank Engledow, Sir Harold Tempany and Professor Munro[5] who have recently returned from a visit to East Africa.

Action must be taken soon and this action should be based not only upon administrative changes but also upon technical knowledge. These two branches of the service must be brought into closer working harmony and there must be, in my view, much decentralization from the centre. The bottleneck of the secretariat system should be done away with, local administration given a wider freedom and the progressive youth of the dependency brought into local councils. I know that steps in this direction have already been made but it should in my view be greatly hastened. There should also be experiments in regional development or reconstruction. T.V.A.'s for African conditions are worthy of being tried out and there is much which can be learned from some of the rural reconstruction units of India. A beginning might indeed be made in connexion with the Machakos Reserve of Kenya.

Mechanical aids for cultivation purposes should also be tried out in certain areas. I personally feel that such a trial might be worth while in connexion with ground-nut production in the Gambia and possibly also in Northern Nigeria. From what I have seen of collective farming in some of the settlements of Palestine I do not believe that such a system could be other than repugnant to British thought but I do feel that co-operative farming systems could readily be evolved by local administrations where the tradition of local authority is well established and where finance is well-handled by the local authority Treasury. I also feel that the Postal Departments may require to be further developed in respect of Saving Banks and of Saving stamps. They can do much to spread money sense, thrift and that thought for the opportunity of the morrow which education should awaken.

The real problem as I see it, is so to plan our Colonial policy that there is opportunity for youth and progress in the utilization of the natural resources (without their destruction by improvident exploitation) in the shaping of local affairs and of social advancement. The conservative policy of Lugard–Cameron cannot persist much longer and it must be liberalized in such a way that the co-operation of the older and younger members of the communities are effectively brought together for the common weal.

F.A.S.
21.5.46

Mr Caine

I have read these minutes with great interest and am most grateful to you for raising this matter. I agree that the answers to the questions put by the Economic Advisory Committee to S of S in 19260/44 should be re-examined. Since 1944 a great deal has happened and it is becoming clear that we shall have to face more revolutionary methods if we are to achieve success in raising the standard of living in Colonial Territories. Major Cavendish Bentinck[6] made it clear in our recent talk with

[5] J W Munro, prof of zoology and applied entomology, University of London; member of CO Committee for Colonial Agriculture, Animal Health and Forestry Research.

[6] F W Cavendish–Bentinck, chairman, Agricultural Produce and Settlement Board, Kenya, since 1942; legislative council member for agriculture, and natural resources since 1945.

him in connection with African resettlement that compulsion might become necessary to secure improvements in soil cultivation.

As a first step I consider that a small working party consisting of yourself, Sir F. Stockdale, Mr Cohen, Mr O.G.R. Williams[7] and a representative of the West Indian Dept. should review the answers and make suggestions on redrafting them. Perhaps you will report results to me in due course.

G.H.G.
29.5.46

[7] CO assistant secretary, West Africa Dept, 1938–1946.

114 T 161/1371/S53997/1, pp 83–85 28 Oct 1946

'Groundnuts in East & Central Africa': Treasury brief by J I C Crombie[1]

The scheme is for the promotion of large scale mechanised agriculture in East Africa to secure a production of some 800,000 tons of groundnuts a year so as to increase the supply of fats to the world at large and, in the process, to this country.

Particulars of the scheme are set out in the attached memorandum[2] prepared in the Colonial Office. The Treasury have been consulted on this and have raised a number of pertinent questions on the present scheme. They have made it plain that they are not parties to the memorandum and that they may have to recommend opposition to the project.

The Colonial Office and Ministry of Food proposal is that this venture should be conducted by a public corporation, the capital of which would be subscribed by the Exchequer. Some £18 million would be required for this purpose. The corporation would not work for profit; any difference between production costs and the selling price being returned to the Exchequer. On this basis it is claimed that the whole of the capital would be repaid by 1953 or 1954. Eventually it is contemplated that if the scheme is a success the undertaking will be taken over by the Colonial Governments concerned on terms to be arranged.

The following Treasury points arise:

(1) The scheme will certainly produce some additional fats, but so long as international allocation is in force this country will not be guaranteed the full out-put resulting from this considerable financial venture. Indeed, it is probable that our share would be a relatively meagre one.

(2) The proposition that the capital will all be repaid by 1954 depends on a number of conditions, none of which can be guaranteed, viz:–

(a) that the cost of labour and materials will not rise;

(b) that the selling price of groundnuts will remain at its present level for two years and at two-thirds of its present price for the remainder of the scheme;

(c) that the scheme will not be jeopardised by such natural disasters as droughts, operational troubles during a short planting period, disease, rodents, etc.

[1] A third secretary at the Treasury.

[2] Not printed.

(3) The scheme can only succeed if large quantities of agricultural and similar equipment are made available, in the earlier stages, at any rate, from U.S.A. This will mean giving this scheme priority over United Kingdom agriculture, and, perhaps even more important, over open-cast coal mining. It also involves major long-term developments, such as the provision of new port facilities and a new railway line.

For all the above reasons the scheme seems a doubtful starter, and the present view of the Treasury would be against it. Even if the scheme is to proceed, serious thought will have to be given about its operation.

The first point is, which Department should run the scheme. The Treasury have no doubt that it is essential for the Ministry of Food and not the Colonial Office to run it. If the Colonial Office run it, the scheme is bound to be a financial failure, since the Colonial Office will, all along, tend to look at it, not as a commercial venture in which H.M. Government have invested money which they expect to see returned, but as a scheme for the betterment of the Colonies concerned. The Colonial Office would be quite happy to see the scheme used as a means for extracting further financial benefit for these Colonies from this country.

Secondly, it is extremely doubtful whether the idea of an independent corporation is a sound one. It will involve legislation and, according to the Colonial Office ideas, handing over a large amount of independence to an undertaking financed entirely out of public funds. It is felt that the Department should be content with something far less ambitious in the form of an agency agreement with some existing commercial enterprise with experience in these matters.

Finally, there is the question as to whether the Colonies should not take some financial risk. If the scheme is a success, they will cash in on our enterprise. Even if it is a failure, they will benefit by the employment and trade promoted in their territories. It is even suggested by the Colonial Office that they should be free to charge tax on the operations of the enterprise. For these reasons, it seems essential that the Colonies should take part in financing the venture.

It is understood that the Minister of Food may propose that, pending further examination of the full long-term scheme, a limited scheme should be put into effect for 1947 only. The 1947 cost is estimated at £3.6 millions and, apart from the fact that this is a considerable amount in itself, a limited scheme is open to the same general objections as the long-term scheme indicated above. In addition, there is always the risk that, even for a short-term scheme, some expenditure will have to be incurred that could only be remunerative as part of a long-term one.

It should be added that the Treasury understood that the Minister of Food had set up a Working Party (on which the Colonial Office would be represented) to examine the full scheme and report by the end of November. It is not clear why this programme should not now be followed; it would establish the merits, or demerits, of the scheme more plainly.

115 CAB 21/2277, M 373/46 29 Oct 1946

[Foreign settlement in Africa]: minute by Mr Attlee to Mr Creech Jones

I have read your note with regard to the possibilities of foreign settlement. In my view this matter must be explored further. While I am aware that there are large regions at present uninhabitable, either due to lack of water or the presence of tsetse fly, or for other reasons, I cannot believe that it is right that these great areas of the earth's surface should continue to contain so few inhabitants. Kenya, Tanganyika and Northern Rhodesia contain 875,000 square miles, with a population of just over ten million. Our position internationally is affected by the knowledge of these figures. I should like, therefore, for you to consider the suggestion that I put up before, that there should be a special investigation of the possibilities of these areas for closer settlement.

116 CAB 129/16, CP(47)10 4 Jan 1947

'East African groundnut project': Cabinet memorandum by Mr Strachey (minister of food)

The attached paper[1] asks for authorisation to proceed with the main part of the East African groundnut project.

2. My colleagues will see that this is a big enterprise; it has to be if it is to meet even a substantial part of our desperate need for fats. My colleagues would not believe me if I tried to pretend to them that such a scheme was free from risk. Of course, serious difficulties and delays, many of them unforeseeable, may arise in the course of a great undertaking of this sort.

3. But what I would ask my colleagues to consider are the risks of *not* undertaking this project. If we do not make a determined effort such as this to open up a new supply of oils and fats, we shall risk two things. First: in 1950 we may have the same, or a lower, margarine ration than today. Or second: in 1950 we may have to spend so many dollars on buying fats from dollar sources that we shall have too few left to buy other indispensable dollar imports.

4. Again a large enterprise of this type is the only way in which our Central African [sic] possessions can be rapidly developed, so that they may become an economic and strategic asset instead of a liability, as to a large extent they now are.

5. It may be objected that public money should not be used in an enterprise of this kind. But shall we not have failed as a Government unless we can, on suitable occasions, substitute public, socialist enterprise for private enterprise? The alternative would be to turn the whole thing over to Unilevers with a blank cheque to do what they liked. There are a dozen reasons why the Colonial Secretary, and indeed all my colleagues, would not allow us to do that. But if we are quite unwilling to use private enterprise for such purposes as these, must we not face up to using public

[1] CP(47)4: not printed.

enterprise? Otherwise we shall use neither kind of enterprise, and we shall fail as a Government because of a stalemate between the two systems.

6. The finance of the scheme is set out in paragraph 3 of the attached paper. The salient figures to keep in mind are these:–

(i) The maximum investment of public money which will be "at risk" at any given moment (31st August, 1950) is estimated at £25½ million.
(ii) The profits which will be made during the 25 years to the 31st August, 1971 are estimated at just on £17 million.
(iii) In addition, the United Kingdom and East African Governments should, during this period, have derived £21½ million from the scheme in taxation.
(iv) All these figures are based on an estimated cost of production of groundnuts of rather under £18 f.o.b. per ton, and on a selling price of £30 per ton in the first four years and £20 per ton thereafter. We are about to pay between £40 to £50 per ton for a comparable product from West Africa and are paying something like £70 or £80 per ton in dollars for comparable products outside the Empire (i.e. the Argentine).

117 CAB 128/9, CM 5(47)3 13 Jan 1947
'Production of ground nuts in East Africa': Cabinet conclusions

The Cabinet considered memoranda by the Minister of Food (C.P. (47) 4 and 10)[1] about the project for the large-scale production of ground nuts in East Africa.

The Minister of Food recalled that on 31st October, 1946, the Cabinet had sanctioned a limited scheme, at a cost of not more than £3 million, on the understanding that the implications of the larger scheme which had then been outlined to them would be fully investigated by the Departments concerned. Satisfactory progress had been made with the limited scheme, and he now sought authority to proceed with the full scheme, involving Treasury advances of about £25 million. The financial details and the arguments in favour of proceeding with the large-scale development were set out in the two memoranda which he had circulated to Cabinet. There was undoubtedly some element of risk in undertaking this project; but he was satisfied that there would be even greater risk in refraining from developing some such alternative source of supply of edible fats. The maintenance of adequate supplies of margarine for this country by 1950 was likely to depend on the success or failure of this scheme. Much of the capital cost, particularly for machinery, would involve dollar expenditure; but, if the scheme were successful, a limited initial expenditure of dollars should ultimately relieve us of a heavy continuing dollar expenditure.

He had been asked whether it could be assumed that the groundnuts produced under this scheme would be available for our own use and not subject to international allocation. He thought it likely that the system of international allocation of fats would have been discontinued by the end of 1947, and any production under this scheme would then be a net gain for us. Even if it were continued, however, we should be able to take the whole of this production against

[1] See 116.

our allocation and to reduce by that amount the quantity which we had to buy from dollar sources.

If his proposals were approved, he would make an annual report to the Cabinet on the progress of the scheme. In the first instance, the United Africa Company would administer it as a managing agency; but he proposed that legislation should be introduced in the autumn to establish a Government Corporation to which responsibility for the scheme would be transferred in August 1948.

The Chancellor of the Exchequer said that he had discussed the details of the scheme with the Minister of Food, and he was satisfied that the balance of the argument was in favour of undertaking this development. He was glad that the Minister had been able to give the Cabinet satisfactory assurances on two points to which he had attached importance, viz., that this country, rather than an international pool, should get the benefit of all this new production, and that annual reports should be made to the Cabinet on the progress of the scheme. A third point which he hoped the Cabinet would accept in principle was that the Colonial Governments, who would derive substantial benefit from the scheme, should be asked to consider making some contribution towards the capital cost.

The Secretary of State for the Colonies said that his Department had been associated with the Ministry of Food in the detailed examination of these schemes and he supported the proposals which the Minister of Food had placed before the Cabinet. Substantial difficulties would have to be overcome. In particular, there might be difficulties in obtaining adequate supplies of labour in this area; much machinery would have to be imported; large supplies of fertilisers would have to be obtained; and a good deal of irrigation work would be required. On these and other points, however, the Departments had take[n] great trouble to secure the best advice obtainable; and the balance of argument was, in his view, in favour of proceeding with the scheme. He would discuss with the Chancellor of the Exchequer the question of securing some contribution from the Colonial Governments towards the capital cost of the scheme.

Points in further discussion were:–

(a) If any substantial part of the machinery required were to be supplied from this country, this would prejudice the production of agricultural machinery for use in the United Kingdom.

The Cabinet were informed that the bulk of the machinery required was to be obtained from Canada.

(b) It was said that the full scheme would involve the annual consumption of 400,000 tons of fertilisers. Might not this prejudice the supply of fertilisers for use in the United Kingdom?

The Cabinet were informed that extensive new deposits of phosphates had been discovered in Uganda, and it was hoped that these might be exploited for the purposes of this scheme.

(c) Large numbers of soil chemists and other technical experts would be required. Might not this also prejudice the interests of British agriculture?

The Cabinet were informed that the Colonial Service already included a number of competent soil chemists, who would form the nucleus of the technical staff required for this scheme. Though others would be required, it was unlikely that recruitment for this staff would seriously prejudice British agriculture.

(d) Was it not possible that, by the time the scheme produced full results, ample supplies of butter would be available to relieve the present shortage of fats?

The Minister of Food said that the prospective world shortage of fats was so great that there was no risk of our being unable to make effective use of this additional production.

(e) The view was expressed that the success of this scheme would depend largely on management; and it was suggested that for this reason progress reports should be submitted to Ministers more frequently than once a year.

The Minister of Food undertook that, in the early stages, he would submit more frequent progress reports to the Cabinet.

(f) The necessary legislation would not be introduced in the present Session. It would assist the arrangement of the Legislative Programme if it could be prepared in time for introduction at the beginning of the 1947–48 Session. The legislation might with advantage be framed in terms sufficiently wide to cover other similar schemes for Colonial development.

The Cabinet:—

(1) Approved the proposals outlined in C.P. (47)4 and 10 for the development of the large-scale production of ground nuts in East Africa.

(2) Authorised the Minister of Food to make an early announcement of this scheme in the form of a White Paper.

(3) Invited the Minister of Food to arrange for the necessary legislation to be prepared in time for its introduction at the outset of the 1947–48 Session of Parliament.

118 DEFE 4/2, COS 28(47)5, annex 19 Feb 1947

'African development': draft report by the Chiefs of Staff on transport in Africa

[This report was drawn up by the Principal Administrative Officers Committee, 13 Feb 1947. The COS approved the report at their meeting on 19 Feb 1947.]

1. It will be recalled that the Defence Committee at their meeting on 5th April, 1946,[1] favourably considered the Foreign Secretary's proposal that the following possibilities should be examined:

(a) of locating our main military reserve area in East Africa, and
(b) of developing a line of communications across Africa.

With regard to (a), it is not possible to determine the scale of our permanent military requirements in East Africa until our strategic position in the Middle East has been decided. When this decision has been made, a further study of our long term administrative requirements can be undertaken.

2. With regard to (b), the formation of an expert Commission was proposed at the Defence Committee meeting. Before this Commission could be appointed, however, it was deemed necessary to assemble on an official level as much factual information as possible about the present state of communications in Africa and the possibilities

[1] See part 3 of this volume, 322.

of future development. This information has now been collated and is contained in a memorandum by the ad hoc Committee which was set up for the purpose and which has drawn certain conclusions.

3. In this report we examine the memorandum by the ad hoc Committee with a view to determining whether the strategic advantages likely to accrue from the development of a line of communications across Africa are sufficient in themselves to justify such development.

The routes

4. The routes examined by the ad hoc Committee are shown on the map at Annex.[2] They are:—

West to East

Northern Route (A1)	3,900 miles long, including 2,100 miles of desert tracks and roads and 890 miles of river transport.
Duala Routes (A2)	2,500 miles long, including 2,300 miles of single track road.
North Congo Route (A3)	2,200 miles long, including 1,000 miles of river transport and 600 miles of road.
South Congo Route (A4)	2,650 miles long, including 850 miles of river and lake transport and 300 miles of road.
Benguela Route (A5)	3,150 miles long, including 1,500 miles of road.

South to North

Cape Route (A6)	3,550 miles long, including 1,500 miles of road.

5. It will be seen that the routes are all very long; for comparison the distance by air from London to Cairo is 2,500 miles. Owing to the various bottlenecks which exist, the present capacity of any one route is estimated to be at the most only 200 tons per day, and all the routes at present include long stretches of river and/or road transport. Even if all the suggested developments were to be carried out, Routes A1 and A2 would still involve over 2,000 miles of road transport; Route A3 would include two transshipments and 1,000 miles of river transport; and route A4 would include four transshipments and 320 miles of lake transport.

6. The administrative overheads, in terms of manpower, stores and transport, required to operate and maintain any one of these four routes A1 to A4 as a major L of C would be out of all proportion to the results achieved, particularly as regards economy in shipping. For instance, for every 1,000 tons per day carried on the road portions of routes A1 and A2 we estimate that 5,000 ten-ton lorries and trailers would be required which would consume 500 tons of diesel fuel per day and would require new engine assemblies after every three turn rounds. The drivers and maintenance personnel would number 17,000. Furthermore, the transshipments and river journeys involved in Routes A3 and A4 would entail a very heavy administrative commitment, over and above that required for the rail portions of the routes. Two or more major river ports and a large fleet of river steamers would be required if any appreciable tonnage were to be carried.

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[2] See map on p 251.

7. We consider therefore that routes A1–A4 can be dismissed as administratively unprofitable, and we have confined the rest of our examination to the West–East route (A5) and the South–North route (A6), both of which, if developed, would provide a through single line rail route across Africa and would thus be the least expensive of the routes in terms of administrative overheads. It was previously thought that such a route would be unable to carry heavy and awkward loads, an essential condition if there is to be a substantial saving in shipping, and that therefore a parallel road route would be required; but we understand now that, subject to the provision of the necessary special wagons, there is no technical reason why the African railways, when developed, should not be able to carry the vast majority of the heavy and awkward loads at present envisaged.

Capacity of routes A5 and A6

8. We estimate that the maximum useful physical capacity of either of these routes, assuming that all possible developments are carried out, short of doubling the track, will not be greater than 5,000 tons per day, including civil traffic. For comparison, the highest average tonnage carried on the relatively short (860 miles) trans-Iranian railway in the late war, as part of the Aid to Russia route, was approximately 5,000 tons per day.

9. The capacity of the routes could be further increased if the railways were to be doubled throughout their length but only at very heavy cost. Personnel could be carried on either route at the expense of a proportion of the supply tonnage transported, but stringent medical precautions would be required on the West–East route in view of the unhealthy climate of Central Africa.

Strategic value of the routes

10. The strategical requirement for the use of either of the trans-African routes in war would be as a line of communications to East Africa or beyond. Their use might present the following advantages:

(a) Increased security of the L of C and a reduction in the losses of ships, personnel and supplies.
(b) A saving in the time of transit of personnel and supplies.
(c) A saving in the number of ships, and their escorts, required to maintain the base.

We examine in the following paragraphs the extent to which the above advantages might accrue.

Increased security of the L of C

11. The use of either of the overland L of C, especially the West to East route, would lessen the risk of loss or damage to ships, personnel and supplies, as a result of attack by submarines or surface craft. It has been stated* that this risk is likely to increase in the future, in view of developments in the performance of submarines and torpedoes. Nevertheless we consider it to be unlikely that losses in the Southern Hemisphere in a future war would of themselves justify the development of an

* TWC (46) 15 (future Development of Weapons and methods of war)

overland L of C, other than perhaps for the carriage of personnel for short periods. There is also the consideration that Route A5 runs for approximately half its length through foreign territory (Portuguese West Africa and Belgian Congo), whereas A6 runs through British territory throughout its length.

Time of transit of personnel and goods

12. We estimate that, in view of the slow overall rate of movement of goods traffic on a railway and the additional handling necessitated by the long rail route, there will be no saving of time if the routes are used for the carriage of supplies. There might, however, be some slight saving in the time of transit of personnel if the West–East route were to be used, but the amount is unlikely to exceed three days in a journey of about a month.

Saving in shipping

13. As an example, the number of cargo ships, if available in war, of an average lift of 4,000 tons, required to deliver one thousand tons of supplies per day from U.K. ports to East Africa, or the terminal ports of the routes, is shown below. We have allowed for the tonnage required from outside Africa for the operation and maintenance of the routes, which we estimate will be 10% of the total tonnage carried. We have also assumed that the terminal ports have been developed to the necessary extent.

	Cargo ships required
Direct delivery to East Africa	37
Delivery to terminal ports of the South–North route	33
Delivery to Lobito, the terminal port of the West–East route	26

14. It will be seen, therefore, that if the routes were to be developed to a capacity of 5,000 tons per day, and assuming that the whole of the capacity is available for the through traffic to East Africa (which, in fact, will not be the case on account of the intermediate civil traffic), the resultant theoretical saving in the number of cargo ships required from U.K. or North America would be:

South to North route (A6) — 20 ships
West to East route (A5) — 55 ships

Cost of the routes

15. It has been suggested that in order to provide a through rail route by A5 or A6 it would be necessary to construct a rail link between Northern Rhodesia and Kenya and to convert the metre gauge railways of East Africa to 3′ 6″ gauge, the initial cost of which we estimate would be at least £27,000,000. The cost of the additional locomotives and wagons required to increase the present capacity of the lines to 5,000 tons per day on either route would be approximately £55,000,000. In addition, new railway workshops would have to be provided and extensive development work would be required on the existing railways to enable them to handle the required tonnage. Thus, the initial cost of the development of either route to a capacity of 5,000 tons per day will be at least £80–£90,000,000.

16. The manpower required to develop either route and to handle the wartime traffic would be very considerable. For instance, we estimate that 13,000 additional railwaymen of European standard, or 30,000 Africans, would be required solely for the wartime operation and maintenance of the South–North railway. The provision of troops for this purpose would throw a heavy load on our limited manpower resources; native labour would require considerable initial training and could not be absorbed in the commercial operation of the railway in peacetime in the foreseeable future.

17. As an example of the scale of material resources required, we estimate that over 1,000,000 tons of coal per year would have to be mined and distributed in Africa to satisfy locomotive requirements, if the capacity of either route were to be maintained at 5,000 tons per day. This represents about 4% of total annual production of coal in South Africa.

Strategic value of the routes in relation to their cost

18. We deduce from the foregoing that the military advantages likely to be derived in war from the prior construction of an overland L of C from the South or West to East Africa would amount to a saving in the number of cargo ships required for a maximum capacity of 5,000 tons per day, namely 20 or 55 ships, depending on whether the South–North (A6) or West–East (A5) route were to be used, apart from some increase in the security of the L of C and a theoretical slight saving in the time of transit of personnel.

19. We consider, therefore, that the strategic advantages accruing from the construction of either route are not sufficient in themselves to justify the heavy initial and subsequent costs of construction and operation of the route. We consider, however, that the economic aspect should be carefully studied to determine whether the resulting commercial advantages would be sufficient, taken in conjunction with the strategic advantages, to justify such expenditure. In particular we would welcome the construction of a through rail link between East Africa and the Main Support Area of South Africa.

Conclusions

20. We conclude that:—

(a) the strategic advantages likely to accrue from the development of a line of communications across Africa are not sufficient in themselves to justify the heavy cost of such development;

(b) if, in the future, the construction of a through trans-continental rail route becomes economically desirable, such construction should be supported on strategic grounds.



RAILWAYS IN SUB-SAHARAN AFRICA, EXISTING AND PROPOSED, 1951

See also part 3 of this volume, 324. (Sources: PREM 8/923 & CO 537/1231, no 102, COS(46)271)

119 CO 852/1003/3, no 1 22 Feb 1947

[Agricultural productivity in Africa]: CO circular despatch to African governors

Recent consideration of the prospects and the need for the development of the African Territories under British administration have impressed many observers with the overriding importance of substantial technical changes in methods of production, especially methods of agricultural production. I do not propose in this despatch to discuss the technical changes in detail but rather to direct attention to the consideration of the degree of social change which may arise out of, or indeed be a necessary condition of, technical and economic developments.

2. Governments are committed to an endeavour to raise rapidly the standards of living of African populations. It is today more than ever apparent that the attainment of this objective must involve an increase in productivity, both in the agricultural and industrial spheres, of such an order that it can properly be described only as a revolution in African productivity. It is equally clear that in the sphere of agriculture, which is bound for many years to come to be of predominant importance in the economic development of tropical Africa, this revolution can be achieved only by very great changes in the technique of production. Present methods of utilisation of land are not merely a definite obstacle to any marked improvement in productivity, but there is most disturbing evidence that the continuance of those methods will lead inexorably to a decline in agricultural production within a very short space of time. The seriousness of this situation has been most graphically put in a recent despatch by Sir Philip Mitchell analysing the position in Kenya, and is confirmed by every expert who has recently visited East Africa. There can be little doubt that a radical reform in present methods of land utilisation is one of the most important tasks, and perhaps the most important task, facing administrations at any rate in East Africa. I do not propose to express any opinion whether that task can best be tackled by greater mechanisation, by the adoption of markedly different systems of general husbandry, by a vastly greater use of fertilisers or by any other particular change in agricultural practice. That choice is largely one for Colonial Governments and will no doubt be fully considered by all of them, since there can be no question that existing agricultural practices are almost everywhere incapable of yielding a production which will support the standards of life at which we are aiming for the African cultivators.

3. It is apparent also that the kind of standards aimed at today are impossible of attainment on a purely agricultural basis, and that in the course of years there must be a very substantial development of secondary industry if markedly higher standards are to be achieved.

4. In both spheres, agricultural and industrial, the changes which appear necessary on technological and economic grounds must exercise a very great influence on the whole way of life of the peoples concerned.

5. In the agricultural sphere, it will I feel sure be necessary to consider very substantial changes in the present customary systems of land tenure. This subject of land tenure is one to which Colonial Governments are already in many cases devoting close attention and which has formed the subject of much study in the past. The importance of the whole subject was strongly emphasised in a circular despatch

to African Governors in 1944 and machinery for organising the study of land tenure policy is now being set up by several Governments and will be set up by others when the staff situation permits. The studies so far initiated have, however, been mainly of a descriptive character in the sense that they have been concerned primarily with securing a closer understanding of existing systems of land tenure and of the trends of development inherent in them. I think it will be necessary also to consider more closely the objective of government policy in this field and the new forms in which land tenure systems might best be moulded e.g. whether there should be a deliberate attempt to promote either collectivisation of land holding on the one side or whether on the other hand individualisation on Western lines subject to adequate community control may be more appropriate to certain areas.

6. This despatch is concerned with the main economic problem of the African territories, that of agricultural productivity, but, in order to complete the picture, it must be emphasised that, in the development of industry also, the requirements of technical efficiency are bound to require considerable changes in customary ways of life. Special problems will be created by the establishment of factory workers in new centres of population, and Colonial Governments are likely to have to consider cases of competition between traditional hand working or domestic industries and more modern factory production of similar articles. Such a process of industrialisation has already taken place on the Copperbelt of Northern Rhodesia and has created many difficult problems, the study and solution of which will be of the greatest interest to other Governments.

7. The changes necessary to promote economic development will have very great sociological and political repercussions. Alterations in land tenure systems must obviously go to the root of deep seated social and family customs. Changes in the organisation of agricultural production must equally have a profound influence on the development of African customary law and may have the effect of weakening tribal sanctions.

8. In its social repercussions the problem of increased productivity is closely connected with the development of an efficient system of African local government. Progress in agriculture cannot take place unless the people themselves can be induced to co-operate, and the process of inducement, however much it may depend on the leadership of Government officers, can only be made effective through the agency of the native administrations. Whatever form these native administrations may take, the primary requirement is that they should be efficient, that they should be adaptable to the needs of social and economic progress and that while retaining the confidence of the mass of the people, they should find an adequate place for the more progressive and educated Africans. I am of course aware that throughout Africa the Governments are pressing forward with the development of native administrations as more efficient organs of local government and that this process has been going on progressively for many years. It will however be generally agreed that in many areas of Africa the native administrations have not yet reached the stage when they can exercise effective control over land usage, much less when they can play any substantial part in the re-organisation of agricultural production. In most cases progress in the development of local government has been hampered by the ignorance of the people, so that the problem is closely linked with the development of education. But, within the confines of the problem of obtaining an efficient system of local Government, it may be necessary to re-examine the whole policy of native

administration with a view to determining the extent to which the needs of social and economic progress require the modification of traditional systems of government. In many cases effective local government bodies can be developed by evolution of the existing organisations; but where this is not possible, it may be necessary to consider how far traditional systems should be reinforced by recourse for example to direct appointment of native authorities by Government or by the introduction of methods of direct election by the people. Such changes are indeed already taking place in a number of areas. It is sometimes suggested that progress towards the higher material standards of living which are the declared objective of British Colonial policy is incompatible with the accepted system of native administration now practised in most parts of British tropical Africa. I do not believe this to be the case, but as Sir Arthur Richards said in his despatch proposing the new constitution for Nigeria: "If the Native Authorities are to play their full part in the constitutional framework, they must be prepared continually to adapt themselves to modern conditions. The system of indirect rule cannot be static; it must keep pace with the development of the country". It is not my purpose in this despatch to lay down policy, but to suggest questions which require examination. I believe that in re-examining our policy, greater emphasis should be laid on the adaptability of native institutions to the developing needs of social and economic progress.

9. Finally attention must be paid to the human problem of the African peasant himself. At present economic development in the agricultural sphere is held back by the low standard of productivity of the African peasant, by his unwillingness to adopt improved agricultural methods and by his failure to take proper measures for the conservation of the soil. This low standard of productivity is causing anxiety throughout West, East and Central Africa and, as was clear to me during my visit to East Africa last year, it is at the root of the economic problem of the East African Territories. In discussions on this subject the use of compulsion is frequently advocated and the question is canvassed whether the adoption of compulsory powers would be justified. I suggest that an equally important question is whether compulsion would be likely to be effective, but there can be no question as to the necessity of ensuring that proper methods of cultivation are adopted and that the soil is conserved, and if this can only be achieved by the use of compulsory powers, then the native administrations will have to take such powers since neither they themselves nor the Government can stand by and see the soil ruined and the well being and development of the people prejudiced. But whether compulsory powers are or are not adopted, the process of securing efficient agricultural practices must be one of inducement of the native administrations and through them of the people themselves. It follows that in any re-organisation of the basis of production, the most careful attention must be paid to the human aspect, so that any new system adopted may have the best chance of securing the support of the African peasants themselves. Without their support it is not possible for any effective progress to be made. In considering this problem of the organisation of the African himself, attention will no doubt be given to the possibility of deliberately stimulating and encouraging the formation of new economic and social units on bases related to the Africans' present way of life, e.g. on the basis of kinship groups.

10. As I have already said my object in this despatch is not to lay down any general rules of policy, but to urge that the problems of agricultural productivity should be examined with an open mind and as urgently and comprehensively as their

importance clearly warrants. I should like to receive as early as convenient the fullest expression of views from all administrations, and a [?I] hope that in formulating such views the fullest opportunity will be given for discussion with all grades of the Colonial Service who are brought in contact with these matters, and with educated African as well as unofficial European opinion. As already indicated, I have had the great advantage of an expression of views from Sir Philip Mitchell, but this is a matter of such wide importance that it calls for the application of as many minds as possible.

11. It will no doubt be some considerable time before any new principles of policy can be clearly formulated. There are, however, many practical issues arising which will brook little delay. I should, therefore, be prepared to consider with every sympathy any proposals which Colonial Governments may have to make for new initiatives of an experimental character. It is likely in any event that a considerable process of trial and error will be needed before satisfactory solutions of general applicability can be worked out and I hope, therefore, that Colonial Governments will be prepared to be bold in trying new methods, particularly in connection with land tenure and land utilisation.

120 CAB 129/19, CP(47)176 8 June 1947

'East African groundnuts scheme': Cabinet memorandum by Mr Strachey

At their meeting on 13th January (C.M.(47) 5th Conclusions, Minute 3)[1] the Cabinet approved the proposals outlined in C.P.(47)4 and 10[2] for the large-scale production of groundnuts and other food products by means of the large-scale mechanised clearance of land in East Africa, and invited me to arrange for the necessary legislation to be prepared in time for its introduction at the outset of the 1947/48 session of Parliament. One of the points made in discussion at this meeting was that the legislation might with advantage be framed in terms sufficiently wide to cover other similar schemes for Colonial development.

2. Since then the Colonial Secretary has discussed with me the proposals which he has outlined to the Prime Minister and to the Chancellor of the Exchequer, and which he is putting before the Cabinet in his paper C.P.(47)175 for the establishment of a Colonial Development Corporation.[3] We have agreed that there would be advantages in combining into one Bill the powers required to set up the Colonial Development Corporation and those required to set up a Corporation to manage the East African Scheme.

3. As the Cabinet is aware, I have already announced the names of the men I have invited to become members of the Corporation which must take over the East African Scheme (work on which is now being pressed forward—clearance of the bush started on 1st May last and some 8,000 acres have so far been cleared). I believe that the men selected will form a most energetic and efficient body to which other schemes for producing food for the United Kingdom in the Colonies could with advantage be entrusted. In any case it has been from the outset necessary to seek

[1] See 117. [2] See 116. [3] See 81.

powers for this Corporation to grow food products other than groundnuts, since it must rotate its crops on its original East African lands, and for it to grow groundnuts elsewhere in the Colonial territories since no one yet really knows where the most suitable lands will be found. I have little doubt that the main development work of this Corporation will remain within Colonial territories. It does seem possible, however, that it may be advantageous for it in the future, and as it acquires experience, to do work, probably on a contractual basis, or by acting as a managing agent, elsewhere. As a matter of fact we have already had a tentative enquiry from an Indian ruling Prince as to whether the Corporation would be willing to show him how to put the groundnut cultivation of his State on a more mechanised basis. The production of a larger Indian exportable surplus of groundnuts would be of very great value to this country and work of this kind—by which contracts of technical and managerial assistance were entered into, might be highly remunerative to the Corporation and allow it to pay back its advances from public funds at an earlier date. This kind of activity might prove to be of great value in helping Governments who may be greatly in need of managerial skill and technical knowledge for the development of their resources to expand their food production for export to the United Kingdom. If schemes of this sort materialise they might lead to further benefits to the United Kingdom in the way of providing markets for our own manufacturers of agricultural machinery and equipment. On the other hand nothing may come of this kind of development. Only experience will show. But it would seem a pity if the terms in which the Legislation were drawn actually excluded it. I therefore suggest that the geographical field in which the Corporation which is to be responsible immediately for the East African Scheme should be empowered to operate should be defined widely enough to allow it to work outside the Colonial Empire if this appears to be advantageous. No such operations would, of course, be undertaken in any territory unless the Government of that territory and the appropriate Minister of His Majesty's Government in the United Kingdom were in favour of it.

4. After discussion with the Secretary of State for the Colonies I suggest that the Bill to set up the two Corporations should be called The Overseas Resources Development Bill, and that the Corporation to be responsible immediately for the East African Scheme, and for any subsequent activities on the lines of the preceding paragraph should be known as the Overseas Food Corporation. The distinction between the functions of the Overseas Food Corporation and the Colonial Development Corporation would, I think, be clear; the Colonial Development Corporation would have wider powers to develop mineral resources, improve communications, develop water power, etc. as well as to produce food and other agricultural products such as rubber, cotton, fibres and so forth; in so far as it produces food in the Colonies it would normally do so as a part of its plans for the general development of the Colonial Empire, whereas the Overseas Food Corporation would be concerned primarily with production of food for export to the United Kingdom as part of the Ministry of Food's overseas procurement programme.

5. To ensure that the two Corporations work closely together the Colonial Secretary and I have agreed to recommend that the Chairman of each of the Corporations should be an ex officio member of the other.

6. As explained in C.P.(47) 10 the maximum investment of public money which is estimated to be "at risk" at any given moment in the East African Scheme is £25½

million. To give the Overseas Food Corporation sufficient scope to undertake new schemes (each of which would, of course, be subject to the approval of the Chancellor of the Exchequer) without further legislation I suggest that the aggregate of amounts outstanding in respect of any Treasury advances to the Corporation and of the principal of any stock issued and of any temporary loans raised by the Corporation, should be increased to £50 million.

7. I ask for the approval of the Cabinet to the proposals contained in paragraphs 2, 3, 4, 5 and 6 of this Paper.

121 PREM 8/923 14 Jan 1948

[African economic policy]: minute by Sir N Brook (Cabinet secretary) to Mr Attlee on possible criticism of the government

At recent meetings there has been general support for the view that the development of Africa's economic resources should be pushed forward rapidly in order to support the political and economic position of the United Kingdom. I wonder whether Ministers have considered sufficiently the difficulties of defending this policy against the criticisms, and misrepresentation, which it may provoke? It could, I suppose, be said to fall within the ordinary definition of "Imperialism". And, at the level of a political broadcast, it might be represented as a policy of exploiting native peoples in order to support the standards of living of the workers in this country.

This policy is doubtless inevitable—there are compelling reasons, both economic and international, for adopting it. But if it is disclosed incautiously or incidentally, without proper justification and explanation, may it not be something of a shock to Government supporters—and, indeed, to enlightened public opinion generally? It would certainly expose a Labour Government to very damaging misrepresentation. It can, of course, be argued that the more rapid development of Africa's resources will bring social and economic advantages to the native peoples in addition to buttressing the political and economic influence of the United Kingdom. I should have thought, however, that some care and preparation would be needed in order to put this argument across successfully, both here and in Africa.

If you think there is anything in this point, perhaps you would care to discuss it in the first instance with the Foreign Secretary, the Chancellor of the Exchequer and the Secretary of State for the Colonies.[1]

[1] Mr Attlee minuted: 'Yes. C.R.A., 15.1.48', and spoke to these ministers after the Cabinet meeting on 5 Feb 1948 (see also 84 in this volume).

122 CO 537/3631, no 4 5 Feb 1948

[Foreign settlement in Africa]: minute by Mr Creech Jones to Mr Attlee on Sir A Pim's[1] report

At my request Sir Alan Pim, K.C.I.E., has recently undertaken in this country, on the

[1] Former Indian Civil Service officer who undertook financial and economic commissions in Swaziland, Bechuanaland, Basutoland, Kenya, Northern Rhodesia, Zanzibar and British Honduras, 1932–1937.

basis of factual information provided by the Governments concerned, an enquiry into the possibilities of large scale settlement in Kenya, Tanganyika and Northern Rhodesia with a view to a partial solution of the problem of the European Displaced Persons.

2. As I foreshadowed in my minute of the 17th December, 1947, on the subject of an enquiry into the implications of a large measure of dispersal of population and industry throughout the Commonwealth, Sir Alan Pim's report shows that there is no scope in the three Territories for substantial agricultural settlement of persons from temperate zones. His broad conclusion is that, although physically a small number might be accommodated by stages over a number of years settlement of these people, even on a small scale, would be at the risk of vigorous opposition from all races and would be impracticable unless considerable capital expenditure, often on costly communications, was first incurred. In reaching this conclusion he draws attention to the likelihood of political trouble particularly from Africans, since, generally speaking, the most suitable areas for settlement of the kind envisaged are precisely those in respect of which H.M.G. has imposed limitations on their use for other than African interests. Finally, he sees difficulty in reconciling the transplanting of an European peasant economy on any substantial scale to tropical Africa, with the advance towards African self-government.

3. I agree with the broad conclusions drawn by Sir Alan Pim. I am certain that white penetration on the land in those Territories would cause serious political trouble, in view of their existing land policies, and that, in accordance with present policy, it should be admitted only with the greatest circumspection. It is true, on the other hand, that our development programmes for Africa will require a good deal of skilled labour, of which there is a shortage. The African Governments are pushing on with trade, craft and technical education and instruction of Africans, and will naturally wish to make the greatest possible use of persons so trained but we shall, of course, have to supplement them with outside help, some of which is bound to be of a permanent character. But large scale agricultural settlement of foreign displaced persons is another matter and should not, in my view, be entertained.

4. You may wish that Sir Alan Pim's report should be made available to any scientific committee which may be set up to consider the wider investigation which you have in mind. I shall of course be glad to supply copies for that purpose.

123 PREM 8/733 Feb 1948

'Economic development in the colonies': draft memorandum for Cabinet Economic Policy Committee by Mr Rees-Williams

On the 5th February the Secretary of State for the Colonies circulated to a number of Ministers, including all the members of the Economic Policy Committee, a detailed memorandum on economic development in the Colonies.[1] The Prime Minister has now asked for a short paper to be submitted to the Economic Policy Committee setting out the points for decision.

2. The proposals requiring decision are—

[1] See 88.

(1) An expansion of the activities of the Economic Division of the Colonial Office for which additional staff will be required. The Secretary of State proposed—

(a) the appointment of a Director of Economic Investigation with a small permanent staff to organise investigations into particular economic projects and problems, such as the economic possibilities of a project for a new railway or of extensive irrigation works;

(b) the appointment of Liaison Officers, whose function would be to act as close link between the Colonial Office and the executive agencies in the Colonies, to co-ordinate information on the development programmes in their respective areas, to be a channel through which inspiration and guidance could flow from the centre and information be brought to the centre about obstacles in the way of implementing development plans. One such officer would be needed for West Africa, at least one for East and Central Africa, and others for South East Asia and the West Indies. Eventually four or five such appointments might be required, but the posts would only be filled as men with the necessary experience, drive and tact could be found.

I now ask for general approval to an expansion of staff on these lines, on the understanding that the details will be discussed with the Treasury.

(2) In order to stimulate the development efforts of Colonial Governments, to secure the very necessary goodwill of local legislatures and to discuss practical ways of achieving our ends, one Conference of Governments (including, when they so desire, unofficials) should be held in April in Nairobi to cover East and Central Africa and another thereafter in West Africa, both of which I should attend on behalf of the Secretary of State. If these conferences are to achieve the purposes we have in view I must have authority to give those attending them an unqualified assurance that His Majesty's Government are going to extend to the Colonial authorities all the help in their power, not merely in money but also in the supply of materials and men.

I ask therefore for general approval of the principles and policy which are implicit in any such statement to the African Colonial Governments. Its precise terms can be worked out later between the Departments concerned but, as a minimum, I must make it plain, if our objective is to be secured, that requirements for plant and materials for development in the Colonies are in future to be given equal priority with requirements for capital development in the United Kingdom, and that a general directive has been issued to the Departments concerned with the allocation of materials in short supply, with the express intention of ensuring that essential Colonial requirements of iron and steel and other materials required for current plans and for approved new projects will be met.

Precisely what machinery will be entailed to ensure proper co-ordination between the requirements of the Colonies and requirements for other purposes is now being considered by the Colonial Development Working Party under Sir Edwin Plowden.

124 PREM 8/733, M 38/48 27 Feb 1948

'Economic development in the colonies': minute by Mr Attlee to Mr Rees-Williams (reply)

I have seen the paper[1] which you have prepared in response to my Minute M.27/24 of 15th February.

I do not think that the Economic Policy Committee need be consulted at this stage on any of the specific points raised in this paper.

I support, in principle, the proposals for strengthening the Economic Division of the Colonial Office, and I suggest that you should settle the details with the Chancellor of the Exchequer.

I accept the Secretary of State's view that it would be useful if Conferences on economic development were held in East and West Africa as soon as definite assurances of our support can be given.

I am not satisfied, however, that you can properly give assurances in the wide terms suggested about the supply of plant and materials from this country. The working party under Sir Edwin Plowden's Chairmanship are now considering what resources can be allocated for maintenance and development in the Colonies and the terms of the assurances to be given at the proposed Conferences cannot profitably be considered until their recommendations are available. They should be asked to include among their recommendations a statement showing what assurances of our support could safely be given; and this question could then, if necessary, be reviewed by the Economic Policy Committee in the light of their recommendations.

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[1] See 123.

125 CAB 134/216, EPC 18(48) 6 May 1948

'Colonial development': Cabinet Economic Policy Committee minutes

The Committee considered a memorandum by the Chancellor of the Exchequer (E.P.C.(48)35) covering (i) an Interim Report by the Colonial Development Working Party, together with a note by the Chairman on the future work of the Working Party, and (ii) a report by the Paymaster-General on his recent visit to Africa.[1]

In his memorandum, the Chancellor of the Exchequer pointed out that the two reports were complementary. The Paymaster-General had drawn attention to the urgent problem of raising native standards of farming, to the shortage of trained staffs and to the need for substantial new capital investment in transport, particularly railways, as a condition precedent to the expansion of production in Africa. The Working Party had reached similar conclusions. Their report showed that the pace of Colonial development was limited by the shortages, not of sterling finance, but of material resources, especially iron and steel. In their view, the first need was to make good the productivity of existing facilities, especially transport and communications, as these would yield the quickest returns on a given outlay. They had expressed the hope that allocations of United Kingdom steel to the Colonies would be increased by

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[1] See 110.

100,000 tons annually. They had made detailed recommendations for improving the machinery for the allocation and supply of steel to Colonial territories; for securing additional administrative and technical staff; and for encouraging investment in the Colonies.

The Paymaster-General supported the Working Party's recommendations on steel. There were various short-term development schemes which deserved support: these, with the groundnuts project, would in themselves make heavy demands on our resources. But it was important to consider our long-term development policy against the background, not only of our efforts to establish the economic independence of Western Europe, but also of the eventual effects of soil erosion and increasing population. These factors seemed to call for the initiation of major development schemes. These could not be undertaken without consultation with other countries, in particular the other Colonial Powers, and final decisions on our own long-term plans ought not to be taken until such consultations had taken place. As regards his detailed proposals , he hoped that an early decision would be reached on terms of service for scientific research officers employed by Colonial Government[s], since delay was prejudicing recruitment; and it was desirable that a Working Party should be appointed to prepare, for publication, a report on the future Colonial market for Japanese and Indian textiles.

The Parliamentary Under-Secretary of State for the Colonies supported the Working Party's recommendation that the immediate need was to concentrate on the repair and improvement of existing facilities, especially transport and communications. In East Africa, the framing of a long-term development policy presented special difficulties. In this area, equivalent to the whole of Western Europe, the population was only twelve millions; yet, in consequence of the encroachment of the tsetse fly, this population was heavily concentrated in the regions of lowest rainfall. In consequence, the areas of settlement were grossly overcrowded, and this situation was aggravated by wasteful methods of native agriculture and the inertia of the native farmer. Our first task must be to defeat the tsetse fly. The African must be converted into an efficient farmer and for this purpose there ought to be close control over methods of agriculture in the native reserves, and in the settlements on land reclaimed from the tsetse fly. A model might be found in the Gezira plan. Both light and heavy industries should be developed, and in this way labour would be drained away from the overcrowded reserves. The African should be taught animal husbandry. Finally, there was a great need for the recruitment of skilled Europeans to teach and supervise the African.

In discussion the following points were made:—

(a) Ministers were in general agreement with the Working Party's conclusion that the first need, and the most profitable use for scarce resources, was to make good the productivity of existing facilities, notably railways and communications.

(b) In planning both short-term and long-term Colonial development, defence considerations should be taken fully into account, particularly in connection with the repair and improvement of communications. It was important, for instance, to adopt a uniform railway gauge, wherever possible.

(c) For strategic and economic reasons the possibilities of developing heavy industries, particularly steel production, in the Colonies ought to be fully explored. It was doubtful whether United Kingdom industry would at any time be able to meet Colonial needs in full, and it was desirable to avoid excessive dependence on the

United States.

(d) No agreement on the scheme for the damming of Lake Tana would be possible until a settlement of outstanding political questions had been reached with the Governments of Egypt and Ethiopia.

(e) The signatories of the Brussels Treaty, together with Portugal, would be primarily responsible for the development of European Colonial territories overseas. It might be advisable to set up a co-ordinating body, with appropriate sub-committees, through which day-to-day consultation could take place.

(f) In view of the international aspects of Colonial development, it would be advisable to consider the possibility of recruiting foreign experts for employment in Colonial territories.

(g) The failings of native labour were largely due to inadequate or unsuitable food, and an authoritative enquiry into the nutritional problems of the African population ought to be undertaken urgently.

(h) The help of the International Health Organisation might be sought in the campaign against the tsetse fly.

(i) Urgent consideration should be given to the possibilities of European settlement in Africa. There were many parts of Europe, such as Sicily, with surplus population for whom an outlet by immigration would ultimately have to be found.

(j) *The Minister of Food* suggested that projects for the development of food production should be given high priority in the allocation of United Kingdom resources. Progress was largely dependent on an adequate supply of heavy tractors and clearing machinery, and there appeared to be strong arguments for developing their manufacture in this country. The manufacturers would, however, need firm orders.

(k) *The Foreign Secretary* drew attention to the difficulty of recruiting British staff for the Sudan on account of the policy of Sudanisation. He thought that the only solution was to recruit staff on a permanent basis, on the understanding that, when their services were no longer required in the Sudan, they would be absorbed in the Colonial Civil Service.

(l) *The Foreign Secretary* asked that no action should be taken on the proposal for setting up a Working Party on the Colonial market for Japanese textiles until he had been able to consider the matter further.

(m) The Advisory Council on Scientific Policy could be fully consulted on questions of scientific research in the Colonies.

The Committee:—

(1) Approved in principle the Interim Report of the Colonial Development Working Party annexed to E.P.C.(48)35.

(2) Approved the specific proposals made by the Chairman of the Colonial Development Working Party in his covering note to that Report.

(3) Instructed the Central Economic Planning Staff to review, in consultation with the Departments concerned, the detailed recommendations in the Paymaster-General's report annexed to E.P.C.(48)35 and to co-ordinate action on those recommendations.

(4) Agreed that copies of the Paymaster-General's report might be circulated to Colonial Governments and other authorities concerned, subject to the omission of passages relating to political matters and to the Colonial market for Indian and Japanese textiles.

126 CO 847/37/7, no 34A 16 June 1948

[Financial devolution in Africa]: CO circular despatch to African governors

[In May 1948 H T Bourdillon minuted on proposals being made concerning financial relations between HMG and the colonies: 'the basic thought throughout is that we should in future attempt to understand (and where necessary, influence) financial developments in Colonial territories by the use of appreciations submitted in advance of the estimates, rather than by scrutiny and control of the estimates themselves'. Where colonies required, or might require, assistance from the British government (other than CDW), the Treasury would be brought in (on a consultative basis) for those who *might* need it. 'We cannot expect the Treasury to see the light if we keep them in the dark. If we are to hope that they will consent to any real "liberalisation" of the system of Treasury control, we must give them in return some real *advanced* insight into the state of affairs in Territories likely to be concerned'. The Treasury seemed willing to consider this and get rid of the present system of Treasury control 'with its absurd waste of time over details' (CO 847/37/5, p 9). Cohen was much involved in drafting this circular despatch, and regarded it as 'of real importance in the development of our relationship with Colonial Territories in Africa' (CO 847/37/6, no 85). It would not mean the Colonial Office paid less attention to finance, for it would actually become more difficult to influence it. This was thought both inevitable and desirable. Creech Jones agreed to the despatch in principle, 'though there is much that is technical here which is not too clear to me. Some greater discretion & lattitude to the Colonies is necessary if responsibility is to grow healthily' (CO 847/37/5, minute, 8 Apr 48). Caine believed the question arose—why confine a financial devolution to Africa?—'Apart from a few places like the Gilbert & Ellice Islands or North Borneo, it is difficult to resist the conclusion that the non-African territories are more, not less, fit than the African to exercise powers of local self-government, and many of them, particularly in the West Indies, are in fact already further advanced on the road. If we can dispense with this power for Kenya and the Gold Coast, we do not need it for Jamaica and Barbados' (*ibid*, minute 17 Dec 1947). The proposals were well received in Africa, so a circular despatch was issued on 23 Aug 1948 to non-African governors, suggesting an extension to them. Some, Hong Kong and Fiji especially, felt that unless they got devolution simultaneously with Africa there would be criticism; such speed was not desirable or possible—so the idea was dropped (CO 847/37/6, no 94).]

The Conference of African Governors held in London last autumn considered the relations between the Secretary of State for the Colonies and Colonial Governments in the sphere of finance and addressed itself particularly to the relaxation of the formal controls exercised by the Secretary of State in this sphere. I am in agreement with the general recommendations of the Conference on this subject and consider that the changes set out in this despatch, which will apply to all Territories in Africa whose finances are not under the control of His Majesty's Treasury, should be brought into effect as soon as possible.

2. It was agreed by the Conference that the Secretary of State's general authority over the broad financial policies of the African Governments must be retained, but that the Colonial Office should concern itself with detail only to the extent necessary to secure the Secretary of State's interest in the broad issues of fiscal policy, measures against inflation, exchange and currency control, development finance and loan policy. The conclusion was reached that the Secretary of State's interest in these broad issues can most effectively be secured by consultation and discussion between the Colonial Office and the Governments concerned, which should keep the Colonial Office fully informed of the financial situation in the Territory and should supply advance information with regard to financial policy.

3. In accordance with these principles, it is my intention that formal control over

the finances of African Territories whose finances are not under the control of His Majesty's Treasury should in future be exercised only through the Secretary of State's function of advising His Majesty on the assent to the Appropriation and Supplementary Appropriation Ordinances and other legislation of a financial character, e.g. Loan Ordinances. Other types of formal control will be dispensed with, except of course where payments by the Imperial Government are involved, whether these take the form of subsidies for specific purposes or of assistance under the Colonial Development and Welfare Act. Estimates will thus not in themselves require the Secretary of State's approval, but both the annual estimates and supplementary estimates should be sent to the Colonial Office for information at as early a date as possible. The writing-off of losses, etc., will not require the approval of the Secretary of State and the other requirements of formal reference to the Secretary of State in financial matters laid down in the Colonial Regulations will be dispensed with.

4. In order to carry these measures for devolution in financial matters into effect, the Colonial Regulations will require substantial revision and I propose to take early steps to set up a committee to advise me on the changes required. Furthermore the major change involved in this relaxation of formal control necessitates a thorough review of the local machinery of budgetary authorisation and control, which the Conference of African Governors considered should be conducted in consultation between Colonial Governments and the Colonial Office.

5. The local machinery of control outside the Executive is centred in the Standing Finance Committees of the Legislative Councils, which in fact exercise a strict supervision over the financial operations of Governments. Audit should continue to be operated as at present under the Director General of Colonial Audit, the auditors' report being submitted to the Government concerned and presented to the Legislative Council. In the new conditions it may well be desirable to set up Public Accounts Committees at an early stage, in order to differentiate between the functions of authorisation and of review, but in the meantime the auditors' report should be examined by the Standing Finance Committee of the Legislative Council.

6. As already stated, the Secretary of State will continue to have the function of advising the King on the assent to the Appropriation and Supplementary Appropriation Ordinances. In addition, where there is an unofficial majority in the Legislative Council the Governor will be in a position in the last resort to exercise his reserve powers under the constitution. These powers should, however, be regarded as constitutional safeguards only to be used in extreme circumstances. By the means described in this and the preceding paragraph the responsibility of the executive to the Legislative Council on financial matters in accordance with the constitution will be secured, while at the same time the Secretary of State's responsibility to Parliament in respect of the broad issues of policy will be preserved.

7. As a necessary corollary of these measures of devolution the machinery by which Governments keep the Colonial Office generally informed in advance of the financial position and policies will need to be developed. The full success of the policy of financial devolution, implying consultation rather than formal approval, requires that full information of a general character should be available to the Colonial Office at the stage when Colonial Governments are considering their plans. This is particularly important at a time when both the United Kingdom and Colonial Territories, along with the rest of the Commonwealth and indeed the world as a whole, are facing economic difficulties of extreme gravity, and when co-ordination of

action in both the financial and economic field is of special importance. I intend that the Colonial Office should supply an increasing amount of information to Colonial Governments on general economic and financial issues. I have no doubt that Colonial Governments themselves will readily agree that they should keep the Colonial Office fully informed of their economic and financial position. The necessary co-ordination between Colonial Governments and the Colonial Office can then increasingly be secured by means of discussion between myself and members of the Colonial Office on the one hand and Governors, Financial Secretaries and other senior officers from Colonial Territories on the other. For the purpose of supplying the information required I consider that Financial Secretaries should keep in regular touch by correspondence with the Colonial Office on important financial issues, so as to keep the Colonial Office regularly informed of major developments. In particular a memorandum giving in broad outline the anticipated budgetary position and proposals should be forwarded to the Colonial Office at as early a stage as possible in the preparation of the Estimates, so as to give the Colonial Office an opportunity of sending the Government concerned any comments which they may wish to make if possible before the submission of the Estimates to the Legislative Council and in any case before the discussion of the Estimates by the Legislative Council reaches a stage at which such comments would no longer be effective. I should also desire to receive advance copies of the Annual Estimates for information purposes at as early a date as possible each year.

8. The work of review proposed in paragraph 4 will take time, and the Committee on Colonial Regulations will have to consider conditions not only in Africa but in all Colonial Territories. Concurrently the African Governments will no doubt take steps to put in hand the review of the local machinery of budgetary authorisation and control to which I have referred in paragraph 4 and which will presumably involve an examination of the General Orders of each Territory. It seems desirable that those concerned in each Territory in this local review and the Committee considering the revision of Colonial Regulations should work in close touch with each other. Meanwhile, and without waiting for the results of this review, I am anxious, and I know that this view is shared by Governors, that the measures of devolution which I have decided upon for the African Territories whose finances are not under the control of His Majesty's Treasury should come into force as soon as possible. I should be grateful accordingly if you would inform me whether you agree with the arrangements for consultation proposed in paragraph 7 and if you would explain in your reply how you propose to implement them. If, as I confidently assume, you are prepared to make the arrangements proposed in paragraph 7, the following measures of devolution may be brought into effect as soon as you desire, subject to any views which the Legislative Council may express.

9. Formal approval of the Annual Estimates by the Secretary of State can be dispensed with, and it follows that it will be the approval of the Legislative Council rather than of the Secretary of State which should be the authority for expenditure from public funds required by Colonial Regulation 245. Colonial Regulations 224 and 225 regarding the execution of important public works will in consequence cease to operate. The formal approval of the Secretary of State for supplementary expenditure, as prescribed by Colonial Regulation 265, will no longer be required. The Colonial Office should, however, continue to be informed of supplementary estimates whether by schedules of additional provision or other appropriate means, not

later than their presentation to the Legislative Council. The authority of the Secretary of State will no longer be needed under Colonial Regulations 240 and 278 for the writing-off of losses, the abandonment or omission of claims or the writing-off of assets, on the understanding that the approval of the Legislative Council will be obtained for all writes-off, with prior reference to the Standing Finance Committee where substantial amounts or questions of principle are involved, and that similarly the Standing Finance Committee will be consulted regarding the abandonment or omission of claims where substantial amounts or questions of principle arise.

10. The formal sanction of the Secretary of State in connection with loan expenditure under Colonial Regulations 279 to 283 will no longer be needed, although Governments will of course understand that proposals for the raising of all loans, including local loans, and the issue of securities will necessarily continue to require my agreement. The consent of the Capital Issues Committee will of course continue to be required for the issue of loans on the London market. In view of international obligations I also desire that proposed changes in customs rates and regulations, whether or not associated with the Annual Estimates, be referred to me.

11. I intend to address you separately on the control of the Colonial Development and Welfare Vote, but Governments will appreciate that expenditure from His Majesty's Government's funds will continue to require my prior approval which in the case of the Colonial Development and Welfare Vote will be conveyed by my approval of the schemes in question, or their subsequent variation.

12. This despatch is not itself intended for publication, but it will clearly be desirable that the Legislative Councils of the Territories, and the East African Assembly, should be informed at an early date what changes it is proposed to make with regard to financial procedure, so that they may have an opportunity of commenting on them. I suggest that it will be sufficient if the Legislative Council is informed of the substance of the changes to be made, and, if you agree, you will no doubt arrange for this to be done in whatever form is most appropriate. I shall be grateful if you will in due course inform me of any comments which the Legislative Council make on the changes.

13. I am addressing this despatch to the Governors of all the African Territories, to the British Resident, Zanzibar, and to the Chairman of the East Africa High Commission. Copies are being sent to the Chief Secretaries of the West and Central African Councils.

127 CO 537/3316, no 22 — 19 July 1948

'Association of Italy with African development': CO memorandum on settlement and labour opportunities. *Minute* by K E Robinson

[This paper was received with some scepticism in the Foreign Office. Sir O Sargent minuted: 'Personally I doubt whether in face of the ever growing economic and demographic needs of Europe we shall be able indefinitely to maintain the policy of protecting the natives against European immigration. It has already broken down in Palestine where with the general approval of European public opinion the natives are being driven out to make way for European settlers. The problem in a somewhat different form already dominates South African policy and Malan's[1] recent victory shows that the

[1] Dr D F Malan, leader of the National Party of South Africa and prime minister, 1948–1954.

European settlers in South Africa are determined to retain and strengthen their position'. Bevin minuted: 'We lost U.S.A. in trying to stop expansion there. I am sure in a few years we shall lose the battle here. I will discuss it further' (FO 371/69153, no 5392, minutes, 3 [& nd] Aug 1948). The discussion with Creech Jones took place on 9 Aug; Bevin concluded there was nothing more to be done for the time being, but continued to think the whole position over. No official record was kept of this meeting, but Creech Jones minuted that he had replied to all of Bevin's points, viz, (i) colonial governments should encourage more European workers in Africa, (ii) Indians should be regulated, because they were likely to swamp European values and culture, and Europeans and Africans encouraged to move into trade, (iii) everything possible should be done to encourage development in Africa by Europeans (he did not explicitly mention Italians, but Creech Jones was sure they were in his mind) (CO 537/3316, minute, 9 Aug 1948: see also part 3 of this volume, 301, para 6).]

1. The Colonial Office have examined various proposals for associating Italy with the economic development of Africa. These proposals come under the following heads:—

(a) The permanent settlement of Italians in the British territories in Africa.
(b) The employment of Italian artisans in the British territories in Africa.
(c) The use of Italian contractors for the execution of development schemes and projects.
(d) The association of Italy with African development through the O.E.E.C.

Permanent settlement

2. The opportunities for the permanent settlement of Europeans on the land in the British territories in Africa are extremely limited. In practice they are confined to Kenya and, to a much lesser extent, Northern Rhodesia and Tanganyika.

3. At the request of the Colonial Secretary, Sir Alan Pim, K.C.I.E., recently undertook an enquiry into the possibilities of large scale settlement in these three territories, with a view to a partial solution of the problem of European displaced persons. His report shows that there is no scope in the three territories for substantial agricultural settlement of persons from temperate zones. His broad conclusion is that, although physically a small number might be accommodated by stages over a number of years, settlement of these people, even on a small scale, would be at the risk of vigorous opposition from all races and would be impracticable unless considerable capital expenditure, often on costly communications, was first incurred. His report draws attention to the likelihood of political trouble, particularly from Africans, since generally speaking the most suitable areas for development of the kind envisaged are precisely those in respect of which we have imposed limitations on their use for other than African interests. His report also draws attention to the difficulty of reconciling the transplanting of an European peasant economy on any substantial scale to tropical Africa, with the advance towards African self-government.

4. There are at present about 30,000 Europeans in Kenya. The numbers of Europeans in the other two territories are very much smaller. The post-war scheme of the Kenya Government for settling European farmers in Kenya aims only at about 700 and obviously nearly all the vacancies will be taken up by British settlers. The possibilities for future European settlement in all three territories must therefore be reckoned in hundreds, not thousands; consequently, even if it were possible politically to permit Italian immigration, the numbers involved would necessarily be infinitesimal.

projects on existing approved schemes, and I have asked Miss Deane to consider how we should go about collecting more data on this subject. We no doubt could provide some, particularly in relation to the groundnuts scheme, and I should think we could provide some for other existing industries, e.g. sisal in Tanganyika. But I doubt whether we can provide much, even by way of illustrative material. We shall have to do our best. But, generally speaking, I feel that we have got to insist that we should go laboriously over the ground on the general lines of (22). I hope we shall take the opportunity of once again rubbing it into the Foreign Office that this question of the non-employment of Europeans as artisans, etc. in Africa is not a matter on which the Colonial Office or Colonial Governments are free to decide on policy. Within very narrow limits we have to do what the Africans will accept, and this cannot be put too strongly to the Foreign Office, who seem to me to live in the middle of the nineteenth century on this, as indeed on other subjects. If we wish to be able to take an effective part in the development of West Africa, it is quite certain that there is no scope for any activities on our part designed to produce large numbers of Italian immigrants or temporary employees there. The only result would be that we should have to employ substantial military forces in West Africa or find ourselves no longer able to exercise effective control. I sometimes think that our anxiety not to exaggerate has perhaps led us not to make as clear as is desirable to the Foreign Office and other Departments that this question is not simply one of what Colonial Governments or the Colonial Office would like but a question of what the Africans will put up with. On the immediate issue I think we must generally argue that there is no alternative but to be quite honest, putting out the position as we see it on the lines of (22) clearly in the Manpower Committee, or anywhere else where the Italians may raise it, and supporting our case with such statistical material as we are able to provide. If this is agreed, the papers should be recirculated very quickly to Economic Intelligence and Planning Department (Miss Deane) to set about collecting such illustrative material as may be practicable. It should be made quite clear that it will take some time and that we may not be able to produce very much.

K.E.R.
17.9.48

128 FO 800/435, ff 116–117 23 Oct 1948

'African development: Beira port and railway': despatch from Mr Bevin to Sir N Ronald (Lisbon) on the conversation between the secretary of state and the Portuguese ambassador

I asked the Portuguese Ambassador to call on me this morning to discuss the question of the Beira port and railway. I recalled that, when I met the Portuguese Foreign Minister in Paris last year, we had discussed African development and that he had been enthusiastic in his support for close co-operation between the British and Portuguese in this task. I was worried, therefore, to find that the very important question of the Beira port and railway was not being considered in the general context of African development but rather as an isolated question on its own.

2. I told the Duke of Palmella that I was going to speak frankly and confidentially. As he probably knew, the question of an Atlantic Pact had been under discussion in

Washington and it was likely to be decided that Portugal should be invited to adhere to it. He also knew that the international situation had made it necessary for us and the United States to start rearming. For this purpose we had great need of strategic raw materials. Moreover, in connexion with the European Recovery Programme we had an obligation to supply the United States with raw materials necessary for American rearmament. And the United States were pressing us to fulful this obligation. In Rhodesia there were many raw materials, such as copper, chrome, mica and coal, which were of the greatest importance to us, and it was therefore essential that every effort should be made to make these raw materials available as quickly as possible and in sufficient quantities. In this connexion the development of the railway and port of Beira would be of decisive importance. As an additional argument I then explained to the Ambassador the very vital part which the Beira railway must play in our strategic arrangements in Tanganyika and Rhodesia. I gave the Ambassador the broad outline of these arrangements and explained the extent to which they depended on the development of railway communications.

3. I said to the Ambassador that apart from defence there was the question of European recovery, which was hardly less important. The raw materials of Rhodesia must be made available to the members of O.E.E.C., for not only were they badly needed but they would enable us all to effect an important saving of dollars. For this reason, therefore, the Portuguese Government and ourselves must press forward with the development of the port and railway of Beira in concert with the other Powers interested in the development of Africa as a whole.

4. The Minister of State had recently been in America and had spoken to the president of the International Bank, Mr. McCloy. He had been given to understand that there was great interest in America in the question of African development and that, if it became clear that serious plans existed, both private finance and the International Bank would be ready to provide capital.

5. In the case of Beira, I thought that if only the matter could be dealt with at the level which its importance warranted it ought to be possible for the Portuguese, Rhodesian and British Governments to arrange for a Joint Operating Board for the port and railway as a whole. I was anxious that the whole problem should be lifted above the level of railway companies.

6. I understood that plans were being made to develop the transport system to 60 per cent. beyond its present capacity. I thought this was far too little and that we should plan for development on a much more ambitious scale. Moreover, I thought that if my principle were accepted, it would be important to ensure that steps were taken to attract the best outside experts to help in the development of the port and railway. That was a principle which we followed here in this country and we found it most advantageous.

7. For all these reasons I wanted to take this matter up with the Portuguese Government. I wanted to get the principle accepted and I thought it was of the utmost importance, from the political, economic and defence point of view, to develop the African continent and to make its resources available to all. If the Portuguese Government accepted this principle, and I was sure that they would, I felt that a solution could be found to individual problems, but I emphasised that the key to everything was communications.

8. The Duke of Palmella undertook to convey what I had said to his Government and we agreed to discuss the matter further when he had had their reply.

129 CAB 134/216, EPC 35(48)4 9 Nov 1948
'Colonial development': Cabinet Economic Policy Committee minutes

The Committee considered a memorandum by the Chancellor of the Exchequer and the Secretary of State for the Colonies (E.P.C.(48)92) covering a report by the Colonial Development Working Party.[1]

The Chancellor of the Exchequer recalled that on 6th May[2] the Committee had approved in principle an interim report (E.P.C.(48)35) by this Working Party. The further report now submitted discussed the broad objectives of Colonial economic policy in the light of current conditions; it laid down the principles on which Colonial investment policy should be based; and it set export targets for Colonial primary products. The Working Party had examined the factors determining the scale of future investment and the extent to which certain kinds of physical resources were likely to be available; and they had made detailed proposals for securing the effective integration of Colonial investment with the system of control and allocation of United Kingdom resources. Finally they had suggested that an inter-departmental Committee of officials should be set up to keep the progress of Colonial development under continuous review. The report was a notable piece of work, but it would not be advisable to publish it in view of the provisional nature of many of the figures and estimates included in it; he thought, however, that it would be useful to publish something on these lines as soon as more accurate figures became available. There were three main conclusions to be drawn from the Working Party's report. First, plans for Colonial development should maintain a proper balance between economic development and social welfare. Secondly, the speed of Colonial development would be severely limited by shortages of plant and materials in the United Kingdom, and by the problems of adjustment created by large-scale economic development in primitive communities. Thirdly, while resources were scarce, they were best applied to restoring and improving existing capital equipment rather than initiating new development schemes. The Colonial Economic and Development Council and the Economic Planning Board had both suggested that the report attached insufficient weight to the fundamental importance of agriculture and forestry in Colonial territories, and it was important that investment policy should take full account of their needs. He supported the proposal for the appointment of an inter-departmental Committee, and proposed to discuss its composition with the Secretary of State for the Colonies. A member of the Central Economic Planning Staff should act as chairman.

The Secretary of State for the Colonies said that he was in general agreement with the Working Party's recommendations and with the comments made by the Chancellor of the Exchequer. Notable progress had been made in recent years in repairing the effects of war and in expanding Colonial production, and he was confident that the export targets set out in the report could be achieved if supply difficulties could be overcome. He attached particular importance to the practical proposals made by the Working Party for ensuring that Colonial needs were taken into account in framing United Kingdom investment policy, and for co-ordinating and progressing [sic] Colonial orders for scarce equipment and materials.

Discussion showed that the Committee were in general agreement with the

[1] See 93. [2] See 125.

recommendations put forward by the Working Party, and Ministers expressed appreciation of the valuable and constructive report which they had prepared. The report would provide a sound basis for integrating Colonial investment policy with United Kingdom policy in the same field. Ministers wished, however, to be assured that sufficient attention had been given to adjusting the internal organisation of the Colonial Office to meet the requirements of this policy. In the past, the economic development of the Colonies had been largely relegated to private commercial enterprise, and it had not been necessary for the Colonial Office to exercise a direct control over economic investment. As the result of the Government's policy of direct participation in the task of Colonial development, there had been a fundamental change in the situation. Moreover, Colonial development made demands on scarce resources and, in allocating these resources as part of the United Kingdom investment programme, His Majesty's Government must apply to Colonial requirements the same criteria of urgency and relative values as were employed in this country. It was a necessary corollary of these developments that the Colonial Office should be in a position to maintain a general control over Colonial development: the Colonies could not effectively be brought within the ambit of United Kingdom economic policy unless the Colonial Office were able to present their case, to advise on priorities and to control allocations on the same lines as were followed by Departments such as the Board of Trade and the Ministry of Supply for industries in this country. Ministers were not satisfied that the weaknesses in the past organisation of the Colonial Office and the Crown Agents for the Colonies, which had been disclosed by the investigations made by the Working Party, had been fully eradicated, and they thought that this point ought to be examined in greater detail.

In further discussion, the following points were made:—

(a) *The Minister of Defence* suggested that a representative of his Department should receive the papers of the proposed inter-departmental Committee, and attend its meetings as necessary, in order that the defence aspects of Colonial development might be taken fully into account. This suggestion was approved.

(b) Although the first aim should be to restore and improve the existing capital equipment of the Colonies, this policy should not be too narrowly interpreted. It should not, for example, be assumed that the reconstruction of the railway through Portuguese East Africa and the expansion of the port of Beira would afford a completely satisfactory solution for the needs of Northern and Southern Rhodesia for additional transport facilities.

(c) Attention was drawn to the difficulties of United Kingdom Government-financed Corporations in Colonial territories. In Tanganyika, for instance, the Colonial Government had been unable to finance from its own resources health and welfare services for the workers on the groundnuts scheme, and this charge had consequently fallen on the Overseas Food Corporation itself. This added substantially to the Corporation's costs. Ought not the local Government to finance the cost of such services either from loan or Treasury grant until such time as they could recoup the additional cost from taxation on the company's operations? In fact, the Colonial Government had recently decided to reduce the rates of local income tax; and this action illustrated the difficulties which beset United Kingdom Corporations. In view of the Government's direct responsibility in Colonial development, and the fact that the capital resources to make it possible had to be found from the United Kingdom, ought not the Colonial Office to exercise more positive control over Colonial

Governments in the economic field?

On the other side, it was argued that, whatever the residual powers of the Secretary of State, it would be contrary to the fundamental principles of Colonial policy to attempt, at this stage, to treat Colonial Governments as subordinate departments of His Majesty's Government. The accepted aim of Colonial policy was to help the Colonial peoples to stand on their own feet, and gradually to devolve executive and legislative responsibility to them, and this could only be effected by the gradual transfer of real power. The co-operation of Colonial Governments in development policy had to be secured largely by persuasion, and account had therefore to be taken of the limited powers of the Colonial Office to take direct executive action. Nevertheless, full co-operation of Colonial Governments had, in general, been secured, but their powers were often limited by scanty resources and an inadequate administrative machine. The arrangement adopted in Tanganyika, under which the Overseas Food Corporation assumed a large measure of responsibility for the provision of health and welfare services for their employees, was not unusual: in Colonial territories with limited financial resources, it had not been uncommon to require commercial enterprises to provide such services for their employees.

(d) There was a danger that the attention given to integrating Colonial investment policy with United Kingdom economic plans might mean that inadequate attention was given to the development needs, not only of other Commonwealth countries, but of foreign countries in the Middle East and elsewhere in whose development we had a direct interest. Would it not be advisable for the Investment Programmes Committee to take their needs into account also when the levels of home investment were being considered? It was pointed out, however, that in this matter a clear distinction must be drawn between Colonial territories and foreign countries. His Majesty's Government had a direct responsibility for the economic development of the Colonies: they could not, however, directly control the development of foreign countries and the supply of capital goods to those countries must be regarded from the angle of export policy rather than investment policy.

(e) It was also suggested that the proposed inter-departmental Committee might work in close touch with the committee appointed by the Organisation for European Economic Co-operation to consider joint measures for the development of overseas territories. It was pointed out, however, that this latter body was concerned only with African territories and it would be undesirable that it should extend its enquiries to cover British Colonial territories in other parts of the world.

The Committee:—

(1) Approved the recommendations contained in the report of the Colonial Development Working Party annexed to E.P.C.(48)92.

(2) Invited the Secretary of State for the Colonies to submit a paper describing the organisation available within the Colonial Office for carrying out the recommendations of the Working Party, and its relations with the Crown Agents for the Colonies on the one hand and, on the other, the economic Departments of the United Kingdom Government.

(3) Invited the Secretary of State for the Colonies to submit a paper on the question whether the Overseas Food Corporation should continue to be required to finance the provision of health and welfare services for staff employed by them on the ground-nuts project in Tanganyika.

130 DEFE 4/19, COS 6(49)2 10 Jan 1949

'The strategic aspect of the proposed railway development in East and Central Africa': COS minutes. *Annex*: report by JPS, JP(48)122

[Earlier investigation having ruled out west-to-east African transport links, discussion after 1948 centred on railway development in Central Africa which would link Rhodesia (and thus South Africa) to Tanganyika. These discussions became tied in with the problem of evacuating Tanganyikan groundnuts. Mr Marquand urged that a conference should be held of interested parties (see 108, 118). The Portuguese proposed an African transport conference. Officials welcomed this, as it would give them information on the proposals of other Powers, and generally prepare for the British conference. What emerged was a two-stage international conference, the first doing the preliminary work and preparing an agenda. The first conference was held in Lisbon, 24–31 May 1949, between British, French, Portuguese, Belgian and South African representatives. The delegates decided to hold the major conference the following year in Johannesburg (FO 371/73042 & 73043). The idea of a north-south rail link, however, withered away for a variety of reasons: (a) its strategic value was in doubt if there was to be no major base in Kenya; (b) its economic value was in doubt, since only low-grade agricultural crops could be expected to be generated in the Rhodesias; (c) the costs were enormous; (d) the difficulty of being seen to co-operate with South Africa was growing, and (e) the General Manager of Rhodesian Railways, Sir Arthur Griffin, could see no specific Rhodesian purpose in a rail link to the north, and in any case argued that Beira was the best outlet for Northern Rhodesia; he believed the Portuguese would be co-operative, certainly more so that the South Africans (CO 795/159/45500/49/3, 5 Oct 1949). See map, p 251.]

The Committee considered a report by the Joint Planning Staff examining the strategic importance of certain railway development in East and Central Africa.

Lt. General Templer[1] said that he thought that the development of the three alignments concerned were not essential but were strategically desirable. If a railway was to be built linking Northern Uganda and the Sudan, then a line connecting Northern Rhodesia and Tanganyika would assume greater strategic importance provided that it was of the standard gauge. Even so such a project still could not be called a strategic essential. There was, however, no project in view for a line from Northern Uganda to the Sudan.

He understood that the Colonial Office had the impression that the Ministry of Defence considered that certain railway developments in East and Central Africa were strategically essential. He did not believe that this was true. He understood that Anglo/American consideration of East and Central African railway development would be taking place within the next few days and it was therefore important that the views of the Chiefs of Staff should be communicated to the Colonial Office as a matter of urgency.

Sir John Edelsten[2] said that some emphasis had been laid on the submarine menace to the sea routes round the Cape. Submarines in the last war had little adverse effect on our sea communications in these regions, and he did not believe that the submarine risk would be greatly increased in the area in a future war. In any case he thought that it would be more economical to deliver the cargoes by sea to East African ports than to trans-ship them and move them by land from West or South African ports.

In discussion general agreement was expressed to the report by the Joint Planning Staff.

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[1] Vice-chief of the imperial general staff, 1948–1950.

[2] Vice-chief of the naval staff, 1947–1950.

The Committee:—

(a) Approved the report at Annex and instructed the Secretary to send it to the Colonial Office as an expression of the views of the Chiefs of Staff, with the proviso contained in paragraph 3 of the cover note.

(b) Instructed the Secretary to send copies of the approved report to the Commanders-in-Chief, Middle East, for their information.

(c) Instructed the Secretary to send copies of the approved report to the U.K. Service Liaison Staff in South Africa.

Annex to 130

The Union of South Africa, Southern Rhodesia and the British territories in East and Central Africa have an important role to play in the event of war. Firstly, the industrial developments which are now taking place there, especially in Southern Rhodesia and South Africa, enhance the value of the African continent as a support area; this is particularly important in view of the vulnerability of the United Kingdom. Secondly, it is hoped that these countries will provide forces not only for their own local defence but also for the defence of the African Continent as a whole; we visualise that these latter forces would be deployed in the Middle East. Finally, a stores-holding area for the support of the Middle East campaign is being developed in Kenya.

2. The contributions which these countries can make to the Allied cause will be governed to a large extent by the efficiency of their communications. There is a strategic requirement for the best possible communications:—

(a) By land and sea from South Africa, Central Africa and East Africa, to the Middle East.

(b) Between the countries themselves, so as to assist in the general economic development of their war potential.

(c) Between the inland producing areas and ports, so that products may readily be shipped overseas and necessary materials imported.

Existing railway systems

3. The map at Appendix shows that the eastern and southern areas of Africa contain two separate groups of railways. The group in the south is well-developed and of 3′ 6″ gauge throughout. That in the east is of metre gauge and lacks cohesion; it consists of lines connecting the ports of Mombasa, Tanga and Dar-es-Salaam with their respective hinterlands.

No rail link exists between these two groups of railways, and the Rhodesias have no direct access to the sea through British Colonial territory.

Project to connect Tanganyika and Northern Rhodesia

4. It is estimated that the proposed line (marked (a) on the map at Appendix) would cost between £9m. and £11m. to build and that it would be self-supporting commercially within 15 years. The road following this route was used during the last war for transporting important war materials.

5. A railway would meet the following strategic requirements:—

(a) It would provide the Rhodesias with a railroad through British and British Mandated territory to the Indian Ocean, and thus obviate the Portuguese controlled ports.
(b) It would link the stores-holding area in Kenya with the South.
(c) By opening up rail communications in a new tract of territory it would encourage the development of this region and consequently add to its potential value as a support area.

6. We therefore consider that the construction of this line is strategically desirable.

Project to connect Mikindani and Northern Rhodesia

7. Mikindani has a good natural harbour which is being developed to handle the export of ground nuts. A metre gauge line is under construction to link the port with the ground nut plantations, and a project (marked (b) on the map at Appendix) is under consideration to extend the Mikindani railway to link up with the projected Rhodesian system. At present these two railways will be of different gauge.

8. If Mikindani were developed enough to handle the extra traffic and were connected with Rhodesia, it would provide an alternative outlet to the sea thus reducing the pressure on the ports of Tanga and Dar-es-Salaam. Under these circumstances this project would be of some strategic value.

Project to connect Southern Rhodesia and ports in S.W. Africa

9. The proposal is to link Walvis Bay with Wankie, in the centre of the South Rhodesia coalfield, by extending the existing line inland (marked (c) on the map at Appendix).

10. This line, in conjunction with the link between Northern Rhodesia and Tanganyika, would provide an additional overland L. of C. to East Africa from the west. A previous examination concluded that the strategic advantages likely to accrue from the development of a Line of Communications across Africa were not sufficient in themselves to justify the heavy cost of such development; but that if, in future, the construction of a through trans-continental rail route becomes economically desirable, such construction should be supported on strategic grounds.

11. This project would give the Rhodesias a railroad through Commonwealth territory to a port in the west, but the bulk of the Rhodesian output of war materials would need to be sent up the northern line towards the Middle East.

12. The line is not, therefore, of especial strategic importance. Nevertheless, inasmuch as it adds to the flexibility of the Central African railway system it would be of some military value in war.

The gauge problem

13. The strategic benefits to be derived from the first two projects will be greatly limited if there remained a difference of gauge between the interconnected systems, involving delay and expenditure of labour in offloading and reloading every trainload. It is noted that the projected railway from Mikindani to Northern Rhodesia is of metre gauge, whereas the projected railway between Northern Rhodesia and East Africa is of 3′ 6″ gauge. The conversion of the metre gauge railways to 3′ 6″ is clearly strategically desirable. This has been anticipated to some extent since all recent

deliveries of rolling stock for East Africa have been specially designed for easy conversion. The total cost of widening the existing East African system to 3′ 6″ has been estimated at £16m. We do not know the cost of constructing the Mikindani line at 3′ 6″ gauge as opposed to metre gauge.

Conclusions

14. We conclude that:—

(a) A link between the Rhodesian and Tanganyikan railway systems is strategically desirable.
(b) Railways between the Rhodesian system and—
  (i) the port of Mikindani
  (ii) the port of Walvis Bay
are not essential on strategic grounds; but if it is decided to construct them on economic grounds, they would be valuable in war.
(c) As a complementary project, the conversion of the East African railway system to 3′ 6″ gauge is strategically desirable.
(d) The strategic arguments in favour of constructing these railways, though sufficient to warrant their use in support of a claim for assistance from E.R.P. funds, are not of such force as to warrant a contribution from the United Kingdom defence vote.

131 CO 537/4736, no 1 July 1949

'The economic development of the Nile Valley': FO paper. *Minutes* by A B Cohen, J M Martin, A H Poynton, Sir T Lloyd, Lord Listowel and Mr Creech Jones

In the course of his conversation with the Egyptian Minister for Foreign Affairs in Paris on the 1st June, the Secretary of State for Foreign Affairs expressed the hope that the territories of the Nile Valley would cooperate politically and economically in the joint development of their resources and the welfare of their peoples.

2. Mr. Bevin has given further thought to this conception and has now had an opportunity of discussing it with the Governor-General of the Sudan, who considered that from his point of view the proposal should be explored further. Mr. Bevin has in mind an international Board, the function of which would be to help Governments to achieve coordination in the social and economic development of the Nile Valley, in the prosperity of which so many different territories have a common interest. The following preliminary ideas with regard to the terms of reference, composition and functions of the Board have occurred to Mr. Bevin:

(a) The Board would have no political or executive authority. Its task would be to advise and to make recommendations.
(b) The Board might consist of representatives of:
  (i) Egypt
  (ii) The Sudan
  (iii) Ethiopia

(iv) Uganda (or the East Africa High Commission)
(v) The Belgian Congo.

(c) For the sake of continuity and in order to avoid the constitutional difficulties which might arise from the different international status of the territories concerned, the members of the Board should be selected from prominent independent personalities who command authority in their own country, or from senior officials, or from elder statesmen outside the sphere of current politics.

(d) The Board might most appropriately sit in Cairo.[1]

(e) The Board might have discretion to appoint subordinate bodies for the coordination of specific enterprises of concern to more than one territory, e.g. the Nile Waters schemes, cotton production, and the generation of hydro-electric power. (The Technical Council which it is already planned to set up to supervise the execution and later the administration of the Nile Waters schemes might, therefore, be subordinate to the Board.)

(f) The title of the Board might perhaps be "The Nile Valley Development Board" or "The Nile Valley Advisory Board".

3. The Secretary of State for Foreign Affairs is most anxious that agreement on the creation of some such body as he has in mind should be reached as soon as possible for the following reasons. First, the need for the economic and social development of the Middle East and Africa is urgent. Secondly, agreement on the establishment of such a Board would have a significant effect on various matters of importance which are to be discussed at the next General Assembly of the United Nations, which is to begin in September. Finally, the present state of our relations with Egypt conduces to such an enterprise.

4. His Majesty's Ambassador at Cairo has been asked to comment urgently on the possible composition, terms of reference and functions of such a body. The Secretary of State for Foreign Affairs is anxious, however, that this proposal should be discussed as soon as possible in London in order to avoid unnecessary delay.

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First as regards procedure. I have told Mr. Pearson that in my view this proposal has so many political implications that it certainly ought to come to the Africa Committee first, and he is communicating this view both to the Foreign and Cabinet Offices. If the proposal gets the blessing of the Africa Committee—which it will get over my practically moribund body—it might then be right to put it to the Colonial Development Committee, but I hope that this will not be necessary.

On the substance of the proposal, I have discussed with Mr. Wallace[2] and Mr. Robertson.[3] We all feel strongly that the setting up of a Board of this kind, with broad terms of reference covering social and economic development generally, would not only serve no practical purpose, but would actually interfere with the social and economic development at any rate of Uganda; while it seems to us also that the proposal is open to the gravest political objections from the Colonial Office point of view.

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[1] Cohen wrote against this: 'very embarrassing'.
[2] W I J Wallace, acting CO assistant secretary, 1949.
[3] W A Robertson, CO forestry adviser.

We are, of course, in entire agreement with the proposal to establish a Technical Council to supervise the administration of the Nile Waters scheme or schemes; but this will only be concerned with water and matters directly related to water. The establishment of such a Council is fully in accordance with the spirit of the Nile Waters Agreement, and I think that I am right in saying that it is accepted policy that the United Kingdom Government should press for the establishment of such a Council at the appropriate moment.

But a Board to deal particularly with social and economic development is entirely another matter. It is not clearly brought out in the Foreign Office paper what precise purpose this Board would serve. It is stated in paragraph 2 of (1) that its functions would be to help Governments to achieve co-ordination in the social and economic development of the Nile Valley. What exactly does that mean? As far as I can see it does not mean anything at all except in relation to actual water control or hydro-electric schemes which could perfectly well be discussed in the Technical Council. Is there really anything to be gained by trying to co-ordinate educational development as between Uganda, the Belgian Congo, Egypt and Ethiopia? We already have perfectly satisfactory machinery to deal with matters on which international co-operation is necessary, e.g. tsetse, locust and rinderpest control, and for discussing other matters of common interest where the exchange of ideas is desirable, e.g. soil erosion, rural development etc.

The Colonial Office, of course, is fully in agreement with the view expressed in paragraph 3 that the economic and social development in Africa, as well as the Middle East, is urgent. But in our view it is a fallacy to suppose that the rapid development which is desirable is going to be promoted by an international Board of this kind. The way to promote it is to give the maximum support to the Uganda and other colonial governments (as we are doing) in securing staff, supplies and finance to get on with their own carefully thought out development programmes. Uganda by common consent has an excellent one. The rapid carrying into effect of this programme will not in any way be assisted, as far as we can see, by the establishment of a Board of this kind.

We would go considerably further than this and say that not only would the carrying into effect of the development programmes not be assisted by the proposed machinery, but that it would actually be impeded. The effect of setting up such a Board would be that plans and proposals might very well get held up while they were being examined by this outside and possibly not very vigorous body. We should be linking ourselves in a sense with Ethiopia, which is infinitely more backward than our territories, with the Sudan, where politics tend to interfere with material progress, and with Egypt, which might be co-operative during one period, but might equally well be intensely unco-operative at other times. We have created an East African region which corresponds to the economic and geographical needs of the territories. To include Uganda or the whole of the East African territories in an entirely new region would only confuse the administrative and executive machinery.

From the political point of view we regard the proposal with intense dislike. We have always been most careful to keep our African technical co-operation to Africa south of the Sahara. The interest of Egypt in the Sudan has I imagine already been sufficiently embarrassing to His Majesty's Government. Surely we do not want to encourage Egypt to take any interest in Uganda and the rest of East Africa other than her purely technical interest in the control of the waters of the Nile. We feel pretty

sure that the Belgian Government would view this proposal with considerable suspicion from their point of view, and, although this is really a point for the Foreign Office rather than ourselves, the sponsoring of the proposal would, in our view, be harmful to our policy of close co-ordination with Belgium in the African field. The proposal will also be regarded with the gravest suspicion by the East African Governments, and in sponsoring it we should, in our view, be laying ourselves up a fruitful source of trouble in the future and potential friction between the African population of Uganda and Egypt. Egypt would not interest herself in Uganda for the benefit of Uganda, and African nationalists would be quick to seize the opportunity of criticising our good faith.

(1) states that the Foreign Secretary is anxious that agreement on the creation of a body of this kind should be reached as soon as possible. Two reasons are given for this, other than the need for the social and economic development of the territories which we do not believe this proposal would promote. The first of these additional reasons is the fostering of good relations with Egypt; the second, the creation of a favourable atmosphere in the General Assembly of the United Nations. Both are of course admirable objectives, but we cannot sacrifice the interests of colonial territories for these purposes. It seems to us important that the proposal should be most firmly resisted.

The matter will we hope be discussed at the Africa Committee on Friday (a time has not yet been arranged). We do not, of course, want to seek any final decisions from Ministers pending that meeting, but if there is time the Secretary of State may like to see the papers meanwhile. He mentioned the proposal to me orally last week and was, I think, himself inclined to doubt whether such a proposal was practicable.

A.B.C.
4.7.49

I entirely share Mr Cohen's feelings about this. The Nile Valley is not the right "region" for most of the purposes for which the Board seems to be intended.

J.M.M
4.7.49

This is a characteristic piece of F.O. nonsense. I agree that it should be vigorously opposed.

A.H.P.
5.7.49

. . . I agree with Mr Cohen throughout.

T.I.K.L.
5.7.49

We must try to bring the F.O. down to earth . . . .

L.
6.7.49

While the F.O. objectives are praiseworthy, I am sceptical as to the practicability of any such Council, and for the following reasons:

(a) Our experience in the Caribbean with the Advisory Commission for Social and Economic Development is far from encouraging. The jealousies, the differences, the conflicts of interest make co-ordination of efforts in many fields most difficult and disappointing. The T.V.A. Scheme is different and within the confines of a single nation.
(b) There exists already machinery for exchange of ideas, for study of technical problems, for consultation and co-ordinated action on technical issues such as pests and diseases and other matters of common interest. There is agreement about a Technical Council as well.
(c) The economic and social problems are the concern of the individual territories, and as yet the development of these territories is too sketchy and political responsibility by the people too limited to allow of much active co-operation in some kind of super-political council of an international character. Such a body (often unrealistic and irresponsible in its decisions) may prove a hindrance rather than help. If we have to wait for agreement by other members of the Council to some of our projects (e.g. the delay over the Owen Falls Scheme with Egypt) we may have to wait a long time and abandon many schemes. The Council would virtually determine the scope of the hydro-electric scheme, cotton production and other developments in our own territories.
(d) I am not anxious to introduce Egypt too much into the affairs of Africa south of her own territory. Nor do I wish a dualism for Uganda as between the East African Commission on the one hand and the new Council on the other.

I think the arguments of Mr. Cohen are weighty and must be considered against what arguments the Foreign Office may bring up. It would be worth while for them to state their case.

A.C.J.
6.7.49

132 MAF 85/589 6 Oct 1949

'Notes on the latest paper on the East African groundnuts scheme': memorandum by Dr E E Bailey (Ministry of Food)

I have the following points of detail on this paper.

1. I should like to see the documents justifying the statement that it was made the responsibility of the Principal Finance Officer to set up (by which I understand, to constitute) the Special Section. According to my recollection, without consulting documents, the Special Section was originally constituted at a meeting presided over by Sir Percivale Liesching[1] and attended by Sir Herbert Broadley,[2] Mr. Ryan[3], Mr. Feavearyear[4] and myself. I nominated the Finance representative but, unless the documents show otherwise, I cannot accept responsibility for the nomination of the other members.

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[1] Permanent secretary, Ministry of Food, 1946–1948; permanent under-secretary of state, CRO, 1949.
[2] Second secretary, Ministry of Food, 1945–1948.
[3] J S Ryan, legal assistant, HM Procurator General and Treasury Solicitors Department.
[4] A E Feavearyear, deputy secretary, Ministry of Food.

2. The Special Section's Report was never signed by any of the members. The reason, as I understood it, was that while all the members of the Special Section were prepared to assume joint responsibility for the Sections of the Report leading up to the Conclusions, they were not prepared to assume such responsibility for the Conclusions themselves, which were written by Mr. Hollins alone. In the result it was apparently agreed to send the Report forward unsigned. In this connection it is worth noting that the Director of Costings, who was not a member of the Special Section, insisted upon making his Report to me direct, and this Report is signed.

3. As I remarked in my Memorandum of the 20th December 1946, the conclusions of the Director of Costings cannot safely be divorced from the assumptions on which they were based, including, as these assumptions did, the necessary assumption of the physical success of the Scheme. Nevertheless, this divorce makes its appearance once again in the present paper.

4. I note a statement on the last page of the present paper that when Command 7314 was published in early 1948 there was still no one in the Ministry of Food who had been out to East Africa to see the developments. In fact, the Internal Audit Team of the Ministry of Food had been in East Africa since August 1947 and was reporting back to the Director of Internal Audit.

5. I feel that less than justice has been done not only to my Minute of 20th December 1946 but also to Sir Percivale Liesching's Minute of the same date. In particular, with regard to my Minute, I think it inadequate to report me as saying that, having drawn attention to the risks, I did not regard it as my duty to decide whether those risks should be incurred. What I actually said was that I found it no part of my duty to *recommend* the hazarding of public money however high the cause or stakes. I added that if it was to be decided that the risks should be run, that decision should, in my view, be taken at Ministerial or Cabinet level in the light of all the factors involved. I ended this passage in my Minute by saying that it was my duty to draw attention to the risks, leaving it to others to decide whether they should be incurred. In another place I described the Scheme as "full of hazards" and in two places stigmatised the Report as "begging the question", which was, of course, whether the full Scheme should be adopted or not, complicated as that question was by the fact that, pursuant to Ministerial decision, the Scheme had already been launched. I specifically said that I could not accept Conclusion 1 of the Report, that a critical examination of the Scheme led inevitably to the conclusion that it was a practicable plan for alleviating the world shortage of fats, adding that there was, unfortunately, no inevitability about any of the conclusions to be drawn from the Report. It is not enough, as the present paper does, to quote my refusal to accept Conclusion 2, that viewed strictly as a commercial proposition the Scheme involved no unjustifiable risks, a conclusion which I also described as unwarranted.

With regard to Sir Percivale Liesching's Minute, I am sure that he would feel that insufficient attention has been paid to his express agreement with my views. If he put more weight than has perhaps been justified by the event upon the labour risk, he did so expressly without neglecting other points to which I had drawn attention and referred to "risks which cannot lightly be dismissed".

So much for detailed points. From a more general standpoint the following points strike me.

The paper is altogether too much of an apologia, if not of an appology. There is too much writing down of the Special Section and its work. I am, and always have been, aware that the dice were heavily loaded against the Special Section for one reason and another, including the reasons given in the present Report. That is not to say, however, that their work, with all its faults, can be dismissed out of hand. They were a body of people worthy of some respect and their labours were Herculean. While I, in effect, rejected their Report, I cannot associate myself with any wholesale depreciation of it or of the work which in many quarters of the Ministry was subsequently devoted to this subject. They and others were the objects of Ministerial pressure of the severest kind, a factor which should never be left out of account in any judgment founded only on the documentary record. And I cannot believe that any main actor in this long drawn out drama would accept for a moment the apologetic last paragraph of the present paper, which, if I may say so, is faintly reminiscent of the school room.

If anyone is minded to draw lessons from our experience in this field, I feel that the following lessons cannot be ignored.

In the first place, extreme Ministerial pressure on officials who are charged with forming objective judgments is a bad thing and may lead to disastrous results.

In the second place, the Private Office channel of communication should be used with great discretion and should never be allowed to cut across the Civil Service channel or the Civil Service chain of reporting and responsibility.

Finally, objective judgment by officials is difficult, if not impossible, in the face of conflicting Ministerial decision in the same field.

It remains only for me to say that, so far as I personally am concerned and have need to do so, I shall rely upon the full history of these events, documentary and otherwise, rather than upon any selective version of them, however detached or well-meaning.

133 CAB 129/37/2, CP(49)231 11 Nov 1949

'The East African groundnuts scheme': Cabinet memorandum by Mr Strachey on its future [Extract]

. . .

What are the alternative policies?

13. The Corporation set out in paragraph 9 of their memorandum their considered view that there are only two alternative courses of action—either to adopt the plan which they have proposed or to abandon the whole scheme forthwith. But is no middle course possible? At first sight such a middle course appears to have much to commend it. Its adoption would avoid either of the drastic alternatives postulated by the Corporation—the termination of the scheme, with all that this would involve or a further large scale programme involving the borrowing of another £15–17 million at a difficult juncture in our financial history. Would it not be better to clear in the next two years some "minimum" economic acreage in the Southern Province (say 30,000 to 50,000 acres) and then—unless both the general financial position in the United Kingdom and the prospect of the scheme itself were brighter than

now—for the Corporation to settle down for some time to operate their total holdings of say 300,000 acres in the most economic manner possible? This would give the Corporation an opportunity of testing and deciding what would be the most effective longer-term use of the cleared land and it would be in the light of their knowledge that, at a later date, the Government and the Corporation would be able to determine whether the time was ripe for further development work to be undertaken in the Southern Province. Such a view might commend [sic] a good deal of support at the present time, when we are being obliged to restrict capital investment. My officials have considered this possibility but have put forward what seem to me very cogent reasons for rejecting it.

14. Firstly the Corporation have greatly improved the efficiency of their organisation in East Africa. They have already built up the ancillary services such as communications and workshops which will be needed for going on with comparatively large scale development work. They have available a "striking force" of experienced staff and equipment which is capable of carrying through a clearing effort—which though small in comparison with the original plan will yet employ all their existing resources. It would obviously be wasteful to under-employ this force in what would be no more than a relatively small scale clearing operation. Moreover, a decision to curtail development work would almost certainly result in breaking the force up. It would be the signal to the able men in East Africa to seek a new job elsewhere. They would feel that the scheme had seen its death sentence. And once the team of experienced men was dissipated it would be almost impossible to build it up again.

15. And the resulting asset would have far less chance of successful and economic operation than a total area of 600,000 acres. It would burden the scheme with even greater overheads because the capital expenditure required per cleared acre would be even more disproportionate if spread over only 300,000 acres. Much the larger proportion of capital outlay in the Corporation's programme occurs during the next two years at the end of which the cleared acreage is expected to have reached 300,000 acres, and, although this expenditure is geared to a programme of 600,000 acres, it is very probable indeed that a disproportionate amount, in addition to the sums already spent on preparation, would be involved in undertaking a smaller programme.

16. Furthermore, a reduced programme would not give the scheme a satisfactory trial. It would of necessity limit development in the Southern Province. 160,000 acres would be cleared in Kongwa and Urambo and therefore there would only be the balance to be cleared in the Southern Province which is the most promising area of the three. Any chance of the scheme proving its viability would be severely prejudiced, if not lost.

What would "closing down" mean?

17. What would be involved in a decision to "close down" the scheme immediately? If this were done on financial grounds it would require the immediate cancellation of all contracts for the supply of equipment, the dismissal of all the staff in East Africa save those who would be required for the disposal of all equipment and the immediate cessation of all work there. It is most unlikely that more than a small proportion of the cleared land could be used by the Government of Tanganyika. The assets in East Africa would consist of a partly constructed port and nearly completed railway in the Southern Province (the purpose for which would have vanished),

several considerable settlements ranging from the new town of Kongwa (which is already the second largest town in Tanganyika) and various scattered housing developments throughout the territory. These towns and townships have each considerable public works in the way of water supply, drainage, electric light and the like—none of them, in the absence of the groundnut scheme itself, would serve any visible purpose; many hundreds of miles of new roads—some, no doubt, of these would be of some use to the community, but in the absence of the groundnut scheme they would also be, to a large extent, wrongly sited: some 100,000 acres of cleared area at Kongwa in the Central Province, in what is proving the least promising because the least well watered area of the three, 20,000 cleared acres at Urambo in the Western Province and some 2,000 cleared acres in the Southern Province. It is very doubtful whether these cleared acres on these sites would in themselves represent a workable proposition from the agricultural point of view. There can be no reason for questioning the Corporation's views that if the scheme is abandoned now there will be a loss of £30 million. And abandonment of the groundnut scheme will mean the end of the Overseas Food Corporation at a time when there is every sign that they are really taking a grip of the scheme. Mistakes have been made but the great majority of our difficulties result from the early years of the scheme before experience had been built up and when all were working to unattainable targets. The Corporation took over effective control of the scheme on 31st March, 1948, and I have been encouraged by the way in which they have overcome many of the problems which they inherited.

Can His Majesty's Government agree to a closing down policy?

18. Is this course of closing down the scheme a policy to which the Government can subscribe? We embarked on this job with due realisation of the risks which we had to run. In my paper recommending the adoption of the scheme (C.P.(47)10 dated 4th January, 1947)[1] I said: "My colleagues will see that this is a big enterprise; it has to be if it is to meet even a substantial part of our desperate need for fats. My colleagues would not believe me if I tried to pretend to them that such a scheme was free from risk. Of course, serious difficulties and delays, many of them unforeseeable, may arise in the course of a great undertaking of this sort." It was because the risks were so high that we selected a public corporation to tackle the enterprise. An enterprise of this nature involves considerable risks and I think it would be disastrous for the prospects and prestige of public enterprise if we were to abandon the East African Groundnuts Scheme because some of the risks in the opening years have gone against it. How many of the really large business concerns have been successful right from the outset? Surely commercial experience shows that many of the really great businesses have only been built up after years of extraordinary difficulty—years without dividends, years when capital was written down—but yet successful in the end. Our policy necessarily implies that only public enterprise will be available to take the really big risks involved in opening up new frontiers in our Colonial Empire. It is vital, therefore, that we should persevere with our efforts unless we are to discredit the very principle of public enterprise, at any rate in this field.

19. And, above all, how could we, after having spent £30 million, abandon the

[1] See 116.

Scheme at this stage, before we have enough experience to judge whether it will prove a success or not? We have no grounds whatever for saying that it will fail, any more than we can "prove" its ultimate success. We cannot use the costs during the first two years as a sound basis on which to estimate the final operating costs of the Scheme. Until we have allowed development to go on long enough for more reliable estimates of costs to be made, how can we make any real estimate of the final outcome? Surely we should lay ourselves open to every sort of criticism if we were to give up now. Not only should we be abandoning a project which had not had a chance of proving itself, but we should be dealing a severe blow to enterprise throughout the Commonwealth. For the groundnuts scheme has come to be looked upon as a prototype for this kind of large scale development.

The world needs more food

20. The Chief Scientific Officer of the Ministry of Agriculture recently gave it as his opinion that because the population of the world is increasing at the rate of 20 million a year it will be necessary to double the world's food production in the next 26 years. If we are to plan for a satisfactory food supply for the housewives of this country, and for the population of our Colonial territories, we must not try to ignore the effect which this increase in world population, coupled with a general acceptance of the fact that the pre-war standard of nutrition is unacceptable, will have on the world food situation. If we are to plan for plenty we must base our plan on increased production. This means that new frontiers must be opened up. The East African Groundnut Scheme is a pioneering effort to use modern equipment to bring marginal land into service for the production of food and if necessary other raw materials. The real need for the increased supply of food is no less urgent today than it was when the scheme was launched and to abandon it now would only make our eventual long term food problem more difficult. If we can make this project succeed we will have provided a prototype for similar developments elsewhere throughout the world. We will have developed and demonstrated a new clearing and production technique for tropical countries.

The effects of abandonment on our colonial territories

21. The Groundnut Scheme has become an important symbol in our Colonial Empire. It is a bold experiment to raise the economic productivity of the African territories by replacing the primitive hoe by modern mechanical agricultural machines. The output per head of the agricultural worker can be lifted substantially and so provides an economic base for the development of a higher standard of life. The work provides openings for skilled and semi-skilled labour. One of the more spectacular successes of the scheme has been the way in which it has been possible to recruit and train local labour for many skilled jobs. Men have trekked from all over Tanganyika Territory to secure jobs. The possibilities for the Africans are considerable. If we abandon all this and break up the Scheme, the Africans not only in Tanganyika but throughout the whole of East Africa will suffer a great disappointment and it will be another blow for British prestige.

22. *The effect in the United States*. Some Americans have watched the development of this scheme with close interest. It represents firstly a convincing proof of our determination to develop sterling sources of food supply. Secondly it is a real demonstration of our belief in the development of our backward territories. We are

hoping to take full advantage of any opportunities which may arise for United States capital investment in the British Colonies. It would greatly discourage United States help in this field if we abandoned the one really large scale food production project which we have started since the end of the war. How could we expect United States investors to take the kind of risks which we admit to be too great?

23. I feel that it is on these wider grounds of policy that our decision must be based. Our detailed estimates of probable income and expenditure are essential—but not the decisive—evidence. It is not possible to demonstrate that a 600,000 acre scheme will be able to cover its costs—but at the same time it is not possible to prove that it would lose money. The outcome depends on factors which we cannot estimate with any degree of precision. I would be the first to admit that for as far as we can see at the moment we cannot justify the scheme as a purely commercial venture in the precise sense that, allowing for the risks, it is likely to provide a rate of profit in the accepted business sense of that term. The original estimates of costs contained in the Wakefield/Rosa report were too far out for this. But I think that there is every justification for going ahead with the scheme on the sharply reduced basis now proposed when the wider aspects have been taken into account.

24. In making this recommendation that the scheme should go forward on the lines proposed by the Corporation I would ask my colleagues to bear in mind the very great differences between these proposals and those which we had when we first considered the project. The present proposals are based on three years' practical work in the bush under tropical conditions in East Africa. They are put forward by men who have now had years of experience on the job. The plans are based on lessons which have been learnt and in the sure knowledge that the administrative base to support the enterprise has been safely established. The communications, the workshops, the spare parts and all the other administrative facilities which did not exist in 1947 have now been provided. Experienced men now have the tools with which to finish the job. And the Overseas Food Corporation, although it only took over responsibility eighteen months ago, has already shown itself capable of more sustained leadership and effective organisation in East Africa than the Managing Agency.

25. I believe, however, that it is essential to strengthen the Board of the Corporation. For obvious reasons I do not want to go into details in this paper, but I will indicate orally to my colleagues the changes which I have in mind and which I have discussed with the Chancellor. I am confident that the result of these changes will be to secure a Board which will ensure not only that the approved programme is carried out with vigour but that the maximum economies in organisation are achieved.

26. In particular the strengthened Board will have to pay special attention to the pressing problem of improving the accounting arrangements of the Corporation. It is, of course, very unsatisfactory that the Auditors should have had to qualify the 1948–1949 accounts. Undoubtedly there were extenuating circumstances of considerable significance: the bulk purchase of surplus stores, difficulties of accommodation, an acute shortage of experimental staff. But some part of the failure has been due to an inadequate appreciation of the problem on the part of the Managing Agency and of the Corporation itself at the early stages. The Board is already taking emergency measures to deal with the back-log of accounts, and to strengthen its staff and overhaul its accounting organisation in East Africa. I have formally drawn their

attention to the urgent importance of doing everything possible to avoid a position in which the 1949–50 accounts are also subject to qualification by the Auditors.

27. On the agricultural side I am making arrangements to broaden the advisory field on which the Corporation draws. This will ensure that all the technical matters, such as rotation and selection of crops, are fully explored in the light of experience elsewhere, and that the experimental work is such as to yield results which can be used as a reliable guide for future plans. In particular I am arranging for regular consultation between the Corporation's experts and the Colonial Secretary's agricultural advisers whose experience will, I believe, contribute materially to the development of the Scheme on the right lines.

Summary of the problem

28. It may be helpful if, in conclusion, I endeavour to set out the essence of the problem as I see it.

(i) By the end of this financial year, the Corporation will have cleared and planted 112,000 acres and the clearing of a further 90,000 acres will be in train. The borrowings by the Corporation in the same period will have amounted to approximately £32 million. The Corporation propose that they should be authorised to proceed with further development plans over the ensuing four year period designed to bring the total cleared area up to 600,000 acres. They estimate that such a programme would involve a total borrowing of the order of £47.6 million.

(ii) The Corporation state that in their view the alternative to this programme is to close the scheme down, involving an estimated loss of £30 million.

(iii) My Department has examined the Corporation's proposals and, broadly speaking, are satisfied with the physical and financial assumptions underlying the capital development programme. But they have re-assessed the Corporation's estimate of earnings in a typical post-development year in the light of what they consider to be more realistic assumptions of price and total crop. On this basis the surplus envisaged by the Corporation would become a deficit.

(iv) They have also examined the possibility of a policy of limited liability—e.g. a four year development programme involving a total cleared area of 300,000 acres. But their conclusion is that although this would involve a modest saving of capital (say of the order of £5 million including the total cost of clearing the 300,000 acres cut from the target) the resultant net revenue would be more than halved owing to the impossibility of bringing down the operating overheads proportionately. In addition to this there would be a serious waste of the new railway and port installations built in the Southern Province. Under the Corporation's proposals these would handle the produce of 420,000 acres, whereas under a 300,000 acre scheme the acreage in that Province will be limited to 120,000 acres—i.e. there would be a reduction of 72 per cent in payable freight.

(v) The conclusion is that—quite apart from the effect of a smaller scheme on the morale of the Corporation's staff in East Africa—a limited objective would involve an uneconomic use of resources and increase the financial difficulties of the scheme.

Recommendation

29. I therefore recommend that the Overseas Food Corporation should be authorised to proceed with their revised programme to clear 600,000 acres of bush in East Africa for agricultural production by November, 1953.

134 CAB 128/16, CM 66(49)3 14 Nov 1949
'Production of groundnuts in East Africa': Cabinet conclusions

The Cabinet considered memoranda by the Minister of Food (C.P (49) 231)[1] and the Secretary of State for the Colonies (C.P. (49) 232) on the future of the East Africa Ground-nuts Scheme. They also had before them a further memorandum by the Minister of Food (C.P. (49) 210) covering the report and accounts of the Overseas Food Corporation for the year 1948–49.

The Minister of Food said that he would be expected to make a full statement on future policy in the debate in the House of Commons on 21st November on the first annual report of the Overseas Food Corporation. That report had revealed the wide discrepancy between the original estimates as set out in the White Paper of 1947 (Cmd. 7030) and the actual expenditure incurred and results achieved to date. The original plan had provided for the clearance, by 1952–53, of 3,210,000 acres at a cost of nearly £24 million; in fact, by March last, only 46,000 acres had been cleared, but this had cost over £21 million. There would no doubt be strong criticism of past mistakes, but Parliament would be mainly concerned to discuss the future of the Scheme. The Overseas Food Corporation had now themselves submitted detailed proposals for its revision. Briefly, this plan provided for the clearance of 600,000 acres by 1953–54 at an aggregate capital cost of £45 million; and a further £3 million would be required to cover possible losses on current operations during the development period. There were thus three possible courses of action: to abandon the Scheme altogether; to restrict its scope even more drastically than was proposed by the Overseas Food Corporation; or to adopt the plan put forward by the Corporation. For the reasons set out in C.P. (49) 231 he rejected the first two courses and recommended that the Overseas Food Corporation should be authorised to proceed with their revised programme. It should be recognised that this policy would involve a commitment for the expenditure of a further £16 million for capital development up to 1953–54; and that, in view of the impossibility of making any firm assumptions about either yields or prices so far ahead, no assurance could be given at this stage that the Scheme would be able to make a profit, even on current account, after the development period. He thought it would be essential at the same time to strengthen the Board of the Overseas Food Corporation, and he had already submitted to the Prime Minister detailed proposals for doing so.

The Secretary of State for the Colonies said that he was in full agreement with the recommendations made by the Minister of Food. The Scheme should not be judged from a purely commercial point of view: a substantial part of its capital outlay had been devoted to the provision of development and welfare services, which were normally the responsibility of the central Government or of the local authorities. The abandonment of the Scheme at this stage would be a major disaster for East Africa, and would involve the loss of valuable experience in the technique of economic development under tropical conditions. It seemed certain that the Government would be pressed in the debate to agree to arrangements involving closer Parliamentary control over the operations of the Overseas Food Corporation; and it would no doubt be suggested that responsibility for the Scheme should be transferred to the

[1] See 133.

Colonial Development Corporation. The latter suggestion should not be accepted: the existing commitments of the Colonial Development Corporation were so heavy that it would not be able to undertake this additional responsibility.

The Cabinet agreed generally that, for the reasons set out in C.P. (49) 231 and 232, there could be no question of abandoning the Ground-nuts Scheme. Some Ministers were, however, doubtful whether it would be advisable at this stage to take a firm decision to adopt in full the revised plan put forward by the Overseas Food Corporation. This involved a further heavy expenditure of public funds in the clear knowledge that the Scheme would never earn enough for payment of interest or amortisation of capital, and that it might have to be run at a substantial recurrent loss. Before a final decision was taken, ought not further information to be obtained about the suitability of the Southern Provinces, in which future development would largely take place? Was it expedient to accept the Corporation's proposals without fuller investigation into such matters as the rainfall prospects and the soil conditions in this area? For this purpose, the Corporation should call upon the best scientific advice available, not only in the Colonial Service, but in the United Kingdom; and an approach might perhaps also be made to the United States Government for technical and even financial help in accordance with the policy laid down in President Truman's Fourth Point. In reply it was pointed out that, as the result of actual experience, a programme of future development could now be framed with a much greater accuracy than had been possible in 1947. The technique of clearing the bush had been mastered; and the section of the Corporation's annual report dealing with scientific research had shown the extent to which investigation into the suitability of the Southern Provinces had already proceeded. Nevertheless, the Corporation recognised the need for proceeding cautiously in this area, and only 2,000 acres would be cleared there in 1950. There would be no substantial advantage in seeking to obtain further scientific or technical advice at this stage; and in any event the Colonial Schemes already submitted to the United States Government for assistance under the Fourth Point policy would already fully employ the available funds. Acceptance of the Corporation's proposals did not, of course, mean that further changes might not in due course have to be made in the Scheme; but, on present information, there appeared to be no case for instructing the Corporation to prepare an even more restricted scheme, since an area of about 600,000 acres seemed to be the minimum on which there was any prospect of operating a successful and economic scheme.

Discussion turned next on the line which the Government spokesmen should take in the forthcoming Parliamentary debate. Criticism was likely to take two main forms: it would be argued that the Scheme had been initiated with undue haste and on too grandiose a scale; and it would be said that the Government had relied on unsuitable persons for the planning and administration of the Scheme. The answer to the first criticism was that the world food shortage had made it necessary to accept abnormal risks; but, in reply to the second, the Government should admit that grave mistakes had in fact been made. The main responsibility for this lay partly with those who had prepared the original estimates, and partly with the managing agents; but it would be neither accurate nor expedient to suggest that the Overseas Food Corporation or the Government itself were free from blame in this matter. In the debate, therefore, the Government spokesmen should admit that, whatever the wider value of the Scheme, its results had hitherto fallen far short of expectations; and they

should be ready clearly to apportion the responsibility for this situation. Both Parliament and the public were, however, primarily interested in the future of the Scheme, and it was essential that a full and detailed statement of the Government's intentions should be given to the House of Commons. No attempt should be made to disguise the speculative aspects of the revised programme proposed by the Corporation: on the other hand, it should be made clear that the Government were firmly convinced of the need for continuing the Scheme on the restricted basis now proposed. In this connection, it would be relevant to point out that its merits should not be judged solely by reference to its ultimate capacity to earn a profit: even in this country new agricultural production required Government subsidy—the production of sugar beet was still subsidised—and it was virtually inevitable that the production of ground-nuts should in its initial stages involve direct financial assistance, such as the writing-off of part or the whole of the capital invested. The Minister of Food should also be in a position to explain what action he was taking to improve the accounting arrangements of the Corporation.

The Cabinet were also informed of the changes proposed in the Board of the Overseas Food Corporation. These would involve the replacement of two of the existing full-time members of the Board, and the addition of two experienced business men on a part-time basis. After discussion, there was general agreement on the need for strengthening the Board on the lines proposed; and it was agreeed that it would be preferable if an announcement on this point could be made in advance of the debate in the House of Commons.

The Cabinet:—

(1) Approved the recommendation in C.P. (49) 231 that the Overseas Food Corporation should be authorised to proceed with their revised plans to clear 600,000 acres of bush in East Africa for agricultural production by November 1953.

(2) Took note that the Prime Minister would settle with the Minister of Food the detailed changes to be made in the membership of the Board of the Overseas Food Corporation.

(3) Agreed that the Minister of Food and the Secretary of State for the Colonies should speak for the Government in the debate in the House of Commons on 21st November.

135 T 229/712 12 Jan 1950

[African transport]: 'Survey on east and central railway link': minute by P Nicholls (Treasury)[1]

Phase I of the Survey has been completed by Sir Alexander Gibb[2] and Overseas Consultants, who have made proposals to proceed with Phase II.

The Colonial Office ask for agreement to their own proposals for proceeding to Phase II, which involve doing a proportion of the engineering work and aerial photography themselves or through the East African authorities, and making an E.C.A. project out of the remainder. This remainder would consist of an economic

[1] Principal officer.

[2] A consultant civil engineer.

survey of the whole of the area traversed by the routes and the engineering survey of the south-western part of the route, from the northernmost point of the existing railway in N. Rhodesia to Utengula in the middle of S. Tanganyika, where the routes under discussion divide, route 1 to go N.E. to join the Kenya/Tanganyika/Uganda system at Korogwe, and route 2 to go East to join the line joining the port of Mtwara (formerly Mikandini) [sic] to Nachingwa [sic], the centre of the Southern nuts area.

Apart from the consultants' report on Phase I, there is a mass of comment on it by various East African authorities, who are meeting about now to consider their attitude further. The general view seems to be that the consultants' proposals for Phase II are very expensive anyway, and that part of them (as the Colonial Office accept) have been or can be covered by local effort; it is also thought that the estimate of thirty to forty million pounds is excessive for the cost of constructing the 1,200 miles of route 1 to join the two railway systems.

The consultants' report contains some broad pictures of the economic potentialities of the areas traversed, and emphasises the obvious point that expenditure on constructing the railway must be accompanied by expenditure on development of the areas which it serves. Whether it is an economic proposition can only be answered by Phase II, but at least one East African view is that it would be forty years before the line could pay its way. The same view agrees that it is probable that the line will be built anyway at some stage in the future, and it is this 'inevitability' which seems just as sensible an approach to the final decision as any amount of surveying and estimating of economic possibilities. Unless the line is going through a desert, the chances are that its presence will enforce development. Meanwhile it is possible to argue endlessly on the interconnection between this and any other transport developments which may occur in East and Central—and even to West—Africa; the only thing that is clear is that *we* have not got, and shall not have, the money to construct the railway and develop the area ourselves.

This is really the main issue; if we are to get United States capital to develop the area, we must make use of E.C.A. help now to survey the possibilities; the consultants' proposals are needlessly extravagant, and the Colonial Office propose a compromise out of which they can put up a project to E.C.A. for help over a part of Phase II. If a railway is inevitable sooner or later, then we might just as well get what help we can now for the survey, and thus stake a claim for help later in the main expenditure of construction.

136 CAB 128/18, CM 83(50)4 7 Dec 1950

'Production of groundnuts in East Africa': Cabinet conclusions

The Cabinet had before them a memorandum by the Secretary of State for the Colonies and the Minister of Food (C.P. (50) 289) on the future of the East African groundnut scheme.

The Minister of Food said that the Overseas Food Corporation had now made a careful review of the long-term future of this scheme, and their report was reproduced in Annex I of C.P. (50) 289. The Corporation had reached the conclusion that the large-scale production of groundnuts could not be carried on in East Africa on a commercial basis, and that there was no hope of obtaining any significant supply of oil-seeds from this scheme. There was no escape from the conclusion that

the project, as originally envisaged by the Government, had proved a costly failure. That being so, he had at first been disposed to recommend that the whole project should be abandoned. But a large investment had been made in the scheme, valuable capital assets had been created in East Africa, and useful practical experience in tropical agriculture had been gained. These assets could not be lightly cast aside; and he had therefore discussed with the Secretary of State for the Colonies means of turning them to good account. As a result they now submitted the plan, outlined in the memorandum, for carrying through a limited experiment in agricultural development over a period of seven years.

The Secretary of State for the Colonies said that he was satisfied that, for the reasons given in paragraphs 21–24 of C.P. (50) 289, the wiser course was to use the agricultural assets of the scheme for the purpose of making a contribution to the further development of Tanganyika and providing experience in tropical agriculture which would be of value to the whole Colonial Empire. He was seriously alarmed at the indications that world population was expanding faster than world food production; and he believed that the United Kingdom, as a great Colonial Power, had a special obligation to promote the expansion of food production. From this point of view he thought it would be disastrous if the scheme were entirely abandoned. He recognised, however, that on this conception the responsibility for the scheme must be transferred from the Ministry of Food to his Department. He had considered whether it should be taken over by the Colonial Development Corporation; but he had decided against that course—partly because he thought it unreasonable to expect that the new scheme should pay its way, and partly because the Colonial Development Corporation had enough to do with the fifty projects for which it was already responsible. He therefore proposed that the new scheme should continue to be administered by the Overseas Food Corporation, strengthened by the addition to its board of representatives of the Government of Tanganyika and the Colonial Development Corporation; but that the net cost of the scheme should be carried on the Colonial Office Vote. It the Cabinet should be disposed to favour the abandonment of the scheme, he asked that the Governor of Tanganyika should be given an opportunity to express his views before a final decision was taken.

The Chancellor of the Exchequer said that the original scheme had clearly failed, and the Government must expect political criticism on that account. The volume of that criticism would not be substantially lessened by an announcement that the Government intended to go forward with a limited scheme on the lines recommended in C.P. (50) 289; and he therefore hoped that the Cabinet would consider that scheme on its merits. From his point of view it had the great disadvantage that it contained no assurance that substantial further losses would not be incurred. Indeed, the proposal that the new scheme should not be entrusted to the Colonial Development Corporation was due largely to the fact that it was not expected to pay its way. There was nothing in the memorandum to indicate the scale of the further financial risks involved. Yet, in spite of this financial uncertainty, the Cabinet were asked to give a guarantee that this limited scheme would be continued for at least seven years. Apart from the financial liability, there was also the question whether it was right to devote to East Africa all the technical resources which this scheme involved. Resources of the same kind were urgently required for agricultural development in South-East Asia, under the Colombo Plan; and it was for consideration whether some of those resources should not be diverted to South-East Asia.

In further discussion the following points were made:—

(a) There was general agreement that a final judgment on the possibilities of food production in East Africa could only be based on the results of practical experience of cultivation over a substantial period. The proposal for a seven-year period for the experiment was probably justified. As conditions varied in different parts of Tanganyika, it was also desirable that cultivation should be continued on an experimental basis in several different parts of the territory. On the other hand, it did not follow that the experiment need be on so large a scale as was proposed in C.P. (50) 289. It was the large scale of the proposed operations that made the financial risks so large.

(b) In determining the scale of the continuing experiment, the Overseas Food Corporation had been concerned only with economic considerations. Another possible method of approach was to assess the amount of social capital which had been created under the original scheme in the form of harbours, railways, hospitals, &c., which would have an independent value for the social development of the territory; and to consider what amount of agricultural development would be required in order to warrant the maintenance of that social equipment.

(c) It was also proposed in C.P. (50) 289 that responsibility for the Queensland scheme should now be transferred to the Queensland Government. This scheme had been more successful than the groundnut scheme; and some Ministers were on that account reluctant to agree that it should at this stage be handed over to the Queensland Government. They recognised that it would be inappropriate for the Colonial Office to retain responsibility for the administration of a project located in Australia; but they thought it preferable that the United Kingdom Government should retain some interest in the scheme, possibly through the Commonwealth Relations Office. The Cabinet were informed that the Prime Minister of Queensland would shortly be visiting this country; and it was agreed that there would be advantages in holding preliminary discussions with him, while he was in London, about the future of the Queensland scheme.

The Cabinet:—

(1) Invited the Chancellor of the Exchequer to discuss with the Secretary of State for the Colonies and the Minister of Food the financial implications of the proposals in C.P. (50) 289 regarding the future of the East African groundnut scheme; and agreed that the Chairman of the Overseas Food Corporation and the Governor of Tanganyika should be brought into these consultations.

(2) Invited the Secretary of State for Commonwealth Relations and the Minister of Food to hold preliminary discussions with the Prime Minister of Queensland regarding the future administration of the Queensland scheme.

(3) Agreed to resume their consideration of the proposals in C.P. (50) 289 in the light of the discussions to be conducted under Conclusions (1) and (2) above.

137 CAB 128/19, CM 1(51)7 2 Jan 1951
'Production of groundnuts in East Africa': Cabinet conclusions[1]

The Cabinet had before them memoranda by the Chancellor of the Exchequer (C.P. (50) 324) and by the Minister of Food (C.P. (50) 326) on the future of the East African Groundnut scheme.

The Chancellor of the Exchequer said that, in the light of the Cabinet's discussion on 7th December,[1] the Secretary of State for the Colonies, the Minister of Food and he had considered the financial aspects of this problem, in consultation with the Governor of Tanganyika and the Chairman of the Overseas Food Corporation. They had decided to recommend that farming should continue, as planned, on the land already felled in Kongwa and Urambo and that 60,000 acres should be developed in the Southern Province. The main arguments in favour of the development of a further 60,000 acres were that this would cost little more than the complete abandonment of the scheme and that the development could be expanded to 105,000 acres after two or three years if it were found that the scheme was likely to be a financial success. If the Cabinet approved the proposals in his memorandum he would send to the Minister of Food certain amendments to the draft White Paper appended to C.P. (50) 326, which would have the effect of setting out the facts and financial implications more clearly.

There was general agreement that the balance of advantage lay in continuing the scheme on the lines proposed in C.P. (50) 324. Complete abandonment would have serious consequences in Tanganyika and would harm the prestige of this country in all the African Colonies.

The Cabinet:—

(1) Approved the proposals for proceeding with the 60,000 acres scheme, on the lines and subject to the conditions proposed in C.P. (50) 324.

(2) Agreed that the Minister of Food should present a White Paper in the terms of the draft annexed to C.P. (50) 326, subject to amendments to be notified to him by the Chancellor of the Exchequer.

(3) Agreed that the Minister of Food should assume direct responsibility for the activities of the Queensland–British Food Corporation.

(4) Agreed that the Minister of Food should arrange for the drafting of the necessary legislation to amend the Overseas Resources Development Act.

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[1] Previous reference: see 136.

CHAPTER 4

International Relations Policy

Document numbers 138–194

138 FO 371/50912, no 5471 Aug 1945
'Stocktaking after VE-Day': memorandum by Sir O Sargent (11 July, revised)

[This document has been printed in *DBPO*, series I, vol I, no 102.]

The end of the war in Europe leaves us facing three main problems, none of which has any resemblance to the problems with which we were faced at the end of the last war. They are (*a*) the military occupation by Soviet troops of a large part of Eastern Europe, and the Soviet Government's future policy generally; (*b*) the economic rehabilitation of Europe so as to prevent a general economic collapse; and (*c*) the task of administering Germany and deciding on her future institutions in agreement with the Soviet, United States and French Governments.

2. Our own position, too, in dealing with these problems is very different from what it was at the end of the last war, when we and France shared and disputed, and eventually lost, control of Europe. This time the control is to a large degree in the hands of the Soviet Union and the United States, and neither of them is likely to consider British interests overmuch if they interfere with their own and unless we assert ourselves.

3. Thus it suits us that the principle of co-operation between the three Great Powers should be specifically accepted as the basis on which problems arising out of the war should be handled and decided. Such a co-operative system will, it is hoped, give us a position in the world which we might otherwise find it increasingly difficult to assert and maintain were the other two Great Powers to act independently. It is not that either the United States or the Soviet Union do not wish to collaborate with Great Britain. The United States certainly find it very convenient to do so in order to fortify their own position in Europe and elsewhere; and the Soviet Union recognise in Great Britain a European Power with whom they will certainly have to reckon. But the fact remains that in the minds of our big partners, especially in that of the United States, there is a feeling that Great Britain is now a secondary Power and can be treated as such, and that in the long run all will be well if they—the United States and the Soviet Union—as the two supreme World Powers of the future, understand one another. It is this misconception which it must be our policy to combat.

4. We have many cards in our hands if we choose to use them—our political maturity; our diplomatic experience; the confidence which the solidarity of our democratic institutions inspires in Western Europe; and our incomparable war record. Unlike our two great partners we are not regarded in Western Europe either

as gangsters or as go-getters. But we must do something about organising our side or we shall find our friends gradually drifting away from us. Time is not necessarily on our side. For this reason and because we are numerically the weakest and geographically the smallest of the three Great Powers, it is essential that we should increase our strength in not only the diplomatic but also the economic and military spheres. This clearly can best be done by enrolling France and the lesser Western European Powers, and, of course, also the Dominions, as collaborators with us in this tripartite system. Only so shall we be able, in the long run, to compel our two big partners to treat us as an equal. Even so, our collaboration with the Soviet Union, and even with the United States, is not going to be easy in view of the wide divergence between our respective outlooks, traditions and methods.

5. To take the Soviet Union first. It is particularly dangerous to assume that the foreign policies of totalitarian governments are opportunist and fluctuating, like those of liberal governments (using the term "liberal" not of course in its narrow meaning connecting it with a British political party, but in its widest sense as representing a system of government which stands for freedom of speech, writing, and association, and for the rule of law, and as such opposed to totalitarianism, whether to the Right or to the Left). All totalitarian governments—and Russia is certainly no exception—are able to conduct a consistent and persistent foreign policy over long periods because the government is not dependent on public opinion and changes of government. And precisely because totalitarian governments need not explain or justify their policy to their own people it is much more difficult for the foreigner to analyse the government principles which underlie it. It is true that in the case of Nazi Germany Hitler kindly explained in *Mein Kampf* both his objectives and methods. We were thus duly warned, but did not heed the warning. Again, Mussolini, by crudely imitating Hitler, revealed to us the secrets of his long-term policy. But in the case of the Soviet Union Stalin is not likely to be as obliging. We shall have to try and find out for ourselves what is his plan of campaign and to anticipate the tactics which he intends to employ from time to time to carry it through. And this is not going to be easy, nor shall we always be able, even among ourselves in this country, to agree on the conclusions which ought to be drawn from known facts.

6. Without attempting on this occasion to analyse Russia's foreign policy and foretell its future course, it is worth calling attention to one factor in the policy of modern totalitarian governments which seems to be fairly constant, namely, their desire to obtain for their régime the maximum degree of security both at home and abroad. As a result of the defeat of 1918 the Nazis feared encirclement by the rest of Europe and sought security by means of territorial conquest. Hence their demand for Lebensraum. Mussolini resented the encirclement of the Mediterranean by France and Great Britain and tried to break out into Africa. Soviet Russia now fears a world coalition of the liberal Powers ("liberal" again being used in its widest sense), and the revival of Germany as a "liberal" Power; for Stalin knows even better than we do that it was the material strength and wealth of the liberal Powers, combined with the belief in their own philosophy of life, which really won the war, and he probably is more convinced that we and the Americans are as to the capacity of Germany to recover first her economic, then her political, and lastly her military power in Europe. Stalin, however, does not necessarily intend to obtain his security by territorial conquest, as Hitler wanted to. He may well prefer to obtain it by creating

what might be termed an ideological Lebensraum in those countries which he considers strategically important. If he eventually is convinced that the danger of a liberal coalition is not going to materialise he may relax somewhat his search for security, or rather change its nature so as to apply only to Germany. It must be remembered, too, that, unlike Hitler, he fortunately has not the motive of revenge to spur him on.

7. At the present moment the Soviet Union has been so weakened by the war that Stalin is hardly in a position to force through ruthlessly his policy of ideological penetration against definite opposition. For instance, in the case of Greece, Venezia Giulia, and to a certain extent Poland, he has not pressed matters to extreme and has actually compromised, though it may well be that he has only made a temporary retreat. It can surely be assumed that he does not want and could not afford another war in Europe, and it is also doubtful whether he aims at further territorial expansion. At Annex I[1] will be found a memorandum by Sir R. Bruce Lockhart on Soviet policy and the best means of reacting to it.

8. The economic strength of the United States has certainly impressed Stalin no less than the potentiality of the Western Air Forces. He has seen what has happened to Germany from the air and what is happening to Japan. No doubt Stalin feels that now before his troops have been withdrawn from the countries which they are now occupying and before their demobilisation has begun he must seize the opportunity to reap the fruits of victory to the full, since if he delays or hesitates there may be some which later on he will no longer be able to grasp. As for ourselves, though economically we shall grow stronger as times goes on, militarily our strength in Europe will soon decline from its present peak—even quicker than the Russian strength. For this reason we must take a stand in the immediate future if we are to prevent the situation crystallising to our permanent detriment. This means in practice that we must maintain our interest in Finland, Poland, Czechoslovakia, Austria, Yugoslavia and Bulgaria, even though we may have to acquiesce in Russian domination in Roumania and Hungary.

9. If there is to be a trial of strength between us—that is to say a diplomatic trial of strength—now is the time for us to take the offensive by challenging Russia in these six countries, instead of waiting until the Soviet Government threatens us further west and south in Germany, in Italy, in Greece, and in Turkey. This is what inevitably will happen if we let Stalin pocket for good these six countries which at present he controls by a combination of political force and military pressure. Further reasons for this policy on our part and the tactics to be employed in applying it are examined in Annex II.

10. It must be an essential feature of our European policy to maintain close and friendly relations with Italy, Greece and Turkey, so as to secure our strategic position in the Eastern Mediterranean, especially now that Russia, stretching down from the North, is once again exerting pressure on this all-important link between Great Britain on the one hand, and India, Malaya, Australia, New Zealand, and our Persian and Iraq oil supplies on the other. It ought to be possible for us to maintain our position in these three countries by building them up as bastions of "liberalism" even though this may involve us in responsibilities and commitments of which we otherwise would be only too glad to be rid. It will be all the more important to do so if

[1]Annexes I–III not printed.

Russia remains in political control of Bulgaria and acquires physical control of the Straits.

11. We must, of course, also be prepared for the Soviet Government to use every opportunity and make every effort to mould the future political institutions of Germany in order to obtain a dominating position in that country. This may well lead to a struggle for mastery in which it is to be hoped we shall have the full support of the United States. Even so, the struggle, if it is engaged, will be a hard one and the result may well be decisive for the whole of Europe. For it is not over-stating the position to say that if Europe is won over to totalitarianism this may well decide the fate of "liberalism" throughout the world.

12. In every country of Europe the Soviet Government will have the great advantage of being able to exploit for their own ends the economic crisis which in the coming months may well develop into a catastrophe capable of engulfing political institutions in many European countries and paralysing all orderly government in a large part of the Continent. It is the existence of this economic crisis which makes it so important to obtain the wholehearted co-operation of the United States, who alone have the material means of coping with it.

13. It should not prove impossible for us to perform the double task of holding the Soviet Government in check in Europe and, at the same time, amicably and fruitfully co-operating with the Soviet and United States Governments in the resettlement of Europe if once the United States Administration realise both the political and economic implications of the European situation. But the process of inducing the United States to support a British resistance to Russian penetration in Europe will be a tricky one, and we must contrive to demonstrate to the American public that our challenge is based on upholding the liberal idea in Europe and not upon selfish apprehensions as to our own position as a Great Power. Mr. Lippmann[2] is by no means alone in fearing that British antagonisms with Russia that filled the second half of last century will survive into the coming post-war period and embroil the much less interested United States. We shall therefore be well advised consciously and consistently to enlist American support upon some principle, and perhaps even to exercise some restraint in not pursuing cases where a principle cannot easily be shown. In particular, the diplomatic interventions in the internal affairs of other countries, which may be necessary in certain contingencies, must not seem to be motivated by personal hostility to, or support of, individuals in the State in question unless these are pretty obviously the opponents or champions of the "liberal" idea. Such common material interests as oil development in Persia would not be an issue in which we could count on American support very far. This is not to say that United States policy is always based on principle, far from it; but it is a fact that a British policy is suspect if it is based on anything else, and particularly so at the moment in regard to Russia.

14. The foreign policy of the United States, indeed, like that of the Soviet Union, is difficult to forecast, but not because, as in Russia, it is secret, but because the "liberalism" of the United States constitution makes it fluctuating, uncertain, and emotional. But if we accept the view that after this war the United States Government is going to be very much in the same position as Great Britain was after the last war, it may be easier to guess the general tendency of American policy in

[2] Walter Lippmann, American writer and journalist.

Europe. Just as we considered France troublesome, quarrelsome and reactionary after the last war, so the United States will consider us to be so now. If they tend to act as conciliators between us and Russia (and Germany), if they try to free themselves from what they consider to be British tutelage in European affairs, they will be following the same line as we took after the last war, when we tried to reconcile France and Germany at the expense of France's policy of weakening Germany in every way possible. This policy of ours gradually broke the spirit of France, and final disillusionment came with the reoccupation of the Rhineland in 1936. We must take care that United States policy does not have the same effect upon us now. France felt that she could not rely upon Great Britain and at the same time could not stand up to Germany without us. We must not allow ourselves to get into the same defeatist mood in dealing with post-war Europe. We must have a policy of our own and try to persuade the United States to make it *their own*. This ought not to be too difficult. It is true that the United States may falter from time to time when called upon to pull their weight in Europe, and may prefer the more agreeable and less arduous rôle of mediator in any disputes between Great Britain and Russia, even threatening that only on such terms will they be prepared to make their indispensable contribution in the economic sphere. But however suspicious the Americans may be of having their European policy dictated to them by Great Britain, the fact remains that their fundamental outlook and reactions to European problems are the same as ours, even though American sectional interests may sometimes tend to confuse the issue. When, however, the United States do refuse to support us and insist upon mediating instead, we must be prepared to stand by our own policy. To do so effectively we shall need as much European support as possible, and that means collaboration with France and the smaller European countries of Western Europe. We must face the fact that the United States will feel that being the richest and strongest Power they must also be the wisest and the most fair-minded, and will therefore resent any contradiction by us. In particular, they may suspect our political motives to be reactionary when we, rather than they, intervene in the countries which the Soviet Government is intent on controlling. They will, however, be more ready to co-operate in solving the economic problems of Europe, and once their interest and prestige are engaged in these questions it is to be hoped that they will find it difficult to disinterest themselves in the political development of the countries whom they are saving materially. An estimate of the outlook of the men who will be responsible for United States policy in the immediate future will be found in Annex III. Incidentally, it must be remembered that the French were exasperated after the last war by the vagueness and sentimentality of British policy in Europe and did not hide their resentment nor curb their irritation. Learning by this example we ought in our dealings with the Americans to be ready patiently to pay lip service whenever possible to what we may consider American "woolliness" and idealism, while of course at the same time clinging fast to the real essentials.

15. In considering how best to co-operate with the United States in world affairs we must also take into account the whole series of economic and financial questions which remain to be settled between us and the United States Government, such as the financial accommodation we require after the end of the Japanese war, our financial and commercial policy in the context of Article 7 of the Mutual Aid Agreement, and the problem of the consideration to be given to the United States in respect of the Lease-Lend [sic] deliveries and services we have received. The spirit in

which these questions are handled is bound to be reflected in the realm of Anglo-American co-operation throughout the world. Moreover, with the end of the war with Germany they have become urgent and their settlement cannot be further delayed without great danger to Anglo-American relations generally.

16. At present our European problems, in so far as they are political, are concerned with the Soviet Government rather than with Germany. But Germany will shortly have it in her power to play an important and dangerous part. She will have a still greater incentive than in 1918 to seek revenge, and it would be wise not to under-estimate her innate capacity for recuperation and reconstruction. Against this there is this time nothing left of her administration and institutions, and she will have to evolve a new political and economic system without being able, as after 1918, to use the Army with its traditions, and big business with its machinery, as the nucleus around which to build. Thus the process of reconstruction will be slower, but it is likely, for the same reason, to be more carefully thought out and planned. After the last war Germany was hamstrung until 1933 by having a liberal form of government alien to her temperament. This is not likely to happen this time, unless we make very great efforts to support the cause of "liberalism" in Germany, for her natural tendency will be to strive to return to some form of authoritarianism. If we hesitate or allow our German policy to be at the mercy of the emotions and ignorance of the people of the United States we shall be outmanœuvred, for it will give Germany the opportunity not only to decide and plan her own future because of the lack of an agreed policy between the Allies, but also to put herself up, when the time comes, to the highest bidder so as to play off each of the three Great Powers one against the other. Once such a competition begins the Soviet Government has the best chance of carrying off the prize, and, as already said, the winning of this prize may well decide the future of Europe and of "liberalism" throughout the world. It may be argued that Germany in her present state of chaos cannot afford the luxury of a "liberal" régime, and that only a dictatorship can handle the overwhelming problem of her reconstruction. We may be inclined to overstate the magnitude of Germany's problem, but if a temporary dictatorship is necessary then that dictatorship must not be exercised by Germans but must be a dictatorship resulting from Allied occupation. Here, indeed, is a reason why a long occupation will probably be necessary, first, in order to restore economic order, and secondly, to give time for liberalism to take root in the new Germany.

17. The problems we have considered have been primarily those of post-war Europe. It is too early to make a similar analysis of the corresponding problems which will face us in the Far East. So long as the war there still continues it is impossible to foresee what will be the relative positions of both victors and vanquished when victory has been achieved. It is, however, fairly safe to suppose that British interests will again be best served by a policy of co-operation between the three Great Powers, for in isolation we should be in a weaker position even than in Europe. For the same reason we shall probably find it useful to organise under our leadership the lesser colonial Powers who have a stake in the Far East; in other words, France, the Netherlands and Australia. But unless we take a more active interest in the Far East and bestir ourselves to re-establish our influence there, there will be little question of such co-operation. We and the lesser colonial Powers will be ignored by both Russia and the United States in Far Eastern matters, and the smaller Powers will gravitate to the United States. We are perhaps in danger of regarding

ourselves as a European Power and tend to overlook the fact that we are still the centre of an Empire. If we cease to regard ourselves as a World Power we shall gradually cease to be one. In spite of our participation in the Far Eastern war and occasional statements about our interest in the Far East and in China in particular, we tend to be apathetic on the subject and to under-estimate the importance of the Far East in our future policy.

18. For the rest the United States are more likely to be more aggressive and pertinacious in the Far East than they will be in Europe, while the Soviet Government may well be less security-haunted than it is in Europe. If so, its Asiatic policy may be less coldly realistic and more opportunist. But all will in the last resort depend on the state in which Japan and China are left by the war, and what part they will be able to play in Far Eastern politics after it is over. It seems almost inevitable that the United States and the Soviet Union will eventually struggle for the body and soul of China unless the latter can acquire in time such a degree of national unity as is necessary to enable her to develop her latent resources in man-power and economic resources in defence of her national independence. If such a struggle develops it seems almost inevitable that Japan would sooner or later be called in to help by one of the protagonists.

19. To sum up:–

(a) We must base our foreign policy on the principle of co-operation between the three World Powers. In order to strengthen our position in this combination we ought to enrol France and the lesser Western European Powers and also the Dominions, as collaborators with us in this tripartite system.

(b) We must not be afraid of having a policy independent of our two great partners and not submit to a line of action dictated to us by either Russia or the United States, just because of their superior power or because it is the line of least resistance, or because we despair of being able to maintain ourselves without United States support in Europe.

(c) Our policy, in order not to be at the mercy of internal politics or popular fashion, must be in keeping with British fundamental traditions and must be based on principles which will appeal to the United States, to the Dominions, and to the smaller countries of Europe, especially in the West. It must be definitely anti-totalitarian, and for this purpose be opposed to totalitarianism of the Right (Fascism, &c.), as much as to the totalitarianism of the Left (Communism, &c.). In pursuance of this policy of "liberalism" we shall have to take risks, and even live beyond our political means at times. We must not, for instance, hesitate to intervene diplomatically in the internal affairs of other countries if they are in danger of losing their liberal institutions or their political independence. In the immediate future we must take the offensive in challenging Communist penetration in as many of the Eastern countries of Europe as possible, and we must be ready to counteract every attempt by the Soviet Government to communise or obtain political control over Germany, Italy, Greece, or Turkey.

(d) We must exert every effort to grapple with the economic crisis in Europe—not only in our own interests (a prosperous Europe is Great Britain's best export market) but in order to use the material resources at our and America's disposal as a makeweight throughout Europe against Communist propaganda, which the Soviet Government will use for their own ends wherever possible.

(e) In the Far East, while collaborating with the United States and the Soviet Union, we ought to try to organise under our leadership the lesser colonial Powers who have a stake in that part of the world, *i.e.*, France, the Netherlands, and Australia.

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[Anglo-American relations and the position of Britain]: despatch from Lord Halifax (Washington) to Mr Bevin (FO). *Minute* by Sir O Sargent

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During recent months the concept has steadily gained ground in this country that Great Britain has come to occupy a position on the world stage which in terms of power and influence is inferior to that of the United States and the U.S.S.R. The degree to which this concept has now implanted itself in the American mind was revealed in a recent five-nation Gallup poll conducted in the United States, Canada, France, Denmark and Australia, on the question of which country would have most influence in the post-war world. Only 5 per cent. of the Americans questioned during this survey recorded their vote for Great Britain, as compared with respective percentages in favour of the United States and the Soviet Union of 63 per cent. and 24 per cent. The United States easily headed the survey in the other four countries, although in France the margin was 43 per cent. in favour of the United States as compared with 41 per cent. for the U.S.S.R. In Canada 19 per cent. voted for Britain and in France no more than 4 per cent.

2. In order that this idea of Britain's inferiority to her two associates in the Big Three partnership may be assessed in its true perspective, I propose in the present despatch to describe the various factors which have caused it to become prevalent amongst the American public, and to examine what effect it is likely to exercise on Anglo-American relations.

3. It is, in the first place, evident to every thinking American that the contribution of his country on this occasion to the defeat of Germany is out of all proportion to that rendered during the first world war. Whereas in 1917–18 America was in process of transforming herself into the main arsenal of democracy and became, from the date of Russia's collapse, the principal source of Allied man-power reserves, she has emerged from the present European struggle as the one Great Power in the world whose population and metropolitan territories have suffered nothing from enemy action. Of the leading Western Allies in the former Armageddon, liberated France is still no more than a shadow of her former self: a poor relation admitted on sufferance to the family of the Great Powers. Italy, thanks to her apostasy under Fascist rule, has but lately ceased to be a battle-ground and is a suppliant for the good graces of the conquerors. Great Britain alone, who won imperishable renown for herself in a year of single-handed resistance to Nazi aggression, has ridden out the storm to a triumphant finish. But in the course of a bitter struggle for existence she has been severely strained and her resources have been greatly depleted. For this and other reasons presently to be enumerated, her star has ceased in American eyes to burn with quite the same accustomed radiance in the international firmament.

4. By contrast with the exhausted and devastated countries of western Europe, the United States sees itself, as a result of the war, endowed with colossal productive and fighting capacity. Ever since the inception of lend-lease in March 1941 it has been plain to the average American that other nations, beginning with Great Britain, have been largely dependent upon United States bounty for their ability to wage effective warfare. Although there is a widespread feeling that recompense of one sort or another ought eventually to be forthcoming for lend-lease aid, it is generally recognised that, on this occasion, the United States has been constrained to make good the deficiencies of others rather than, as in the earlier war, to sustain them with loans which it was thought at the time would be repaid in full at some later date. In spite of constant efforts on our part at enlightenment, the general public still too often ignores all that Great Britain has done in the way of reverse lend-lease assistance.

5. Whilst the press and radio are apt with unstinted exuberance to dwell almost exclusively on American achievements in the common struggle, the war output which the United States has attained is in itself miraculous enough to inspire the most sober-minded citizens with the liveliest satisfaction and patriotic pride. In three and a half years, moreover, of front-line combat, and at the cost of casualties which now exceed 1 million, American fighting men have proved their valour in every major theatre of war. With, however, little justification, the idea is prevalent among the public that after D-day American forces took the lion's share of fighting in the European theatre. In the Pacific Britain's rôle is popularly regarded as still more puny by comparison with that of the United States. Looking towards the future Americans see their own two-ocean navy as mistress of the waves. If anything further were needed to convince Americans that their country has become the amphibious Leviathan of modern times, it is the knowledge that its stupendous war output and mobilisation of man-power has been achieved without any substantial encroachment on normal activities. As Mr. J. A. Krug, chairman of the War Production Board, put it in his report on war production in 1944, made public on the 14th June last, "the important and astounding fact is that in 1944, the year in which the crescendo of war mounted to a thunderous climax, the American consumer was furnished with more goods and services than in any year since 1941." The only shadow on the landscape, and it is a lengthening one, derives from the many complex problems of reconversion and redeployment which are even now putting a certain strain on the national economy.

6. Turning now to the light in which Americans view Great Britain. As already indicated, the prestige that we acquired for ourselves before the United States became a belligerent has since been largely eclipsed by the burden imposed upon us as a result of six years of warfare. Whilst thoughtful Americans were profoundly impressed by the analysis of the United Kingdom war effort recorded in the White Paper issued last November, the extent of British sacrifices which it revealed stimulated their awareness that very onerous demands had been placed upon our resources, including man-power. To a people inclined to measure power in terms of monetary wealth our situation may well appear somewhat parlous. And it is widely felt that, quite apart from her domestic difficulties, a Britain heavily denuded of her overseas assets and of other sources of invisible exports, will find herself grievously handicapped in achieving equilibrium in her post-war balance of payments.

7. In the field of foreign relations the aggressively independent line followed by

the Australian Minister for External Affairs throughout the San Francisco Conference demonstrated once and for all that there was no truth in the popular American fallacy that the British Commonwealth voted as a block at international gatherings under United Kingdom ægis. However salutary in this respect, Dr. Evatt's attitude, by demonstrating with equal clarity that Britain could not count in her international dealings on the steady support of her sister nations of the Commonwealth, also gave an added impetus to the belief that the influence of the mother country and of the Commonwealth in general as a unit of world power is now on the wane. Whilst Americans take small stock of an Eire which has maintained a stubbornly neutral position during the war, the recent cryptic announcement of Mr. de Valera[1] that his country is an independent republic served to lend its particle of colour to the picture of an enfeebled and isolated Britain. A threat to our lines of imperial communication is, moreover, seen in such current developments as the Russian interest in Tangier and the Dardanelles, in the pressure of a Soviet-influenced Yugoslavia on the frontiers of Istria and western Thrace, and in the mounting nationalism of the Arab States. Although far from typical of the public attitude as a whole, the light in which we to-day appear on the lunatic fringe of American opinion may be illustrated by citing the recent remark of an anti-British United States general: "Britain is nowadays of no more significance than Costa Rica."

8. The war, which by one-sided and incomplete comparison has somewhat dimmed the reputation of Britain as a world Power, has placed the prestige of Soviet Russia well in the ascendant. Here, as earlier reports have indicated, American public opinion, according to the particular outlook of the groups or individuals concerned, is animated by a gamut of feelings ranging from unreasoning fear and hatred to genuine admiration. Almost all thoughtful Americans are, however, imbued with the belief that, by reason of her vast size, limitless resources in men and raw materials, and industrial potential, Soviet Russia is the only world Power comparable in stature to the United States.

9. This Big Two concept derives in the first instance from the spectacle of Soviet Russia's newly-fledged military might spread athwart Central and South-Eastern Europe and now in at the death against the Japanese in Northern China. Anxiety on this score is, however, to some extent assuaged in moderate-minded and liberal circles by those factors in her contemporary life which appear to provide a basis for the long-term development of peaceful relations between herself and the United States. The most notable of many recent expositions of these factors was contained in two speeches delivered at New York on the 24th May and the 4th June last by Mr. Henry Wallace, the Secretary of Commerce and former Vice-President. In them Mr. Wallace developed the thesis that, having now emerged to the most powerful positions on the world stage and occupying geographical situations which had never led to any essential conflict of interests, Russia and the United States could find common ground for permanent amity because the one symbolised economic democracy to backward peoples and the other was the great exponent of political democracy. Neither country, he pointed out, possessed colonies. Both of them were groping for a way of life which would enable the common man everywhere to derive the most good out of the maximum use of modern technology. In his earlier and more detailed address Mr. Wallace declared that Germany had supplanted England

[1] Prime minister of Ireland.

from 1900 onwards in the domination of world commerce; that the cultural and political overlordship of western nations had now passed and that in the conditions of the world to-day there was no place for old-fashioned or economic imperialism.

10. When examining the effect which the Big Two concept is likely to exercise on Anglo-American relations it is important to recollect that many other attitudes of mind also determine the outlook of Americans towards foreign countries in general and Great Britain in particular. At the risk of platitudinous repetition of what has been said in former reports from the embassy, it cannot in the first place be too strongly emphasised that the events of the war have revolutionised American thinking on the subject of security. The new and deep-seated conviction that the United States must assume wider responsibilities to buttress its own and world security was aptly symbolised in the Senate on the 27th July, when its members paid Senator George of Georgia, a former chairman of the Foreign Relations Committee, the rare tribute of raising [sic] to their feet after he had eloquently appealed to them to ratify the United Nations Charter as a means of redeeming the promise of a better world for which the flower of American youth had given their lives.

11. In their search for security in a world that modern science has contracted, Americans may be counted upon to display the virtues and defects inherent in a people which, throughout the comparative short span of its history, has seen itself as dedicated to the advancement of human freedoms and blessed beyond the inhabitants of other lands with a moral and democratic way of life. Now that the full strength of their country has become manifest to them, Americans hold that they are bound to take a leading part in the readjustment of international relationships. Faith in the magic of large worlds; an enthusiastic belief that the mere enunciation of an abstract principle is equivalent to its concrete fulfilment; a tendency to overlook the practical difficulties that obstruct the easy solution of current problems; above all, a constant disposition to prefer the emotional to the rational approach—these are amongst the salient traits that are likely in the future, no less than in the past, to provoke Americans to impatience with the more stolid, disillusioned and pragmatic British, and to give rise to current misunderstandings between our two Governments. Taken in the aggregate these traits, for all that they at times bear the stamp of arrogant self-righteousness, spring from a core of genuine idealism which requires to be handled with more generosity and imagination and, be it also said, in a less patronising spirit than it has always received. In the meantime, increased contacts with other regions are causing many Americans to shed their ignorance of the outside world.

12. The fact that Americans now tend to rate Great Britain somewhat lower in the scale of power values than their own country and the U.S.S.R. does not mean that they have written her off as a negligible factor in the comity of nations. On the contrary, esteem for the sterling qualities of the British stands as high as it ever did. This esteem, fortified by the thousand and one strands of sentiment that derive from the background of a common Anglo-Saxon heritage, co-exists, as it always has done, with a keen sense of rivalry and with the apparently ineradicable idea that nature has endowed the British with a well-nigh inexhaustible store of superior cunning, of which they are only too prone to make the fullest possible use in international negotiations with the object of "outsmarting" the more simple-minded Americans.

13. Whenever they find reason to complain of our actions Americans do not fail to apply to us a number of ugly catchwords that owe much of their origin to the

traditional mistrust of British policies and to the above-mentioned sense of rivalry, *e.g.*, balance of power, spheres of influence, reactionary imperialist trends, colonial oppression, old-world guile, diplomatic double-talk, Uncle Sam the Santa Claus and sucker, and the like. Anti-British outbursts are as a rule the result of the propensity of Americans to over-simplify vexatious issues which lie beyond their immediate ken. They need not, therefore, unduly disturb us, provided always that our own conscience is clear and that we are able in any given instance to rebut the accusations levelled against us by reference to some yard-stick of readily understood first principle—whether it be expressed in terms of moral responsibility, idealism, or leadership. It must, in any case, be borne in mind that criticism of Britain is something that is bound to recur in a country of the continental proportions of the United States which comprises so many hyphenated communities within its borders and elements that are either inveterately anti-British or self-impelled to advertise their genuine Americanism. This being so, we should beware of hastily attributing to Americans as a whole the anti-British sentiments of one section of them.

14. To return to the central theme of this despatch: Americans, to whom, as a witty observer once remarked, all facts are free and equal, attach particular importance to quantitative standards of value. It follows that they are bound on a basis of sheer statistics to draw unfavourable comparisons between the British Isles, with their static population and dependence upon imported goods and raw materials, and the U.S.S.R. with its huge untapped resources and conglomeration of peoples destined, according to expert forecasts, to expand in numbers far beyond the 200 million mark. To an America which, on all reasonable showing, has ceased to believe that she can remain safely sheltered behind ocean barriers, the Soviet Union appears as the only country in the world now capable, if it feels so inclined, of measuring odds with her.

15. Much public uncertainty prevails as to how best to deal with this new international portent. Accustomed enough at home to the idea of bigger and better elephants, most Americans none the less find themselves filled with a sense of uneasy bewilderment when they contemplate an unfamiliar Russian bear which is barred off from the cakes and buns of alien propaganda and refuses to be coaxed into behaviour that approximates to Western notions of democratic propriety. In their fear of the unknown, the bulk of American commentators who share the well-nigh universal conviction of the public that armed conflict with the Soviet Union is an unthinkable expedient, have tended to relapse into a mood of baffled dismay whenever danger seems to threaten from unilateral Russian action. Their main theme on such occasions has been to bewail the ineffectiveness of their own diplomatic agents and, as often as not, to accuse them of allowing themselves to be dragged along in a campaign of bear-baiting "at the tail of the British kite." These aspersions, which were particularly vocal early this summer at the time of the Polish and Trieste crieses, began to subside after Mr. Stettinius[2] in his speech at San Francisco on the 28th May had declared that the United States, whose interests extended to the whole world, must mediate between other great Powers when their interests conflicted amongst themselves. Much comfort is now derived from the belief that President Truman can be counted upon to pursue an independent American policy, and that

[2] E R Stettinius, US secretary of state, 1944–1945; chairman of first American delegation to UN general assembly, 1946.

Mr. Byrnes,[3] who is reputed to be a born mediator, will succeed in resolving Soviet and American differences on a basis of honourable compromise.

16. The uncertainty in American thinking where the Soviet Union is concerned is much less marked when it comes to questions that relate to the rôle of the United States in that segment of the world which lies outside the Russian orbit of power. Here a blend of idealism, hard business instinct, and motives of security is propelling the United States to a greater extent than ever before into international fields far beyond the limits traced by the time-honoured Monroe doctrine and notions of hemispheric defence. An America which has found her place in the sun is resolved that the more efficient units of her vastly augmented merchant fleet shall not be laid up in idleness as occurred with the bulk of her ocean-going commercial vessels after the last war. Federal regulated civil aviation lines can rely upon constant official support to secure the foreign bases and facilities necessary to enable them to girdle the globe. The weight of administrative backing can readily be mobilised for the establishment of American-controlled telecommunications systems in undeveloped regions, and for securing the maximum possible American share in the exploitation of Middle East oil resources.

17. As citizens of a country that has tended to acclaim rapidly acquired material success as proof of moral rectitude, the leaders of the influential pressure groups that promote these activities may be pardoned if they regard them not merely as profit-making enterprises, but also as the media for disseminating the blessing of the American way of life to other and less fortunate peoples. By the same token they are quick to suspect the use of a privileged position to exclude themselves whenever circumstances confront them with the older established competing rights of Great Britain in her imperial possessions or in other territories vital to her security where she has hitherto exercised a paramount influence. For the time being, at any rate, a Soviet Union rotating within its own orbit presents no comparable points of friction, with the exception of a nascent Russian interest in Middle Eastern affairs and the possibility of future clashes of interest in the Far East, in regard to which speculation, long since manifest, is likely to become more acute now that the Red army is sharing the credit of the *coup de grâce* of the Japanese.

18. A world that rotates in two orbits of power. Enough has been said to show that this concept is beginning to crystallise in the American mind. At the same time, as already indicated, the fact that Americans have come to believe that the key to world peace lies in the relationship of their country with the Soviet Union does not mean that they have ceased to view Great Britain with a twin sense of esteem and rivalry. Along, moreover, with this familiar psychological pattern there is to be found a deep-seated conviction amongst a wide range of Americans, and not least amongst persons prominent in the Administration and general staff, that, whether from the political, economic or strategic point of view, a strong and prosperous Britain is an essential United States interest. Indeed, even if many of them would not acknowledge the fact to themselves, it is no exaggeration to say that the majority of those elements which give shape and purpose to all that is best in their country's mode of existence are aware in their heart of hearts that the continuity of her moral values is inseparably bound up with the welfare of Great Britain. Even these elements, however, would incline to distinguish in their thoughts between Britain and her

[3] J F Byrnes, US secretary of state, 1945–1947.

Empire and to hold the view that in areas of Europe and the Middle East adjacent to the Soviet orbit of power British foreign policy is liable at times to embark on ill-advised courses which in the last analysis might constitute a threat to United States security.

19. All in all, therefore, it begins to look as though we are witnessing a gradual American shift away from the pattern traced by President Roosevelt in his grand design, which, at any rate when he first conceived it at the height of the war, envisaged the coequal collaboration of Great Britain, the Soviet Union and the United States with the object of defeating the enemy and of creating a United Nations Organisation for the maintenance of world peace. Victory in Europe is won. America has committed herself in spectacular fashion to the United Nations Charter, in the elaboration of which at San Francisco she can justly claim to have played a leading part. But, unless appearances are deceptive, the United States is also now groping towards a new order of things in which Great Britain, whilst occupying a highly important position as the bastion of Western European security and as the focal point of a far-flung oceanic system, will nevertheless be expected to take her place as junior partner in an orbit of power predominantly under American ægis. This theory of a United States destined for the rôle of leadership was implicit in a passage of the speech delivered by President Truman at Kansas City on the 3rd July, where he stated: "I am anxious to bring it home to you that the world is no longer county-size, no longer State-size, no longer nation-size—it is one world, as Willkie said. It is a world in which we must all get along. And it is my opinion that this great republic ought to lead the way."

20. On the economic side the United States Administration sees itself as destined to point the way to an era of economic liberalism which will promote the exchange of goods and services between nations and restore prosperity to a war-stricken world. The renewal by Congress this summer of the Reciprocal Trade Agreement Act and its approval of the Bretton Woods proposals are regarded as milestones that mark progress to this end. The next and most important stage on the road will be to complete the discussions with His Majesty's Government preparatory to the international conference on trade and employment planned for the early part of next year. It is the present hope of the United States Government that this conference will in its turn lay the basis for the expanding world economy contemplated in article VII of the master lend-lease agreements.

21. Excepting in the Far East, where the United States has plainly asserted its leadership, the outlines of the new dispensations in the political sphere are as yet somewhat imprecise. An Administration conscious of its country's stake in world security, but sensitive to the movements of an immensely variegated public opinion that is by no means rid of isolationist phobias, still displays hesitancy as to the lengths of which it should go to dispel storm clouds in distant regions. It is, of course, true that, quite apart from collaborating in the manifold tasks connected with the liquidation of the European war and the preparation of peace settlements, the United States has given many other positive proofs that it recognises the need for sharing the burden of world responsibilities. Thus, American influence has been steadily exerted to secure an equitable solution of the Polish problem. It has also been brought to bear to mitigate the crisis which arose last autumn in Soviet-Persian relations and to support our intervention this summer in the Levant. In the Trieste affair the United States went further than mere diplomatic representations and,

albeit somewhat reluctantly, joined us in action which might have resulted in an armed clash between American troops and Yugoslav Partisans. The United States stands ready to participate in the future administration of Tangier and in supervising the Greek elections. America has sought to encourage a reconciliation between Chungking and the Yenan Communists.

22. The above-mentioned occurrences do not, however, imply that the United States is invariably prepared to march on parallel lines to His Majesty's Government in resolving problems of immediate concern to ourselves and more particularly those that arise in our dealings with the Soviet Union. The late President Roosevelt himself, although a firm believer in Anglo-American collaboration and to some extent under the spell of the superior genius of Mr. Churchill, jealously preserved the appearance of independent manœuvre. Indeed, after the Moscow and Tehran Conferences he was not averse to encouraging the idea that the United States occupied the position of mediator between the Soviet Union and Great Britain, and that his powers of conciliation had more than once averted a breach between Marshal Stalin and Mr. Churchill. After the Greek crisis in December last the view gained ground that Britain was concerned to perpetuate reactionary Governments in Europe. It was felt that, unless the United States intervened to promote more liberal tendencies, that continent would relapse into anarchy from which only the Soviet Union could derive benefit.

23. Against this background the previously unannounced decision of President Truman to send Mr. Hopkins[4] on his mission to Moscow at the end of May, together with the concomitant visit of Mr. Davies[5] to London, is to be regarded as no mere move to demonstrate to the United States public and to the world at large that the new President was continuing the mediatory rôle of his predecessor at a time when differences over Poland and the veto dispute at San Francisco seemed to imperil inter-Allied relations. It must also be ascribed to the growing belief in responsible official circles, already noticeable under the late Administration, that it should devolve on the United States in the first instance, as the major Western Power, to take the initiative in determining the shape of things on the periphery of the Soviet orbit no less than elsewhere. President Truman's decision to proceed direct from Washington to Potsdam without breaking his journey in Britain provided another sign of the same process of thought.

24. Out of the hubbub of emotional talk which the announcement this week about the atomic bomb has unleashed throughout the country, it is already clear enough that America's consciousness of superior power, or, as one columnist puts it, "her capacity for Promethean rule," is being vigorously stimulated by the fact that she alone, for the present at any rate, possesses the means to exploit this awe-inspiring and revolutionary invention.

25. Whilst the advent of a Labour Government in Great Britain should in no way alter the shrewd reckoning of the Americans that the pattern of world power has radically shifted in their country's favour, it has injected new and unexpected factors into their calculations. Even amongst the more conservative-minded, who now see the United States as the last stronghold of capitalistic economy, there would be few,

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[4] H L Hopkins, Truman's special adviser on British matters, in charge of Lend-Lease programme.

[5] J E Davies, Truman's special adviser during the Potsdam Conference, travelled to London in May 1945 on president's instructions for talks with Mr Churchill.

if any, supporters of the notion that a Britain about to embark on a Socialist experiment is in the least likely to gravitate towards communism. At the same time warnings are heard in financial and business circles that America should beware of countenancing any proposal to grant extensive credits to a Britain which would be likely to employ them to underwrite State socialism. Of even more importance than these vested interests, which are doubtless influenced by the knowledge that the British Labour victory will be attended by repercussions at home, is the attitude of official Washington. In this quarter the change has come as something of a shock from the standpoint of its probable effect upon the United States programme for fostering world revival through the international relaxation of restrictive financial and trade practices. The Administration is apprehensive lest Britain, for all her temperamental caution, will now commit herself to a thoroughgoing system of State trading with its attendant features of subsidies, bulk purchases and quotas which might effectively defeat any sound working of the reciprocal trade programme.

26. An event that has multiplied our critics on economic grounds has none the less served to appreciate our political stocks. By capturing the imagination of Americans the vivid dynamic personality of Mr. Churchill had hitherto somewhat obscured the extent of our economic plight, which is now revealed in fuller nakedness. On the other hand, the Labour landslide should remove the hitherto persistent impression that Great Britain is concerned to encourage European reaction. No less than Left-wing pressure groups, middle-of-the-road and liberal opinion in general, which includes some of the most prominent newspaper and radio commentators with the widest audiences, has hailed the election results as a notable democratic achievement destined to usher in the era of the plain man. It is widely conceded that Britain, now further left of centre than America herself, is presented with a new opportunity to assume the leadership of all progressive forces and to arrest the drift in Europe towards anarchy and communism.

27. During the months to come Britain promises to be the cynosure of American eyes. Our official pronouncements will be eagerly awaited: the development of our economic and foreign policies will be scrutinised with the utmost care. If in the former respect our position from the point of view of enlisting a sympathetic American attitude has become more complicated, in the latter respect there can be no question but our credit has been sensibly improved. From now onwards we should be less exposed to captious criticism of our actions in Europe; the charge that it is we who are needlessly provoking the Soviet Union to display intransigence should become void of content; our handling of vexatious problems in India and the Middle East should command a more receptive audience; there is a somewhat enlarged prospect of enlisting American support, whenever we feel so disposed, in the effort to resolve debatable issues.

28. In general, and this would seem to be of the first importance, we may expect the United States Administration to show a disposition to promote early reference to the World Organisation of all matters that seem likely to occasion friction between the Anglo-American and Soviet orbits of power. Within the broad overall framework set up by the United Nations Charter, which has been resoundingly approved by the nation at large, the United States Government is free to move with the Governments of other like-minded countries along firmer lines to secure what it considers to be just solutions than if it chooses to manœuvre on its own with the knowledge that whatever decisions it takes will have to answer on their independent merits of a bar

of a highly-temperamental public opinion. By adopting the former course the United States Administration is in any case far less exposed to the charge that it has shaped its policy in deference to the wishes of His Majesty's Government. Whenever negotiations are conducted on a purely Three-Power basis, United States domestic reasons, in the future as in the past, will undoubtedly play a certain part in causing the Administration to share our view that there should be no appearance of an Anglo-American attempt to "gang up" on the Russians. So, too, we may anticipate an analogous reluctance to aligning American policy too closely with that of Britain in the adjustment of post-war relations with China where, as already indicated, the United States is in any event peculiarly concerned to avoid possible causes of friction with the U.S.S.R.

29. In our own bilateral dealings with the United States Government we should be careful to formulate requests for their support in such a manner as to avoid the appearance of teaching the Americans where their best interests lie. It is equally self-understood that in any instance where we have reason to protest against United States actions our ground should be well chosen and our complaint prompted by no mere shift of selfish expediency or passing mood of irritation. As men who themselves prefer the simple forthright approach, the Americans appreciate plain speaking in others. Nor will they take it amiss if we stand up for ourselves when our interests are well founded or, conversely, interpret it as a sign of weakness if, whenever there is scope for the adjustment of conflicting Anglo-American views, we eschew methods of obstinate bargaining. In inter-governmental negotiations our case to the Americans should be presented not so much on grounds of sentiment as upon lucidly argued appeals to reason and the logic of hard fact.

30. Last, but not least, the progressive elements of America will test our every word and deed on the touchstone of broad democratic principle. The early ratification by His Majesty's Government of the San Francisco Charter will be greeted here as an earnest of our intention to place ourselves squarely behind the cause of world peace. Rapid approval of the Bretton Woods proposals may do something to ease the thorny path of our trade discussions with the United States Government. In our day-to-day dealings with the Administration on current problems of foreign policy the omens are favourable. In the course of the last two centuries we have twice stood alone and have saved ourselves by our exertions. We are now seen to be better placed than ever before to save Europe by our example.

31. I am forwarding copies of this despatch to the High Commissioner for the United Kingdom in Ottawa, His Majesty's Ambassador at Moscow, and the Joint Staff Mission at Washington.

Minute on 139

This despatch describes the position of Lepidus in the triumvirate with Mark Antony and Augustus. The position is no easy one and it seems doubtful whether we shall get much support from the Dominions in the uphill task of maintaining ourselves as a world power in the face of the United States, who now for the first time is prepared to assume this position with the help of the almighty dollar, export surpluses (in other words the swamping of foreign markets with dumped U.S. goods), civil aviation, and all the other instruments which they can if necessary use in order to "penetrate" the world.

If this is so it behoves us all the more to strengthen our own world position vis-à-vis of our two great allied rivals by building up ourselves as *the* great European Power. This brings us back to the policy of collaboration with France with a view to our two countries establishing themselves politically as the leaders of all the Western European Powers and morally as the standard-bearers of European civilisation. Once we have acquired this position both the United States and the Soviet Union are more likely to respect us and therefore collaborate with us than they are at present.

O.G.S.
1.10.45

140 FO 800/444, ff 29–31 16 Sept 1947

[Trade relations with Europe, America and the empire]: minute from Mr Bevin to Mr Attlee

With reference to my letter to you of September 5th about Customs Unions, I understand that the President of the Board of Trade will not now circulate a paper but will instead raise this matter orally in Cabinet on September 23rd. You may like to have my preliminary thoughts in advance of the discussion.

2. In the first place, I think we should press on with the establishment of the high level committee, which I suggested in my letter, to study the whole subject of Customs Unions. It is important that we should clear our minds on this as soon as possible. As you will have seen it is the general view at the Paris Conference that there should be some timetable set for the European customs union study Group, and it may be asked to report at a relatively early date. With all the other calls on officials we shall have very little time, especially as we must discuss the implications of a European Customs Union with the Commonwealth first.

3. But there is a more general point arising in connexion with this proposed study. I am sure we must free ourselves of financial dependence on the United States of America as soon as possible. We shall never be able to pull our full weight in foreign affairs until we do so. Nor can we rely, in future, on assistance from the United States. I fear, however, that we shall not achieve this purpose solely by selling manufactured goods to a world which is becoming increasingly industrialised, and that multilateral trade may not suffice. It may come too late, or not be wide enough to help us. We must have something in the way of raw materials as well as manufactured goods with which to buy our food and our requirements in other countries.

4. Hence the importance not only of closer trade relations with the Commonwealth and Empire but also of an intensified effort for development within them. To take one example, if we could develop the Wankie coal field in Southern Rhodesia, we could sell coal to the Argentine which would help us indirectly to get food for the United Kingdom. I understand that this example is typical in that, as in so many other cases, the chief bottleneck is the railways, which need track and rolling stock. I know that the various development schemes which are under consideration cannot all be realised together overnight and that their needs compete with exports and vital home requirements. But I feel that there should be some body (I do not of course mean the proposed Customs Union Group) which is able to survey the whole field

and allocate priorities between conflicting demands. There are plenty of Committees dealing with parts of the problem. I should like to be sure that there is a body dealing with the whole.

141 FO 800/444, ff 62–67 9 Dec 1947

[Anglo-American relations in the Middle East and eastern Mediterranean]: draft letter by Mr Bevin for Mr Attlee to send to the prime ministers of Australia and New Zealand

We have for some time past been disturbed at the incalculable and often inconsistent attitude of the United States Government towards problems in the Middle East and the Eastern Mediterranean. An example in point was the line taken by the United States delegate at the United Nations Organisation over Egypt.

2. The Secretary of State for Foreign Affairs accordingly suggested to Mr. Marshall,[1] who agreed, that it might be helpful to both our Governments to talk over political, strategic and economic problems in the area at the departmental level, and without commitment at that stage, in order to clarify our respective ideas.

3. Representatives of the Foreign Office and of the Chiefs of Staff went over to Washington in October and canvassed the ground with their American opposite numbers. The participants on both sides were able to reach virtually identical conclusions on most points and a general statement of policy arising therefrom, and submitted these to their respective Governments for consideration. On our side we have approved both the conclusion and the statement of policy recommended by our participants. Both the conclusions and the similar recommendations made by the American participants have been approved by Mr. Marshall, by the American National Security Council and by the President. We and the Americans are thus in the position of having adopted virtually identical and parallel policies without having concluded an agreement of any kind.

4. The statement of policy reached by the participants in the talks on both sides is that the security of the Middle East and of the Eastern Mediterranean is vital to the security of the United Kingdom and of the United States, and to world peace; that neither the United Kingdom nor the United States can implement a policy of this nature without the support of the other; and that each country should therefore cooperate with the other in the area, each giving the other assistance and support and abjuring any sense of rivalry or desire for one country to replace the other.

5. In the implementation of this policy the United States Government will do its best to support and strengthen the British strategic, political and economic position throughout the Middle East, and will cooperate with H.M.G. in assisting the countries of the Middle East along the path of social and economic reform and progress. In particular the United States Government will support H.M.G. in maintaining or obtaining the minimum strategic facilities requisite in the Middle East in peacetime and rights of re-entry in wartime. Such support would include American diplomatic support and support at U.N.O. for H.M.G. in maintaining the necessary strategic facilities in Egypt and Cyrenaica, and support in maintaining

[1] George C Marshall, US secretary of state, 1947–1949.

facilities in Iraq. The Americans tell us that they wish to see H.M.G. retain their strategic position in the Sudan, Gibraltar, Aden and Cyprus.

6. Throughout the conversations one of our major preoccupations was to find out to what lengths the United States Government might be prepared to carry this cooperation and support. For it is clear that if the Americans were not prepared to go beyond diplomatic support and support at U.N.O., H.M.G. might in the event of a major threat to peace in the Middle East be left in a most difficult position.

7. After consideration the United States Government has reached the conclusion that the security of the Eastern Mediterranean and the Middle East, which is vital to the security of the United States, would be jeopardised if the Soviet Union should succeed in its efforts to obtain control of any one of the following countries: Italy, Greece, Turkey or Iran. It must therefore be the policy of the United States Government, in accordance with the principles and in the spirit of the Charter of the United Nations, to ensure the security of the Eastern Mediterranean and the Middle East and in particular to assist in maintaining the territorial integrity and political independence of Italy, Greece, Turkey and Iran. In carrying out this policy the United States must be prepared to make full use of its political, economic, and if necessary military power in such manner as may be found most effective. Before resorting to the actual employment of force, the United States should exhaust political and economic means, including recourse to the United Nations. Any resort to force would be in consonance with the Charter of the United Nations and, so far as possible, in cooperation with like-minded members of the United Nations.

8. At the same time it would be unrealistic for the United States to undertake to carry out such a policy unless H.M.G. maintain their strong strategic, political and economic position in the Middle East and Eastern Mediterranean and unless H.M.G. and the United States Government follow parallel policies in that area.

9. As I have said, both the Americans and ourselves decided separately and without any agreement to accept the statement of policy as set out in paragraphs 4 to 8 with its implications.

10. We took the opportunity of the presence in London of the Prime Ministers of Canada and South Africa to tell them verbally the gist of the above. They both expressed satisfaction with the result of the conversations.

11. As I am sure you will appreciate it is of high importance that complete secrecy should be observed both about the fact and nature of these talks with the Americans and about the decisions reached separately by each of the two Governments. We told both Mr. Mackenzie King and Field Marshal Smuts that on these grounds we did not propose to make any formal communication on the subject in writing to any Dominion Government. But I am now sending to them a letter on the same lines as this. May I ask you, as I am asking them, to treat this letter as strictly personal and Top Secret?

12. Our own feeling is that if the United States Government follows in practice the principles which it has now adopted, the position of H.M.G. and of the Commonwealth in the Middle East will be considerably strengthened. I hope that your thought will be the same as ours. . . .[2]

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[2] Mr Attlee approved this draft on 10 Dec 1947.

142 CAB 129/23, CP(48)6 4 Jan 1948

'The first aim of British foreign policy': Cabinet memorandum by Mr Bevin

It must be recognised that the Soviet Government has formed a solid political and economic block behind a line running from the Baltic along the Oder, through Trieste to the Black Sea. There is no prospect in the immediate future that we shall be able to re-establish and maintain normal relations with European countries behind that line. As I have explained in a separate paper these countries are dominated by the Communists, although they are only a minority in each country. Indeed we shall be hard put to it to stem the further encroachment of the Soviet tide. It is not enough to reinforce the physical barriers which still guard our Western civilisation. We must also organise and consolidate the ethical and spiritual forces inherent in this Western civilisation of which we are the chief protagonists. This in my view can only be done by creating some form of union in Western Europe, whether of a formal or informal character, backed by the Americas and the Dominions.

The situation

In another paper I have attempted to give my colleagues a sober and factual account of Russian policy.[1] It is clear that from secure entrenchments behind their line the Russians are exerting a constantly increasing pressure which threatens the whole fabric of the West. In some Western countries the danger is still latent but in Germany, France, Trieste, Italy and Greece the conflicting forces are already at grips with one another. In each country the issue is still in doubt and we must act resolutely if we are to prevail. The Soviet Government has based its policy on the expectation that Western Europe will sink into economic chaos and they may be relied upon to place every possible obstacle in the path of American aid and of Western European recovery. Our course is equally clear. I have done and will continue to do all I can to bring the Marshall Plan to fruition. But essential though it is, progress in the economic field will not in itself suffice to call a halt to the Russian threat. Political and, indeed, spiritual forces must be mobilised in our defence.

The Western Union

I believe therefore that we should seek to form with the backing of the Americas and the Dominions a Western democratic system comprising, if possible, Scandinavia, the Low Countries, France, Portugal, Italy and Greece. As soon as circumstances permit we should of course wish also to include Spain and Germany, without whom no Western system can be complete. This may seem a somewhat fanciful conception, but events are moving fast and the sense of a common danger drives countries to welcome to-morrow solutions which appear unpractical and unacceptable to-day. Almost all the countries I have listed have been nurtured on civil liberties and on the fundamental human rights. The recent proceedings of the Human Rights Commission at Geneva have shown that of the eighteen States represented, all except Russia and three satellites were in substantial agreement with the British draft of an

[1] See 143.

International Convention for the protection of these civil liberties and human rights. Moreover, most Western European countries have such recent experience of Nazi rule that they can apprehend directly what is involved in their loss. All in a greater or lesser degree sense the imminence of the Communist peril and are seeking some assurance of salvation. I believe therefore that the moment is ripe for a consolidation of Western Europe. This need not take the shape of a formal alliance, though we have an alliance with France and may conclude one with other countries. It does, however, mean close consultation with each of the Western European countries, beginning with economic questions. We in Britain can no longer stand outside Europe and insist that our problems and position are quite separate from those of our European neighbours. Our treaty relations with the various countries might differ, but between all there would be an understanding backed by power, money and resolution and bound together by the common ideals for which the Western Powers have twice in one generation shed their blood.

I am aware that the Soviet Government would react against this policy as savagely as they have done against the Marshall Plan. It would be described as an offensive alliance directed against the Soviet Union. On this point I can only say that in the situation in which we have been placed by Russian policy half measures are useless. If we are to preserve peace and our own safety at the same time, we can only do so by the mobilisation of such a moral and material force as will create confidence and energy on the one side and inspire respect and caution on the other. The alternative is to acquiesce in continued Russian infiltration and helplessly to witness the piecemeal collapse of one Western bastion after another.

The policy I have outlined will require strong British leadership in order to secure its acceptance in Europe on one hand and in the Dominions and the Americas on the other. Material aid will have to come principally from the United States, but the countries of Western Europe which despise the spiritual values of America will look to us for political and moral guidance and for assistance in building up a counter attraction to the baleful tenets of communism within their borders and in recreating a healthy society wherever it has been shaken or shattered by the war. I believe that we have the resources with which to perform this task.

Provided we can organise a Western European system such as I have outlined above, backed by the power and resources of the Commonwealth and of the Americas, it should be possible to develop our own power and influence to equal that of the United States of America and the U.S.S.R. We have the material resources in the Colonial Empire, if we develop them, and by giving a spiritual lead now we should be able to carry out our task in a way which will show clearly that we are not subservient to the United States of America or to the Soviet Union.

I have already broached the conception of what I called a spiritual union of the West tentatively to Mr. Marshall and M. Bidault,[2] both of whom seemed to react favourably without of course committing themselves. I now propose, if my colleagues agree, to ventilate the idea in public in my speech in the forthcoming Foreign Affairs Debate and thereafter to pursue it, as occasion demands, with the Governments concerned.

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[2] G Bidault, French premier, 1946 and 1949–50, also minister for foreign affairs concurrently and 1947–1948.

143 CAB 129/23, CP(48)7 5 Jan 1948

'Review of Soviet policy': Cabinet memorandum by Mr Bevin [Extract]

Introduction

The breakdown of the Council of Foreign Ministers and other recent events seem to point to the increasing difficulty of reaching any agreement with the U.S.S.R. on political topics. It therefore seems worth while to review the situation generally and to see what conclusions can be drawn about Soviet policy.

Conclusions

2. From the following review of Soviet and Communist activities in recent months, certain deductions may be drawn regarding Soviet policy.

(a) The present policy of the Soviet Government is based on the assumption that the Marshall Plan will and must fail and that, as preached by Marx, the Capitalist Powers will quarrel among themselves and their power will disintegrate as a result of slumps and depressions. If these assumptions are proved by events to be untrue the Soviet Government might radically change its policy, but not till then. As things are at present they have proclaimed their idea of two worlds in conflict and are opposed to reconstruction in the West on the only terms on which it seems to be practicable.

(b) The Soviet Government have ruthlessly consolidated their position within their orbit and in Eastern Europe. They have made a mockery of their many pledges about free elections &c., in the Yalta and Potsdam Agreements. Throughout Eastern Europe, the same pattern of a Soviet and Communist dominated political and economic structure is becoming increasingly obvious. Even Czechoslovakia is now threatened. All opposition organisations within the Soviet orbit have been or are being liquidated. Contact with foreigners is everywhere being reduced to a minimum. Western, and particularly British and American, interests and influence are everywhere being eliminated. The former satellites of Germany are, in fact, now the satellites of the Soviet Union. Even in our trade relations with the Soviet Union and Eastern Europe we must remember that such trade will always be subject to Soviet and Communist political requirements and therefore liable to sudden interruptions. It may even be used as a means of bringing political pressure to bear against us.

(c) Soviet accusations against us at the Council of Foreign Ministers as to our action in Germany seem designed to cover up what they are themselves doing in their zone, while trying to saddle us with responsibility in the eyes of the German people for the partition of Germany.

(d) They have given up hope of the Communist parties achieving power in France and Italy by legal means. For the moment the Communists' somewhat premature attempt at direct action in France has failed, though they have inflicted grave economic injury on the country. We must expect them to take some action in Italy, possibly a *coup* for which arms and specialists are believed to be held in readiness in Yugoslavia, possibly a wave of continuing industrial unrest on such a scale as to make Marshall aid or any attempt at reconstruction fruitless. We must expect a further attempt to get our troops out of Trieste, where they are an obvious impediment to Soviet policy.

(e) As the Soviet Government have decided to do their best to prevent the success of the Marshall Plan in France and Italy, we must now expect them to do the same in Western Germany. But so far as Western Germany is concerned the methods to be used and their timing are still not clear. This applies also to the policy which they are likely to pursue in Eastern Germany.
(f) A further Communist effort seems to be imminent in Greece with the establishment of the so-called Democratic Greek Government and an attempt to detach large parts of Northern Greece is foreshadowed. This would bring Russian influence down to the Ægean, and Turkey would not long remain independent.
(g) The undermining of British and American influence is the keystone of Soviet policy in the Middle East, as elsewhere. By supporting partition in Palestine the Soviets may well hope to encourage disorder in the Middle East. Their attitude would not prevent them later on from supporting the Arabs if it suited their general policy.
(h) There are signs that the Soviets may shortly stir up trouble afresh in Persia, particularly in Azerbaijan.
(i) If the Soviets secured control of France and French North Africa, of Italy, and of Greece, and particularly if they could undermine our position in the Middle East, they would effectively dominate the Mediterranean and could (if they wished) deprive us of access to extensive markets and raw materials, especially oil, without which our economic recovery would be difficult or impossible and the strategic position both of ourselves and of the United States gravely jeopardised.
(j) We must beware of the far-reaching effects of colonial propaganda even where it is disguised as support for nationalist aspirations.
(k) It seems that we must expect the U.S.S.R. to pursue their forward policy in Sinkiang, Manchuria and Korea. There is a distinct danger that the Communists may succeed in dominating the whole of China, which would present a considerable threat to the territories of South-East Asia.
(l) If the U.S.S.R. could gain control of China, France and a few other countries for international purposes, it would shift, politically, economically and strategically, the whole basis of power both in the United Nations and in the world at large.

General outline of Soviet policy

3. The first objective of Soviet policy is probably to advance and to hasten their own reconstruction. At the same time they wish to overtake the material prosperity of the West and to draw out of the post-war confusion in the world a number of important advantages for themselves. I do not believe that the Soviet Government would consciously wish to risk a war for this purpose, particularly while the secret of the atom bomb is a monopoly of the Anglo-Saxon Powers. They probably consider that they can get what they want by "cold war" methods. In carrying these into effect they can rely, both in the Soviet orbit and beyond, on the unqestioning obedience of the agents whom they have trained in Russia for years past, and whom they place in positions of authority wherever practicable (*e.g.*, Marshal Tito, M. Modzelewski, M. Thorez).[1]

[1] Tito and Thorez were communist leaders in Yugoslavia and France respectively; Modzelewski was Polish minister of foreign affairs and a member of the Central Committee of the Polish Workers' Party.

4. The Cominform Declaration published on 5th October proclaimed openly to the world with the greatest publicity the doctrine that the world was divided into two opposing camps which were in conflict. It called on Communists everywhere to close their ranks, not to underestimate their strength, and to intensify the struggle. It denounced the "Truman-Marshall Plan" as a component part of the general policy of the United States and Great Britain for "Strengthening imperialism and stifling democracy." It called upon the European Communist parties to head the resistance to these plans, to rally and unite their efforts on the basis of a common programme, for which new co-ordinating machinery was established. M. Zhdanov[2] in his speech to the Cominform Conference, which was also given the widest publicity, said that "As for the U.S.S.R., it will make all efforts to see to it that the (Marshall) plan is not realised." . . .

South-East Asia and the Far East

37. In South-East Asia and the Far East the Soviet purpose is two-fold: to turn Asiatic races against the Western democracies and to pose as the champion of oppressed colonial peoples. The attack against the Western democracies is levelled at the United Kingdom in Pakistan-India, Burma and British colonial possessions, against the Dutch in the Netherlands East Indies, against the French in Indo-China, and above all against the Americans in China, Japan and Korea. In the general state of ferment in Asia, Soviet policy seeks to exploit local nationalist sentiment through local Communist Parties which, in many cases, contain Moscow-trained elements. For the present, Soviet technique is not fully developed in areas which have not hitherto been subject to Soviet influence or domination, but with the establishment of Soviet missions in various places (*e.g.*, New Delhi and Bangkok), the general activity may be expected to increase.

Afghanistan

38. In Afghanistan pressure is not yet strong, but will tend towards the creation of trouble on Afghanistan's northern borders, while every encouragement will be given to differences which may arise with Pakistan.

Pakistan and India

39. In Pakistan and India the Soviet Union seeks to discredit Great Britain, while every advantage is likely to be taken of the differences between these two Dominions to promote discontent and discord. The unfledged state of Burma, which has an active Communist Party, offers opportunities of promoting dissension. In British colonial possessions, such as Malaya, Hong Kong and Borneo, local nationalist sentiment is stimulated against colonial rule, and the same technique is adopted by Communist Parties in the Netherlands Indies and French Indo-China (in the latter of which there is a very strong Communist influence).

China

40. In China, the Soviet Union seeks to increase its control over Sinkiang, to support the Chinese Communist forces in their effort to obtain complete domination in Manchuria and Inner Mongolia, and to further their efforts to overthrow the

[2] Andrei Zhdanov, Soviet ideologist and propagandist.

National Government of China. There is a danger that the Communists may succeed in dominating the whole of China, in which case a considerable political, economic and strategic threat to the territories of South Asia will develop, the more so since there are large Chinese communities in many of these territories.

Korea

41. In Korea, Soviet-trained Communists, who have already established a virtual police State in the North, may be expected to overrun the whole peninsula when American forces are withdrawn owing to the inability of the United States to set up a sufficiently stable administration in the south to counter this Soviet move.

Japan

42. The Japanese, by recent history and tradition, are antipathetic to both Russia and Communism. The degree to which Communism may develop in Japan after the occupation ceases will depend to a considerable extent on the sentiments then prevailing towards the Western democracies.

Colonial territories generally

43. The Soviet authorities carry on perpetual propaganda against the "Imperialist exploitation of colonial peoples." This is aimed at the exclusion of the Western Powers from colonial territories, the promotion of independence movements (often nationalistic rather than Communist), *e.g*, in French North Africa and Indonesia, and at teaching colonial peoples to look to the Soviet Union as their champion and protector. The Soviet Government have made much use of the United Nations, the World Federation of Trade Unions and other bodies for colonial propaganda against us; their press and radio constantly pursue the colonial theme; and they have for years collected agents from colonial areas and trained them in subversive measures in Russia before sending them back. Hitherto these efforts have not had much success, but this may not last indefinitely. The public relations officer in Nigeria recently commented on the quite remarkable prestige which Stalin and his associates enjoy among the educated and semi-educated classes. He considered that "if it should ever become necessary for us to take a line which would be openly unfriendly to the Soviet Union, we should have the greatest difficulty in putting it across," and that our chief embarrassment would be our inability to meet the Soviet claim to sponsor racial equality. Similar conditions may well obtain elsewhere. Events in Indonesia have provided much grist to the Soviet mill and a recent report from Singapore has stated that Communist Parties in South-East Asia are growing in strength and present a serious menace to security in the Far East.

United Nations and other international organisations

44. So far as the United Nations is concerned, recent behaviour on the part of the Soviets suggests that they intend to maintain their membership, but to use the Organisation chiefly for propaganda purposes and for rallying their satellites and with the object of impeding so far as possible any constructive efforts put in hand by the Western Powers. So long indeed as they retain their power of veto in the Security Council they will hardly consider that the United Nations itself constitutes any serious menace to the Soviet Union, though it is evident that they fear the expression of majority opinion and for that reason will continue to attack such a body as the

Interim Committee. Indeed we know that Zhdanov himself said recently that it was the Soviet power of veto alone which had prevented the United Nations from attempting to turn the Soviet Union out of Eastern Europe. It seems likely also that the Soviets have by no means abandoned hope of establishing "friendly" Governments in France and China. If only one of these countries became a Soviet satellite it would be impossible to get the Security Council to pass a resolution condemning the Soviet Union, even in the event of her being a direct party to a dispute. Should both become satellites it is obvious that the whole present alignment of forces in the United Nations would be disrupted, and that the Soviet Union would have a good prospect of acquiring a normal majority favourable to its purposes in the General Assembly. While such a hope exists it appears that there is little prospect of a voluntary Soviet withdrawal. We may therefore conclude that for some time to come at any rate the Security Council will be doomed to frustration, but that the Assembly (always supposing that Soviet policy is unsuccessful in Western Europe) may develop into a vigorous body which will serve not only as a platform for Communist propaganda but also as a suitable vehicle for the expression of the point of view of the anti-Communist majority.

45. The more intransigent attitude of the Slav *bloc* has been expressed in other international organisations also, *e.g.*, at the World Federation of Trade Unions. Ever since the establishment of the Federation the Soviet[s] have regarded it as an instrument to be used for political purposes, but have been careful, until recently, to avoid any open conflict with representatives of the countries not sharing their political views. After the Cominform declaration, however, their attitude was suddenly and aggressively stiffened. Their trade union leaders and press denounced the "Reformist and Conformist influences" in the Federation, and Soviet delegates have been told to make it an active militant order of the working class movement. The Soviet Government is, therefore, not bothering to disguise its intention of using the Federation to further the aims of the Cominform. This means using it against the Marshall Plan, even though such use may force a break with the Unions of Western Europe and the C.I.O.

46. Similar exhortations towards promoting Cominform aims have been made in various sections of the World Federation of Democratic Youth and the International Democratic Women's Federation, though no public lead appears to have been given by Moscow.

Danger of Soviet policy to British interests

47. *Political.* From the foregoing it will be seen that the Soviet policy is actively hostile to British interests everywhere. All elements friendly to ours in the Soviet orbit are being or have been eliminated or removed from power. A concerted and co-ordinated attempt is being made to spread hatred against us throughout the world, by representing us with the Americans, as using "direct threats of force, blackmail, extortion, political and economic pressure, bribery" and other unscrupulous means to support our wholly predatory and oppressive aims. Soviet policy has been sharpened in this respect by their estimate that the Truman Doctrine and Marshall Plan, with the ultimate assurance of effective reconstruction in western and southern Europe, are contrary to Soviet interests and must be regarded as aimed against them.

48. If the process of communisation were extended to other countries, and more

particularly to France or China, we should be increasingly and dangerously isolated, and incidentally might even be forced, together with the United States, into the position of having to make continual use of our veto in the Security Council. It is to be feared that the immediate Soviet objective is to dominate Italy, Austria, Greece, France and French North Africa (and presumably the French Colonial Empire). They also seek to make serious trouble for us in Palestine and the Middle East and to undermine Persian independence. Success in this plan, even if at the outset only partial, would enable the Soviets effectively to dominate the Mediterranean even without physical control of the Western approaches, and threaten our interests in, and communications with the Middle East, India and the Far East and with our main reserves of oil in the Persian Gulf.

49. *Economic*. There can be little doubt that the broad objective of Soviet policy in the economic sphere is (*a*) to establish complete control over the territories which it dominates politically, and (*b*) later to extend its influence over adjacent areas.

50. Eastern Europe is in the first category (*a*) above. In Eastern Europe, though in varying degrees, the Soviet Union has already succeeded in gaining a substantial grip through reparation deliveries, the seizure of ex-enemy assets and the establishment of Soviet controlled banking, industrial and commercial co-operations [sic]. By means of bilateral trade agreements, the commercial relations of these territories are being turned increasingly towards the East, though as long as the West has capital equipment and supplies to offer which the U.S.S.R. cannot provide, trade with the West on a strictly controlled basis, will be permitted. We must expect, however, that in the course of about five years these countries will be absorbed almost completely within the Soviet economic orbit.

51. The prime example in the second category (*b*) above is Persia. Here it can be assumed that the U.S.S.R. is only biding its time before establishing economic control by political means. Soviet interest in obtaining control of the oil output of southern Persia is probably due as much to the desire to deprive the Western Powers of the use of this oil, as to the need for additional oil for its own use.

52. The net economic effect of this situation for the United Kingdom is extremely serious. The deflection of the food resources of Eastern Germany, Poland and Hungary to the East largely deprives Western Europe of important sources of non-dollar supplies, and worsens the balance of payments position of Western Germany and Western Europe, with incalculable effects upon our own economic position. These losses, however, are trivial compared with the result which would flow from Soviet control of the oil-producing areas of Southern Persia or from the undermining of our interests in the oil-producing areas of Iraq and the rest of the Persian Gulf.

53. It should be noted, however, that Soviet attempts at economic domination have not so far extended beyond the areas over which they exercise some political control. Their attitude towards international economic organisations which might give them an opportunity of extending their influence in other directions, has been one of indifference. One of their reasons for this attitude may well be their desire to prevent any intrusion of Western interests into the areas which they control. They do not belong to any of the economic "specialised agencies," and their interest in the Economic Commission for Europe has been spasmodic, giving no evidence of a considered policy of using this Commission—in which they could play a dominant role—for their own ends.

54. Although the Soviet Union is not in a position to dominate the economies of Western Europe, the economic effects of Communist political agitation in the countries of Western Europe are important. The recent Communist-inspired strikes in France and Italy have caused a serious set-back in the economic recovery of those two countries at a very critical period.

55. The United States Congress has cut dangerously low the credits for interim aid under the Marshall Plan to both France and Italy. With the further set-back caused by the recent strikes the amounts which have been voted are now quite inadequate to deal with the growing crisis in both countries, and their economic recovery will be still further retarded. Delay in the pace of recovery in Europe has a directly adverse effect on the United Kingdom economy. Until Europe has recovered and is able to buy from us with convertible currencies, our own position of complete disequilibrium with the Western Hemisphere will inevitably continue. Increased production is vital to the recovery of Europe. Anything which hampers production delays recovery and brings chaos nearer. To the extent that the Communists are able to foster labour unrest and so hamper production they have a very powerful weapon which they have used very effectively and will not hesitate to use again. The loss of production in the recent strikes to France and Italy runs into millions of dollars and has made the whole of Western Europe still more dependent on the United States for the bare essentials of life.

56. Political and social unrest in the Far East, much of which is Communist-inspired, is undermining not only the economic stability of the territories in question, but is placing in peril our long-standing commercial and financial interests in Asia. The lack of return on our substantial investments in that continent is an important factor contributing to our present financial difficulties.

57. *Strategic*. It seems unlikely that the Soviet Union is making plans to start a war with Great Britain or the United States. This is principally for two reasons. First, the Russians seem to be fairly confident of getting the fruits of war without going to war. This would be facilitated by any weakness, political, military or economic, on our part, or by any Russian success in driving a wedge between the United States and ourselves. Secondly, they probably realise that for the present at any rate their long-term chances in a war against the West are not good and that the best result they could hope for would be mutual destruction. Technically they are still backward compared with the Americans and ourselves, and their war losses were heavier. Nevertheless, they still maintain very formidable armed forces. They now have the largest land army, and numerically the largest air force and submarine fleet in the world. Their armed forces are about four times as great as their pre-war strength, and the necessity for military preparedness is constantly preached. It is true that they have taken the lead in calling for disarmament, but they have been careful to concentrate their proposals on the elimination of weapons in which other people are strong and their general tactics in disarmament matters have been highly disingenous. In fact, the impression left on me by the New York discussions on disarmament was that the main Soviet objective was to demobilise or immobilise the rest of the world while remaining mobilised themselves.

58. It is evident that if the Russian political plans for Southern and Western Europe were to succeed, they would be in a position, with the armed forces described in the preceding paragraph, to put us in a hopeless position strategically. Their submarine fleet, in which they are incorporating all the latest German inventions,

would be operating from forward bases and would be a serious menace to our sea communications. They would be in a position to dominate the Mediterranean, and the difficulty of defending our interests in Africa and the Middle East would be immeasurably increased, quite apart from any direct threat to the Middle East. Without the oil reserves of South Persia and the Middle East neither the British Commonwealth nor even America can exert their full strength. Furthermore, the threat to the security of these islands would be very great. Finally, the Russians have developed and improved the V1s and V2s, to say nothing of other secret German weapons and of inventions of their own.

59. It is thus evident that the success of Russian expansionist plans would threaten, if not destroy, the three main elements of Commonwealth defence, the security of the United Kingdom, the control of sea communications, and the defence of the Middle East.

144 CAB 128/12, CM 2(48)5 8 Jan 1948
'Foreign policy in Europe': Cabinet conclusions

The Cabinet had before them the following memoranda by the Foreign Secretary:—

C.P.(48)7: containing a review of Soviet policy.[1]
C.P.(47)313: on the extinction of human rights in Eastern Europe.
C.P.(48)6: outlining a policy for fostering a political union of Western European countries.[2]
C.P.(48)8: on future foreign publicity policy.

The Foreign Secretary said that the United States proposals for assisting the economic recovery of Europe had crystallised the opposition of the Soviet Government to any closer organisation of the democratic States of Western Europe; and it was clear that, although the recent Soviet attempts to stir up trouble in France and Italy had largely failed, some closer form of union should be created in Western Europe in order to resist the increasing penetration of Soviet influence. It would have been premature to take action in this direction before the recent meeting of the Council of Foreign Ministers, but the breakdown of that conference and the encouraging progress made with the plans for European recovery, towards which the United Kingdom Government had made such an important contribution, had opened the way for an attempt to secure a greater measure of co-operation among the countries of Western Europe. It would be necessary to mobilise the resources of Africa in support of any Western European union; and, if some such union could be created, including not only the countries of Western Europe but also their Colonial possessions in Africa and the East, this would form a *bloc* which, both in population and productive capacity, could stand on an equality with the western hemisphere and Soviet *blocs*.

In discussion there was general support for the proposal that positive steps should be taken to consolidate the forces of the Western European countries and their Colonial possessions. The following points were made:—

(a) It was important that in the execution of the policy outlined in C.P.(48)6 too

[1] See 143. [2] See 142.

much emphasis should not be laid on its anti-Soviet aspect. A policy which gained the unanimous support of the Press and public opinion of the Right would fail to rally the Socialist forces in Western Europe and would make it more difficult to foster cultural and trade relations with Eastern European countries, which, though dominated politically by Communists, still had a western outlook. The danger of pursuing a policy which concentrated on opposition to the Soviet Government was illustrated by events in Greece, where it had not been found possible to strengthen the influence of the centre Parties. Doubts were also expressed about the suggestion in C.P.(48)6 that Portugal should be included in the western democratic system.

In reply, *the Foreign Secretary* said that it would be impossible for him to give an effective lead without being critical of Soviet policy, but it was his intention to concentrate mainly on the positive and constructive side of his proposals. So far as Greece was concerned, every effort had been made to encourage the centre Parties, but they had proved incapable of forming a stable Government. The inclusion of Portugal in any Western European union would be most important because of her Colonial possessions in Africa. There was no intention of attempting to bring Spain into the union so long as the Franco Government continued in power.

(b) The most effective method of countering Soviet propaganda was to provide specific information refuting the misrepresentations made by the Soviet Government. The Prime Minister's recent broadcast illustrated how this could be combined with encouragement of Socialist principles.

(c) It would be necessary to work out more precisely the purposes for which a closer union of Western Europe was to be advocated. Co-operation might be for the purpose of defence or in the economic or cultural fields; but, unless some positive point of focus were devised, it would be difficult to make any satisfactory progress. It might be advisable, in the first instance, to try to work out the basic principles in consultation with the French Government.

(d) It might be desirable to establish some form of inter-departmental organisation, including the Board of Trade, the Colonial Office and the Commonwealth Relations Office, to work out the basic principles of co-operation and advise on the lines which propaganda should follow.

(e) Much progress had already been made in securing the co-operation of Western European countries in colonial matters. The Secretary of State for the Colonies had also devoted special attention to developing the understanding of democratic principles in the Colonial Empire through the Press, films and broadcasting, through the fostering of the trade union movement, and through the guidance of students from Colonial territories attending Universities and Colleges in this country.

(f) It would give much-needed encouragement to the Social Democratic leaders in Germany if in any proposals for closer union in Western Europe it was made clear that there would in due course be a place for Germany in the union.

(g) The possibility of establishing a Western European broadcasting station should be considered.

(h) The Dominion Governments should be fully consulted and kept in touch as the proposals for closer union in Western Europe were developed.

(i) The Foreign Secretary undertook to advise the Labour Party whether they should participate in a public demonstration in favour of European union which was being organised at The Hague by the Joint International Committee of Movements

for European Unity. This demonstration had the support of the Dutch Government and M. Spaak and M. Blum.[3]

The Cabinet:—

(1) Subject to the points made in discussion, endorsed the policy outlined in C.P.(48)6 and the recommendations for future foreign publicity made in C.P.(48)8.

(2) Took note of C.P.(48)7 and approved the recommendations in paragraph 2 of C.P.(47)313 . . . .

[3] Paul-Henri Spaak, leader of Belgian Socialist Party and prime minister 1947–1949, presided over the first UN General Assembly; Léon Blum, leader of French Socialist Party and prime minister, 1946–1947.

145 CAB 129/25, CP(48)72 3 Mar 1948

'The threat to Western civilisation': Cabinet memorandum by Mr Bevin

The fast increasing threat to western civilisation which Soviet expansion represents impels me once again to examine the extent to which the Soviet Government appear to be achieving their aims, together with the steps we should now take in order to frustrate them.

2. As my colleagues will recall, I circulated four papers to the Cabinet at the beginning of January (C.P.(48)5—Policy in Germany; C.P.(48)6—The First Aim in British Foreign Policy[1]; C.P.(48)7—A Review of Soviet Policy[2]; C.P.(48)8—Future of Foreign Publicity Policy).

3. It will be remembered (as set out in the Annex and in C.P.(48)7) that ever since the European Recovery Programme was devised, the Soviet Government have been carrying on a war of nerves and behind it resolutely using the Communist Party to achieve dictatorship. It is their intention to endeavour to expand their activities to cover the whole of Europe at the earliest possible date. So far as we are concerned, we have been proceeding on the basis, which we made quite clear to Stalin, that just as the Russians had built up in the east what they called security, we intended to develop a good-neighbourly policy in the west, not aimed against Russia but inspired by the sheer necessity of economic revival and development and of security. I made all this clear in my speech on 22nd January. But, as we foresaw, events have since moved quickly and aggressively, most recently in Czechoslovakia and now in Finland, and I am convinced that we have to go wider than the original friendly intent of our more limited approach to the Benelux countries, with France, on the basis of the Dunkirk Treaty. It has really become a matter of the defence of western civilisation, or everyone will be swamped by this Soviet method of infiltration. I ask my colleagues, therefore, to give further consideration to the whole situation and decide whether our policy should not now be broadened so that we can proceed urgently with the active organisation of all those countries who believe in parliamentary government and free institutions, and devise methods which will cope with this quickly moving stream of events.

[1] See 142. [2] See 143.

I have set out in the Annex headed "Considerations"[3] in greater detail than in my earlier paper (C.P.(48)7) the steps that have been taken by Soviet Russia from the days of the war-time conferences until the present.

There is only one conclusion to draw. After all the efforts that have been made and the appeasement that we followed to try and get a real friendly settlement on a four-Power basis, not only is the Soviet Government not prepared at the present stage to co-operate in any real sense with any non-Communist or non-Communist controlled Government, but it is actively preparing to extend its hold over the remaining part of continental Europe and, subsequently, over the Middle East and no doubt the bulk of the Far East as well. In other words, physical control of the Eurasian land mass and eventual control of the whole World Island is what the Politburo is aiming at—no less a thing than that. The immensity of the aim should not betray us into believing in its impracticability. Indeed, unless positive and vigorous steps are shortly taken by those other states who are in a position to take them, it may well be that within the next few months or even weeks the Soviet Union will gain political and strategical advantages which will set the great Communist machine in action, leading either to the establishment of a World Dictatorship or (more probably) to the collapse of organised society over great stretches of the globe.

4. All our evidence indeed points to the probable staging by the Soviet Government of further efforts in this direction during the next few weeks or months. We cannot be sure where exactly this showdown will take place nor even that it will not occur in several places at once. All we know for certain (since the Cominform has proclaimed it openly) is that its object will be the frustration by one means or another of the European Recovery Programme and the consequent development of a situation in which the Communist cause will triumph in many countries largely as a result of a process of economic decay. But this does not mean that the Soviet Government are determined to have their way whatever the outside world may say or do. There is no reason even now to suppose that it could possibly welcome the World War which would undoubtedly result from its overstepping the mark. It is commonly accepted Communist doctrine that no issue should be forced until the moment is ripe and victory almost certain. If, therefore, the upholders of true democracy and opponents of dictatorship can present a really united front, and if the necessary economic means are made available by those who have them, the danger of war is, in my opinion, not imminent. Indeed it is my considered view that the only danger of war arises from the non-fulfilment of these two conditions. Provided they are fulfilled I believe that Communism will be forced on to the defensive and that for many years at any rate we may look forward to a period of relative clam.

5. On these two "ifs", however, everything depends. As for the second one we can only do our best to assist the passage of the European Recovery Programme through Congress by continuing to warn the Administration of the dangers of delay. The first "if" depends very largely on ourselves. If we here, as a nation, are united on the main issue, then additional strength to resist will be imparted to our friends on the continent and, indeed, to our friends all over the world. If, on the contrary, we show evidence of irresolution and divided counsels, there will be a corresponding lack of the will to resist which may have terrible results even if aid should eventually be forthcoming under the European Recovery Programme.

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[3] Not printed.

6. Recent events have only brought to a head a fundamental contradiction which has been inherent in European politics at least since the formation of the Third International. It is the contradiction between an imposed solution of social difficulties, which in the last analysis can only mean Dictatorship, and a voluntary, reasoned and human solution which is summed up in all that we mean by the word "Democracy".

7. With a view to stemming any further infiltration of dictatorship, I make the following recommendations to my colleagues:—

Recommendations

(1) We should pursue on as broad a basis as possible in co-operation with our French allies, the conclusions of a treaty or treaties with the Benelux countries. We should aim as a matter of great urgency at negotiating multilateral economic, cultural and defensive pacts between the United Kingdom, France and the Benelux countries, which would be left open for accession by other European democracies. (This will be done on the basis of the Cabinet decision approving the recommendations in my earlier paper (C.P.(48)6).)

(2) Simultaneously with this, the whole problem of the co-ordination of efforts for the cultural, social, economic and financial revival and development of the West and for the defence of western civilisation with the support of all friendly western Powers and of course of the Commonwealth should be proceeded with at once. Having in mind Soviet tactics from Yalta onwards, we should decide what common arrangements can be made and what consultations should be entered into to prevent Soviet tactics succeeding on an even wider basis than hitherto and to halt any further expansion of Soviet dictatorship. The issue upon which we should consult with like-minded countries is not so much that of Communism as of the establishment of dictatorship as against parliamentary government and liberty. In this connection we cannot limit ourselves to Europe. We must bring in the Commonwealth and the Americas, and eventually every country outside the Soviet group.

(3) This would include at an early stage Italy, which is at present the weakest link in the chain of anti-Communist states, but which—if we are to get a really effective western Union—must be brought in. But whether steps should be taken in advance of the April elections, or afterwards, is a matter to be determined. In the meantime we should do everything in our power to assist the parliamentary government of Italy.

(4) If my colleagues agree to this as a policy, then I would ask to be authorised to proceed to discussions with the Commonwealth and, through the diplomatic channels and in every way open to me, with other countries sharing our western conception of democracy and liberty in order to build up the organisation necessary to give effect to such a policy. In these discussions it would be essential to decide what is required of each western country collectively and individually. This would affect, among other things, defence, the budgetary position, the supply of food and the building up of our economies on an entirely new basis. The division between us at the moment is so deep because Communism is playing such a part in the west, interfering with its economic revival and making consolidation so difficult.

146 CAB 128/12, CM 19(48) 5 Mar 1948
'Foreign policy in Europe': Cabinet conclusions on the Soviet threat

The Cabinet had before them memoranda by the Foreign Secretary on the Czechoslovak crisis (C.P.(48)71) and the Soviet threat to Western civilisation (C.P.(48)72).[1]

The Foreign Secretary said that the past actions of the Soviet Government, culminating in the recent events in Czechoslovakia and Finland, showed beyond any doubt that there was no hope of reaching a satisfactory settlement either by agreement among the four Great Powers or through the United Nations Organisation, and that resolute action must be taken to counter the Soviet threat to Western civilisation. He accordingly proposed that we should aim at completing, as a matter of urgency, the current negotiations for economic, cultural and defensive pacts between the United Kingdom, France, Belgium, Holland and Luxembourg. Simultaneously, we should seek to strengthen the defence of Western civilisation by enlisting the co-operation of Commonwealth countries and all other friendly countries, including those in the Western Hemisphere; and special efforts should be made to strengthen parliamentary government in Italy, which was at present the weakest link in the chain of non-Communist States. A further step towards economic co-operation in Europe would be taken at the meeting of the Committee of European Economic Co-operation which was to be held in March but, in addition, there would have to be discussions with Commonwealth Governments and, through diplomatic channels, with the Governments of foreign countries in order to bring about co-operation in other fields. If the Cabinet gave general approval to the policy which he had outlined, he would report from time to time on the action taken to give effect to it.

In discussion there was general support for the policy proposed by the Foreign Secretary, special emphasis being laid on the urgent need to strengthen the forces of democratic socialism in France and Italy and to prevent the weakening of the Commonwealth through the secession of India, and possibly Pakistan. Resistance to further Soviet expansion could not be successful unless we could secure a high standard of living both at home and in those countries which were ranged on our side; but it would also be necessary to base our campaign on the higher moral and spiritual values of Western civilisation. In present conditions no country could afford the degree of mobilisation of man-power and resources attained during the late war, and a greater pooling of defence resources seemed inevitable. Meanwhile, however, it was desirable that the Cabinet should have an appreciation of the military strength needed to support diplomatic action under the policy proposed by the Foreign Secretary and of the defence measures needed if that policy failed to prevent war. The weapon of propaganda must be used to the full and it would probably be necessary to set up special machinery for this purpose. Propaganda must vary according to the country to which it was addressed, and it should be such as to avoid creating embarrassment for the Foreign Secretary in his dealings with foreign Governments through diplomatic channels.

In further discussion, the following points were made:—

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[1] See 145.

(a) The financial measures of the French Government had proved ineffective, and the economic situation in France was very serious. The Government's position was insecure and, if it fell, it was likely to be succeeded by a Government of the extreme Right or the extreme Left.

(b) Should India and Pakistan secede from the British Commonwealth, their example might well be followed by Ceylon and, in due course, Malaya. Difficulty in retaining these countries within the Commonwealth would arise mainly from constitutional forms, the dominant political Parties being committed to an abstract republicanism which made it difficult for them to accept allegiance to the Crown. It might be possible to meet this situation by devising some fresh constitutional form of association which would enable these and similar countries to attain a new kind of independence within the Commonwealth. The possibilities of giving India and Pakistan special assistance for economic development should also be examined.

(c) Experience in the war had shown the value of political warfare, and the Soviet Government and their satellites made exhaustive use of it. The primary object of any propaganda campaign should be to provide the people of Europe with the leadership in Western Europe which Governments had so far failed to provide, but its scope should be world-wide. It might be desirable to establish some organisation on the lines of the war-time Political Warfare Executive, which would work under Ministerial direction and in close touch with the Foreign Office.

(d) There were certain directions in which the Labour Party, rather than the Government, might be found to be the most effective instrument for conducting propaganda and strengthening and advising the social democratic Parties in Western Europe.

(e) There was some prospect that the Christian Churches might be prepared to take common action in defence of Western civilisation, and it might be possible to secure this through the International Council of Christian Churches. In recent years there had been a significant growth of sympathy with the principles of social democracy in the Roman Catholic Church.

(f) Communism had prospered in primitive conditions. There was reason to suppose that it might not be equally successful in retaining a hold over the peoples of more highly-developed countries. It was therefore important that every effort should be made to concentrate propaganda on the Eastern European countries which were nearest to Western Europe.

(g) Bilateral trade agreements had hitherto been made with Eastern European States in the light of purely economic considerations. Was there now a case on political grounds for conceding more generous terms or for adopting more aggressive methods?

(h) The possibility of affording greater economic assistance to Scandinavian countries, possibly by long-term agreements, ought to be considered.

The Cabinet:—

(1) Gave general approval to the proposals made in paragraph 7 of C.P.(48)72 for countering the Soviet threat to Western civilisation;

(2) Took note that the Prime Minister would consider what interdepartmental machinery was required to enable full effect to be given to some of these proposals;

(3) Took note of C.P.(48)71.

147 CO 537/2758 1–11 Oct 1948

[Communism in the colonial empire]: minutes by Trafford Smith[1] and Mr Rees-Williams

. . . I hope I may be forgiven for pointing out that a policy against Communism preferably throughout the Commonwealth, but if that is impossible (as it may well be for political reasons) at least throughout the Colonial Empire, is an urgent requirement.

To mention only the points I can think of at the moment:

1. *Malaya*. The M.C.P. has been proscribed but this proscription was not achieved until (if I understand it rightly) the Party had completed the organization and preparation of the present troubles. Notwithstanding the proscription of the Party, a Communist who is not a member of the M.C.P. is apparently at liberty to continue his activities.

2. *Hong Kong*. Here, for local political reasons, the Communist Party pursues its avocation unhindered, with the full knowledge of the Hong Kong Government.

3. *Cyprus*. Lord Winster[2] maintains that every effort he has made to check the Communist Party has been frustrated by the Colonial Office. So far as I can make out the only action we are taking of an anti-Communist nature is to appoint an Information Officer to conduct counter-propaganda.

4. *Gibraltar*. The Governor wishes to deport a known Communist who has put new life into the local Party. The case, I believe, is still under consideration, but the Geographical Department opposes deportation.

5. *British Guiana*. The latest reports reveal that a certain Dr. Jagan and his wife, known Communists, are making great strides in organizing the Party there. No action is as yet being taken against them.

6. *Kenya*. In a long despatch which I shall be sending on very shortly, Sir Philip Mitchell advocates the introduction of the *lettre de cachet* against Communists.

7. *Nyasaland*. By way of contrast with 1–6 above, the Government of Nyasaland have recently debarred the entry of a non-Communist against whom nothing is known whatever beyond the fact that he works for a cinema company whose South African directors are believed by the Union Security Services to "have Communist affiliations".

In my view the above instances—they could probably be multiplied—amply demonstrate that at the moment we have no policy at all. It is argued that to take strong measures against Communism only drives the movement underground: but as a result Communists are allowed to complete their trouble-making organization undisturbed, and action is taken against them only at the much too late stage when they set their machine in motion. For my part I find myself in reluctant agreement with Sir Philip Mitchell (in the despatch referred to in 6 above) who argues that Western European civilization versus Communism is a fight to the death, & that it is useless to apply to Communists, who know no rules of the game except those which serve their ends, the liberties of the subject, etc., and the whole attitude of mind of 19th century liberalism, which they only exploit to their own ends.

I hope that at least we shall be able to think of some guidance to give to Governors.

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[1] CO assistant secretary, 1945–1950. [2] Baron, formerly R T H Fletcher; gov of Cyprus, 1946–1949.

When a Governor sees another Malaya or another Gold Coast round the corner, an Information Officer is not enough.

T.S.
1.10.48

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The whole question of our approach to communism is to my mind one aspect of the general problem of defence and security; in it are (1) *Intelligence* and Intelligence organization in the CO and the Colonies (2) *Defence*, size and nature of forces, regular, volunteer & now gendarmerie (3) *Police* re-organization and (4) our attitude to the *special problem* of communists and communist parties. I do not believe that the arrangements in the CO or in the Colonies are adequate under any of these headings and I suggest that we have an office conference as soon as possible so that decisions can be taken and the resulting orders given. As time is short, may I submit that this conference takes high priority in what I know is your very full agenda . . . .

D.R.R.W.
11.10.48

148 CO 537/2758, no 4 — 21 Oct 1948

[Communist infiltration of the colonies]: note by I H Harris[1] of a CO internal discussion (18 Oct)

1. *The Secretary of State* opened by saying that the Prime Minister and the Foreign Secretary had expressed concern at the danger of Communist infiltration in the Colonies; suitable arrangements would have to be made to deal with this problem and the time had arrived to take a stronger line than hitherto. Action should be taken:

(1) To establish in Colonial territories the civil and military organisation capable of dealing effectively with any foreseeable emergency.
(2) To improve the machinery in the Colonial Office for the collation of Security and Political Intelligence, and for advising Ministers on the political, economic and other repercussions in Colonies of events in Commonwealth and Foreign countries.
(3) To formulate a positive and constructive policy towards Communism in all its manifestations and to give Colonies the lead which they now required.
(4) To ensure that the public in the Colonies were educated to appreciate the nature of Communism and the steps which were being taken to counteract it. This would involve:
  (a) the improvement and extension of broadcast propaganda,
  (b) the building up of information services,
  (c) the use of the press, possibly with newspapers giving "official" news,
  (d) the control of newspapers, and other literature which set out to impose on a gullible public.

2. Discussion then turned on the following three points:

[1] Assistant principal.

(1) *Colonial "gendarmerie"*

The Secretary of State said that it had been suggested by the Foreign Secretary, who was basing himself on the course of recent operations in Malaya and the Greek Government's campaigns against General Markoa, that some kind of gendarmerie trained as a guerilla force was required in most territories as there appeared to be a gap between the civil police and the military forces. There had been increasing evidence in recent weeks of a Soviet intention to foment disturbances in British Colonial territories especially Africa, and the Secretary of State for War had just received intelligence confirming this.

In the discussion which followed some doubts were expressed whether acceptance of this proposal for a separate gendarmerie would not weaken the case for a Colonial Defence Vote, and also whether reference to Governors should not be deferred pending further consideration of certain details.

Mr. Rees-Williams explained that he did not believe it was the Foreign Secretary's intention to draw away from the existing conception of Colonial Local Forces, but rather to ensure that the Colonial Forces should be suitably organised to include an element capable of carrying out "gendarmerie" duties of the kind which had proved necessary in Malaya. This from our point of view might be regarded as providing an additional argument for the Colonial Defence Vote.

It was pointed out that the existing organisation of Colonial Local Forces was in fact designed to cover all contingencies, though present scales would probably need revision in the light of experience gained in Malaya, and future training should be planned with local conditions in mind.

The view finally adopted was that a third force should not be interposed between the Military and the Police but rather that the Military Forces should if necessary be retrained so as to be in a position to cope with local bush warfare conditions as well as other types of modern warfare.

Conclusions. The Meeting:

(a) agreed that the Colonial Local Forces to be financed with the aid of the proposed Colonial Defence Vote should where necessary include an element trained on gendarmerie lines in local bush warfare conditions: such an arrangement would be preferable to a separate gendarmerie force,

(b) decided that paragraphs should be added to the Colonial Defence Vote paper to bring in the point at (a),

(c) decided that Defence Department should study the question of possible reorganisation of the scale and training of Colonial Forces as proposed at (a).

(2) *Intelligence Organisation within the Office.*

The Secretary of State felt that there was a need for some kind of central intelligence department to watch outside events for possible repercussions in Colonial territories, and to which Ministers could go for information and advice on particular problems.

In the ensuing discussion attention was drawn to the fortnightly review of Communism produced by Sir Marston Logan[2] which to some extent, though at present limited to Communism, represented a nucleus of the organisation Ministers had in mind.

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[2] Temporary administrative officer in CO, 1947; formerly gov of Seychelles, 1942–1947.

The present intelligence organisation in the Office was limited to about 75% of Sir Marston Logan's time and to about 10% of Mr. Trafford Smith's.

It was thought that the collation of Political Intelligence reports as suggested by Sir Thomas Lloyd, could be done by Defence Department; but that the scheme envisaged by Ministers would involve a much larger organisation, the relation of which to Geographical Departments would have to be carefully worked out.

Conclusions. The Meeting:

(a) agreed that the collation of Political Intelligence reports should proceed forthwith, on the lines laid down in detail in Sir Thomas Lloyd's minute of 9th October, 1948 (copy annexed to this record),[3]
(b) agreed generally that some kind of wider intelligence organisation on the lines suggested by Ministers was required, and that this might possibly take shape as a Research Department in International Relations Department,
(c) decided that the whole question of an Intelligence-cum-research department should be further considered by Assistant Under-Secretaries of State and then discussed with Sir Thomas Lloyd prior to a further meeting with Ministers.

(3) *Communism*

The Secretary of State affirmed that a direct lead to Governors was required, both as regards the positive response (propaganda etc.) and the negative response (examination of powers of deportation, suppression of seditious literature, etc.).

In the brief discussion which followed it appeared that the actual powers now possessed by Governors were by no means uniform, nor was their extent clear.

Conclusion. The Meeting:
decided that the question should be reserved for further discussion at an official meeting, after Geographical Departments had had an opportunity to prepare a review of individual cases in which difficulty had been experienced, and that it should then be considered what recommendations could be made to Ministers.

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[3] Not printed.

149 FO 800/435, ff 118–120 6 Nov 1948

[Communism in British overseas territories]: minute by Mr Bevin to Mr Attlee

I have been discussing with the Colonial Secretary the question of Communism in our Overseas Territories. I am rather worried about the situation, especially in Africa, where it seems to me that we must ensure that we are properly equipped to deal with a really serious Soviet inspired Communist movement. My indications are that sooner or later the Russians will make a major drive against our position in Africa, and we ought to take steps now to counter it. Experience in Malaya and elsewhere shows the importance of having an intelligence organisation which will enable the police to forestall trouble, and of the local authorities possessing and using adequate powers to prevent trouble occurring.

2. The Colonial Secretary, who is actively studying this problem, has in hand certain very necessary and useful measures, such as the appointment of a special Police Adviser to co-ordinate with Colonial Governors the organisation of security intelligence, but I gather there is some difficulty about providing him with assistance and proper staff, and I fear that administrative and inter-departmental delays may handicap us in making these measures really effective. I understand for instance from the Colonial Secretary that there is some doubt whether the necessary expenditure is to come under the Colonial Office or Ministry of Defence vote. I have advised Creech Jones to prepare a paper for the Cabinet in order to get this and other similar difficulties settled rapidly, and I should be very grateful if you could see the Colonial Secretary, the Minister of Defence and if necessary the Secretary of State for War and get the matter cleared up.

3. I feel sure you will agree with me that we cannot afford to let any such obstacles stand in the way of a firm and realistic policy in regard to overseas territories. If really serious trouble were to break out at any point, we have no further forces available to suppress it, and if such trouble were not to be put right at once, I am afraid that the Soviet Government might make a serious and perhaps dangerous miscalculation as to our real strength, with grave effects on our foreign policy.

150 CAB 129/33/2, CP(49)67 17 Mar 1949

'Report by Sir William Strang[1]: tour in South-East Asia and the Far East' (for Mr Bevin) [Extract: introductory section]

I give below some notes on my recent journey in South-East Asia and the Far East. They are not exhaustive. It would be tedious to set down all that I heard or noted. What I have tried to do is to pick out the more important trends and note the more significant facts, not for the benefit of the specialist Departments, but as being of possible interest to the general reader, who will, I hope, draw from this paper some impression of current preoccupations and the play of forces in this important region. In the present introductory section I make some more general observations. If I have, in places, strayed beyond the strict limits of Foreign Office concern, I hope I may be excused.

2. I had no other mission than to educate myself, to meet His Majesty's Representatives in the foreign countries visited, to tell them about developments at home, to give them a picture of the foreign situation as seen from Europe and, generally, to demonstrate the interest of the Foreign Office in Far Eastern and South-East Asian affairs. I spent some days each in Karachi, Delhi, Rangoon, Singapore, Kuala Lumpur, Batavia, Bangkok, Hong Kong, Shanghai and Tokyo, and spent nights in transit at Alexandria and Calcutta. I had talks with the Heads of Missions and with their chief advisers, political, economic, financial, labour and information. I was received by the leading Ministers in each of the countries visited. I made a point of meeting and talking to the representatives of Commonwealth countries, the United States, France, Benelux and China. I saw leading members of the British Community in each place. The British Chambers of Commerce at Hong

[1] Permanent under-secretary, FO, from 1949.

Kong and Shanghai entertained me, and I addressed them. I walked through the offices of each of His Majesty's Missions and spoke to as many members of the staff as possible, of all grades. At the request of the Heads of the Mission I gave a talk to the members of the staff at Delhi and Tokyo; and at the request of the Commissioner-General for South-East Asia, Mr. Malcolm MacDonald, I did the same at Bukit Serene to a party of British, Malayan and Chinese notables.

3. It will be observed that my journey, undertaken mostly by flying-boat, covered the central and eastern parts of the sea-girt periphery, or what the geopoliticians call the Rimland, which skirts the Heartland of Europe and Asia which is at present in large measure under Soviet control, and the fate of the western part of which is now at issue in the current battle for Berlin. I was interested to find that the significance of that battle is not diminished but rather enhanced when looked at from the Far East.

4. The importance of our maintaining control of the periphery, which runs round from Oslo to Tokyo, of denying it to communism, and, if possible, defending it against military attack, needs no emphasis. Nor is it less important, from the point of view of the framing of policy, that we should try to look on the periphery as a whole. I found the germ of this thought in the minds of many of our representatives, and also the thought that there should not only be a United Kingdom policy, but, if possible, a Commonwealth policy (in spite of divergencies of outlook); and that that policy should, if possible, be concerted with the United States, since American resources would be indispensable.

5. In all this, the Indian sub-continent has a special importance. It lies at a place about half-way round the periphery. If India tends to look eastwards, Pakistan looks both east and west. The sub-continent should not be regarded in isolation as a separate section. India, in particular, has an important role to play in peripheral politics—as a Great Asian Power; as a possible member of the Commonwealth; as a country with whom the United Kingdom has now an opportunity to develop relations on a new basis; as a country with political, cultural and economic interests in South-East Asia, which we should try to carry with us in the framing of policies and the development of action in that region. The Delhi Conferences on Indonesia and Burma may be pointers to the future.

6. From this peripheral point of view, the establishment of the Middle East Office in Cairo and the Commissioner-General's Office in Singapore were moves in the right direction. The need for them has not diminished. I found the minds of some of His Majesty's Representatives turning in the direction of say, yearly regional meetings of Heads of Missions, and of the association of Commanders-in-Chief, Colonial Governors, and United Kingdom High Commissioners or their representatives in some measure, if possible, with such conferences. The suggested groupings for this purpose might be first, from Greece or Turkey round to Pakistan, and secondly, from Pakistan to Japan. For the first group or part of it, the suggestion would be for a meeting in London next summer. For the second, a meeting similar to that recently held in Singapore, but with more extended membership than before, and some co-ordination with the similar conference of Colonial Governors. This would carry with it close contact between the Foreign Office, Colonial Office and Commonwealth Relations Office in London. It would also be useful if senior officials of the Foreign Office could visit South-East Asia and the Far East from time to time, possibly about the period of the Singapore meetings.

7. There is a good deal that is dark in the Far Eastern picture, but there are some brighter features. On the darker side are—

(a) the ever-present food shortage, which will be a long-term problem for India and Japan and may be an immediate one for Shanghai if United States assistance is cut short;
(b) the present disorders in Burma, Malaya, Indonesia and Indo-China;
(c) the revolution in China and the menace that it brings for South-East Asia with its great Chinese communities and for foreign interests in the whole area;
(d) the need of all these countries, in greater or lesser degree, for outside financial assistance;
(e) the population problem in Japan, which the war has done nothing to cure but, indeed, has tended to intensify, and any attempt to solve which must, at the best, mean strong and growing competition with United Kingdom exporters and may, at the worst, in the long run, bring some new Japanese explosion.

On the brighter side we may note—

(f) the success of the International Emergency Food Council and the Commissioner-General's Office in securing fair allocation and due delivery of the rice crop, thus making the most of available resources;
(g) the buoyancy of rice production in Siam and of tin and rubber production in Malaya;
(h) the easing of tension between India and Pakistan;
(i) the demonstration by Singapore, Hong Kong, and Japan that, given peace and good order, a settled administration and a reasonably stable currency, the great productive and trading aptitudes of the population come into play. Siam points in the same direction;

and from a more specifically British point of view—

(j) the maintenance of our good name, political influence and economic interests thanks to the example set to the world by the British people in their efforts towards recovery;
to our act of policy in India;
to our policy of non-intervention and unperturbed watchful waiting in China;
to the zeal, demeanour and resource of our representatives, whether of the foreign, Colonial, Commonwealth or armed services, and the growing spirit of collaboration among them, matching the endeavours of our people at home; and to the integrity, experience, enterprise and flexibility of reactions to new conditions shown by our business communities, the growth of a team spirit among them, and of confidence between them and the official side.

8. This would suggest that we have a part to play in this area which can be played by no other Power, though we clearly cannot play it alone. It can be best played by a combination of British experience and United States resources.

9. Finally, I would express my sincere thanks to you Sir, for making my journey possible; to my colleagues of the Foreign Service whose generous and thoughtful assistance multiplied the benefit and lightened the burden of the tour; and to His Majesty's High Commissioners at Karachi and Delhi, the Commissioner-General at Singapore, the Governors of Singapore and Hong Kong and the High Commissioner

of the Federation of Malaya and their staffs for all the courtesies and the very great kindness which I received at their hands . . . .

151 FO 800/445, ff 79–80 18 Oct 1949

[Communist subversive activities in the colonies]: minute by Mr Bevin to Mr Attlee

I have seen the Colonial Secretary's minute No. P.M(49)45 of October 3rd sending you a draft despatch to Colonial Governors regarding the importance of countering Communist subversive activities. I have also seen your Private Secretary's letter of October 5th saying that you have asked for the opinion of the Lord Chancellor, the Law Officers and the Secretary of State for Commonwealth Relations on this proposed despatch. I see that Lord Addison has already expressed his concurrence.

2. I should like, if I may, to express the hope that a very early decision may be reached in this matter. The Communist successes in China have already led to an important movement of opinion among the Chinese communities in South-East Asia in favour of the new Chinese Communist Government, and I do not think there can be any doubt that we must expect greatly increased pressure from the Communists in all the territories of South-East Asia as well as a general increase of pressure in the Colonial sphere.

3. It will be most inconvenient, to say the least, if incidents occur in British overseas territories which require movements of troops to restore order in the coming months, and I think it is important that Colonial Governors should be instructed to consider in good time how they can prevent any such trouble arising, as proposed by the Colonial Secretary.

4. I trust, therefore, that an early decision may be reached and that the Colonial Secretary may be authorised to issue instructions on the general lines contemplated in the draft despatch as soon as possible.

5. I am sending copies of this minute to the Lord Chancellor, the Law Officers and the Colonial Secretary.

152 CAB 129/37/1, CP(49)208 18 Oct 1949

'European policy': Cabinet memorandum by Mr Bevin on creation of a 'third world power' or consolidation of the West

This paper, which is circulated for the information of my colleagues, discusses the question whether the aim of European policy should be the creation of a third world power or the consolidation of the Western World.

I. *Introduction*

Until about the end of 1947, when the Great Power system known as the Council of Foreign Ministers broke down, it was assumed, with decreasing confidence, that the general structure of peace would be based essentially on co-operation between the United States, the Soviet Union and the United Kingdom, which to some extent

might be taken as representing the British Commonwealth and Empire. The breakdown on the question of Germany, however, destroyed this conception, perhaps temporarily, perhaps for ever. Although the United Nations was maintained as a kind of symbol of a real world system, and no doubt in the expectation that it would ultimately prove possible to revert to it, it was then clearly necessary to cast around for some alternative system of security which would be capable of maintaining peace for a long period to come.

2. This process of consolidating the non-Communist world really began in June 1947 with the announcement of the Marshall Plan and my acceptance of it. It passed from the economic to the political and military sphere early in 1948. At that time I envisaged action in three stages. The first stage was the conclusion of the Brussels Treaty, described as the hard core of the European system. The second stage was its reinforcement by the power and wealth of North America. The third stage was the extension of the European system. The first stage was completed by the signature of the Brussels Treaty on 17th March, 1948. The second stage was completed by the signature of the Atlantic Pact, which, for the first time, committed the United States and Canada to the defence of Western Europe. The third stage has now been initiated with the signature of the Statute of the Council of Europe. It therefore seems desirable to consider carefully what is to be the ultimate aim of this policy.

3. For the moment the Brussels Treaty and the Atlantic Pact provide a military alliance of those free democracies of the West which are threatened by the Soviet Government. But it has been suggested that this should be a temporary phase, and that the real object should be to organise Western Europe into a "Middle Power," co-equal with and independent of the United States and the Soviet Union alike. The supporters of this proposal admit that for a considerable period of time, and notably for such period as Western Europe is dependent for its very existence on American economic support, the European political organisation, whatever it may be, will have to lean heavily towards America and away from the Soviet Union. At the same time it is suggested that the underlying aim of an organisation of Europe should be the eventual creation of a system which would enable Western Europe, plus the bulk of the African continent, and in some form of loose association with other members of the Commonwealth, to run an independent policy in world affairs which would not necessarily coincide with either Soviet or American wishes.

4. This concept of a Third World Power has had many advocates. In this country it has appealed particularly to those who find American capitalism little more attractive than Soviet Communism, and to those who feel a natural dislike of seeing this country in a dependent position. But the policy is not without its advocates in the United States itself. These have included, at one time at any rate, the Planning Section of the State Department, who thought that the best way to consolidate the Western world was to build up another power-unit with a strength equivalent to that of America and Russia. It has also found favour among the isolationists, who feel that if this unit came into existence it would provide America with an axcuse for retiring into her shell and leaving the task of containing Russia to the Third World Power.

5. Another school of thought, more common perhaps on the Continent of Europe than in the United States or the United Kingdom, has suggested that a Third World Power of this kind, even if its physical power were less than that of either of the other two great Powers, would by remaining neutral develop an influence out of proportion to its strength, since it could hope to be courted by both sides. The ability of a weak

State to exploit its neutrality in this manner is illustrated by the conduct of Bulgaria in 1914–15 and Italy in 1939–40, though the subsequent experiences of these two countries are not encouraging.

6. All these schools of thought, different as they are, have in common the assumption that it is possible to create a workable Third World Power, independent equally of Russia and America. The object of this paper is to consider whether this assumption is justified; whether, if the creation of a Third World Power is possible, it is also desirable; and, if not, what the alternatives are.

II. *Possible composition of a Third World Power*

7. The first question that requires consideration is what the composition of a Third World Power might be. The only serious suggestions that have been made are that it should consist of the Commonwealth, or of Western Europe (including the United Kingdom) with its overseas territories, or of these groups combined. These suggested groupings may be examined under three headings, political, economic and military.

Commonwealth

(a) *Political*

8. There are no political tendencies in the Commonwealth to-day which suggest that it could successfully be consolidated as a single unit. The Commonwealth is not a unit in the same sense as the United States or the Soviet Union. It has no central authority and is unlikely to create one, and its members are increasingly framing their policies on grounds of regional or local interests. The only member of the Commonwealth which might assume a position of leadership within it is the United Kingdom, and it seems unlikely that any proposals originating in London for a closer co-ordination of Commonwealth policy would be welcomed at present. It should not be assumed that centrifugal forces are certain to increase, and it remains true that concerted action may well be achieved in a crisis. The substantial identity of view among Commonwealth countries is undoubtedly an important influence for world peace. Nevertheless, there is no guarantee that a common policy will be followed.

(b) *Economic*

9. Since the creation of the O.E.E.C. machinery, the economic planning of the United Kingdom is tending to become more closely tied in with Western Europe than with the Commonwealth. The general trend of O.E.E.C. planning has so far been satisfactory to the sterling members of the Commonwealth. The United Kingdom, however, needs to be able to speak with greater authority in Paris as the representative of the whole sterling area. Moreover, a greater mutual exchange of economic information within the Commonwealth is needed if the central gold and dollar reserves of the sterling area are to be fully safeguarded. There is little sign that the other members of the Commonwealth would accept collective planning arrangements for the Commonwealth similar to O.E.E.C., but we may well hope to persuade them increasingly to discuss their long-term problems individually with the United Kingdom. Even so, Commonwealth countries are likely to take the view that their needs for investment capital for industrial development cannot be met by co-operation with the United Kingdom and Western Europe alone but that dollar

assistance will be needed. The Americans have shown reluctance in the past to use the United Kingdom as a channel for extending dollar aid to the rest of the Commonwealth.

(c) *Military*

10. The military picture is similar. As a result of the Brussels Treaty the United Kingdom has gone much further in military planning with Western Europe than it has with the Commonwealth. Moreover, the Commonwealth is not a strategic unit, and here again it must be clear to other Commonwealth members that their defence cannot be assured without United States support. For example, the Commonwealth, even with the help of Western Europe, will not in the foreseeable future be strong enough to hold the Middle East, which is vital to its security.

(d) *Conclusion*

11. Despite the possibility of improved economic consultation, there seems little prospect of the United Kingdom being able to unite the Commonwealth as a single world power. The attraction exerted by the pound sterling and the Royal Navy is now less strong than that of the dollar and the atom bomb. An attempt to turn the Commonwealth into a Third World Power would only confront its members with a direct choice between London and Washington, and though sentiment might point one way interest would certainly lead the other.

Western Europe (including the United Kingdom) with its overseas territories

(a) *Political*

12. The progress so far made in such directions as Benelux and the Italo-French Customs Union is primarily economic in character, although there are political implications. These experiments have, however, not yet reached a sufficiently advanced stage to permit of optimistic conclusions regarding prospects of more far-reaching political unity. The new Council of Europe may gradually create in this old Continent a consciousness of European unity and a will to play an independent part in world affairs. But it must be recognised that centrifugal tendencies are still strong and there is a danger that the Council of Europe may seem to give Europe a greater cohesion and strength than it in fact possesses and so encourage the Americans to retire into an isolation dangerous both for themselves and for Europe. Whatever the tendencies may be, the fact remains that the military and economic situation of the Western European nations is now such that there can be no immediate prospect of welding them into a prosperous and secure entity without American help; and even with American help it is uncertain whether this can be achieved for some time to come.

13. The above has been written without special regard to the problem of Germany. The problem of including Germany, in whole or in part, in Western Europe and the effect which this would have on the possible constitution of a Third World Power, cannot be dealt with fully within the limits of this paper. There are many schools of thought on this topic. Some claim that Western Europe could only hope to achieve security and independence if it included the whole of Germany. Others feel that the inclusion of all Germany in any Western European group would involve a serious risk of its eventual domination by a revived Reich, and moreover that Western Europe would thereby become involved in quarrels about Germany's

eastern frontiers which it would be highly desirable to avoid. Others again say that the inclusion of Western Germany in the Western European group is now a foregone conclusion, that the addition of the Soviet Zone, if that ever became practicable, would not be of such weight as to alter the whole balance, and that ways can and must be found of integrating a united Germany into the European family of nations. In any event if Western Germany, or even a unified Germany, is, after a period of years, fully integrated in the economy of Western Europe, that would probably not in itself result in Western Europe becoming an independent Power of the same order of magnitude as the Soviet Union or the United States, unless indeed the *military* as well as the economic potential of Germany was fully developed—and it is difficult to see this being accepted by the Soviet Union or even by the Western democracies themselves.

(b) *Economic*

14. Western Europe, including its dependent overseas territories, is now patently dependent on American aid, although in the longer run it should be able to pay its way. It is, however, always likely to be dependent for the maintenance of a reasonable standard of living on a large exchange of goods and services with the Eastern *bloc*, with the Commonwealth and with the United States. Although the O.E.E.C. countries and their dependent overseas territories now enjoy a preponderance of economic potential over the Soviet orbit, this preponderance may well disappear within ten years if Soviet plans are fulfilled. Soviet plans may be particularly limited by commitments to the satellites and by high military expenditure, or even by technical shortcomings in Russia itself. But it is safest to assume that, even if the economy of Western Europe is closely linked with that of the United States, their present joint margin of superiority over the Soviet economic system will tend to shrink.

15. It is true that O.E.E.C. has shown the beginning of satisfactory economic co-operation, but the impetus has been given by the United States in the conditions which they imposed as a price for dollar aid. There are already signs that as the individual countries become economically stronger and more self-sufficient the centrifugal tendencies are likely to increase, and it may well be that when American aid ceases altogether the present limited degree of European economic co-operation will not survive. We should in any case be wise not to place undue reliance on it at the expense of our relations with the Commonwealth and the United States.

16. Moreover, from the United Kingdom point of view, economic integration with Western Europe involves great risks which would only be worth taking if we could be confident that economic integration would create a unit economically and militarily strong enough to be capable of resisting aggression. For the moment there seems little prospect of such a development and we might, if we went too far along this road, find Europe over-run and our own segment of the economy unable to function on its own.

(c) *Military*

17. From the military point of view, the situation is that even with American help there is nothing at present to stop the Russians occupying the entire Atlantic coast of Europe. In ten years' time Western Europe might possibly be able to hold out until full American assistance could be brought into play. Even this limited defensive rôle

involves an expenditure which may well be too heavy for European national incomes. Unless therefore we are prepared to effect a drastic lowering of our present standards of living or to accept the remilitarisation of the Reich, any thought of a Third World Power in Europe being militarily capable of resisting Russia by itself can be dismissed.

18. In actual military strength Russia is now, apart from weapons of mass destruction, vastly superior to the United States and Western Europe combined and although, as has been said, our economic potential may for the time being be greater than that of the Russians, the difference will lessen with time. Moreover, owing to the Soviet Union's present ability rapidly to overrun Western Europe, there is a danger that American potential will be left with no area in which to deploy itself.

(d) *Conclusion*

19. Whereas in the case of the Commonwealth the principal difficulties in the way of consolidation as a Third World Power are political, in the case of Western Europe the difficulties lie mainly in the economic and military weakness of its members, though the political will to union must always be doubtful.

The Commonwealth and Western Europe combined

20. Unfortunately the objections to either group in isolation are not removed by their combination, and this alternative is therefore not examined in detail. Political cohesion of the Commonwealth countries with Western Europe is even less likely than with the United Kingdom, and the dangerous choice between London and Washington is not eliminated. Moreover, the economic and military weaknesses of Western Europe are not significantly diminished by the addition of the Commonwealth countries other than the United Kingdom, and the need for American support remains. Incidentally, this need for American support underlines the danger of even trying to create a group which could give the United States an excuse for believing that a buffer State had been created and that accordingly America need not exert herself strenuously on behalf of Western civilisation.

General reflections on a Third World Power

21. The preceding paragraphs suggest that none of the possible combinations of Powers is likely in the near future to amount to a unit capable of pursuing a policy independent both of the Soviet Union and of the United States. There is, moreover, a further argument which is valid in regard to any possible combination of Powers. The belief in the ability of a Third Power to exploit its independence by a policy of neutrality and by playing off the other two Powers against each other is based on a total misconception of Marx-Leninist ideology. It is surely essential to take at their face value the frequent assertions by Soviet leaders that Marx-Leninism is the basis of their policy. This being so, they would not be prepared to establish any lasting agreement with a neutral, non-Communist Third World Power; at the most they might be prepared to make a show of reaching such an accommodation for tactical reasons. A policy of neutrality would in fact only encourage the Soviet Union to swallow its opponents one by one and, from the point of view of the United Kingdom especially, would afford no protection for our vital interests in the rest of the world, notably in the Middle and Far East.

III. *Consolidation of the West*

22. The conclusion seems inescapable that for the present at any rate the closest association with the United States is essential, not only for the purpose of standing up to Soviet aggression but also in the interests of Commonwealth solidarity and of European unity. The form which such an association should take is a matter for another paper, but it is perhaps worth recording the negative conclusion that the mobilisation of general collective security on the basis of Article 51 of the United Nations Charter does not seem a promising method. The probable result of such a process would be the establishment of a new United Nations organisation without the Soviet Union or its satellites, resulting in an unwieldy *bloc* of countries with no organised leadership, in which the special interests of single countries or groups of countries would be liable to paralyse action by the organisation as a whole.

23. The positive arguments in favour of the consolidation of the West, in which at first, at any rate, the United States would be the largest single unit, may be summarised as follows:—

(a) As long as Russian policy continues to be based on the Marx-Leninist philosophy which regards all non-Communist Governments as enemies, these Governments will be forced to combine, and in this sense the consolidation of the West will come about as a natural process.
(b) The combination produced by this natural process, of which the Atlantic Pact is the first example, represents such a vast effort that once achieved it may in practice be very difficult to dissolve.
(c) The association of the United States, Western Europe and the Commonwealth, different though their cultural backgrounds and political philosophies may be, has at least in its favour a sufficient number of common traditions to make the group workable.

24. There are of course some arguments on the other side. It must be recognised that in a Western system the United States will be the most powerful member, will inevitably take the lead in a number of fields, and will no doubt expect her views to prevail to a considerable extent. This, however, was already the case before the signature of the Atlantic Pact. In all fields in which the United States makes the major contribution, whether financial, military or otherwise, it is inevitable that proportionate (although not always determining) weight must be given to her views.

25. At the same time experience has shown that it is usually possible to reconcile British and American views. As United States policy evolves from isolation to the assumption of increasing responsibility in world affairs, her outlook (*e.g.*, over colonial dependencies) is evolving also, and it has so far proved less arduous for us to find a common approach towards world problems with the Americans than with most other Powers. While, therefore, extremely difficult adjustments of policy, which are inevitable in any partnership, will have to be made under a Western system, there are not so far sufficient grounds for the fear that partnership with the United States in a Western system would involve the United Kingdom in dangerous dependence on the United States. There is sufficient kinship of ideas to make this unlikely. We are in fact more likely to find it difficult to reach a common approach with Western European countries, and most of all with Germany.

26. The fear is sometimes expressed that the United States might be tempted to

indulge in adventurous policies, and that too close a partnership with them would add to the risk that the United Kingdom and its other partners might be involved against their will in the consequences of such policies. Although the possibility of their adopting ill-considered and therefore dangerous policies is always with us, the likelihood of the United States embarking on an aggressive policy is extremely remote. In spite of occasional violence of talk, American public opinion and the American Congress are both peace-loving and cautious, and more likely to err on the side of prudence than of rashness. Moreover if the United States were nonetheless to embark on adventurous policies the United Kingdom would almost inevitably be involved in the consequences in any case, and it may reasonably be expected that partnership with the United States in a Western system would increase rather than diminish the opportunities for the United Kingdom to apply a brake to American policy if necessary.

27. The possibility must also be considered that a slump might occur in the United States which would have serious repercussions on the economies of the United Kingdom and of Western European countries. This is true. But the effect would be much the same whether a Western system comes into being or not. Moreover, here again the existence of a Western system improves the outlook for fruitful discussion on economic policies between the members.

28. There is no necessary contradiction between the consolidation of a Western system and a much greater unification and strengthening of Europe. It is only the concept of Western Europe as a Third World Power acting independently both of the United States and of the Commonwealth, in other words as a Third World Power in the strict sense of the term, which is inconsistent with the consolidation of Western system.

29. During the next ten to twenty years the economic dependence of Western European countries on the United States ought to disappear, and their ability to make a valid military contribution to a Western system ought to increase. Even to-day it is a mistake to regard the relationship of the Western European countries, and particularly of the United Kingdom with the United States as one of complete dependence. In fact the United States has no desire to find herself confronted with a Western Europe under Communist domination, or a Western Europe which is completely neutral. On the contrary, the United States recognises that the United Kingdom and the Commonwealth, and to a lesser extent the Western Continental Europe, are essential to her defence and safety. Already it is, apart from the economic field, a case of partial interdependence rather than of complete dependence. As time goes by the elements of dependence ought to diminish and those of inter-dependence to increase. The United Kingdom in particular, by virtue of her leading position both in Western Europe and in the Commonwealth, ought to play a larger and larger part in a Western system.

30. It must, however, be appreciated that the Western system is coming into being under the pressure of Soviet policy. It is probably fair to say that it is a system desirable in itself, since had it been in existence at the time the wars of 1914 and 1939 might well have been avoided. But whether this is so or not, it might well prove that, if Soviet pressure were relaxed as a result of some major tactical deviation, the development of the system might be arrested in proportion as the compelling cause of the danger from the Soviet Union diminished. This aspect of the question will form the subject of another study.

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31. There are two further points which require to be borne in mind in connexion with the consolidation of the West, though they cannot be fully developed within the limits of this paper. The first is that consolidation of the West cannot be solely a matter of agreement between governments. It must also involve an internal consolidation of the peoples of the Western countries and a rejection of Communist influence.

32. Secondly, it may prove to be the case that the consolidation of the West in a passive sense will not prove to be enough, and that the only final hope for a settled world will be that the ideas it represents and the system which incorporates these ideas should spread eastwards.

IV. *Conclusions*

33. The general conclusion of this paper may be summarised as follows:—

(a) The Commonwealth alone cannot form a Third World Power equivalent to the United States or the Soviet Union.
(b) Commonwealth solidarity is more likely to be promoted by the consolidation of the West than by the formation of a Third World Power independent of America.
(c) A weak, neutral Western Europe is undesirable and a strong independent Western Europe is impracticable at present and could only come about, if at all, at the cost of the remilitarisation of Germany.
(d) The best hope of security for Western Europe lies in a consolidation of the West on the lines indicated by the Atlantic Pact.
(e) During the next 10–20 years, Western Europe, provided it continues on its policy of co-operation, should emerge from economic and even from military dependence on the United States but the two areas will remain interdependent.
(f) The United Kingdom will have an increasingly important part to play in the consolidated West, and must also seek to maintain its special relations with the United States of America.

153 CAB 129/37/1, CP(49)204 — 24 Oct 1949
'Council of Europe': Cabinet memorandum by Mr Bevin [Extract]

. . .

Summary of recommendations

4. The following are the recommendations which I ask my colleagues to approve in connection with the forthcoming meeting of the Committee of Ministers. They derive from the general conclusions set out in the later paragraphs of this paper:—

(a) His Majesty's Government should continue to support the Council of Europe and to play an active part in its development.
(b) Under existing policy, however, we cannot agree to any proposals which mean our getting involved in the economic affairs of Europe beyond the point at which we could, if we wished, disengage ourselves. There are no grounds for abandoning this policy.

(c) Any surrender of political sovereignty in matters of vital importance would jeopardise our ability to maintain the policy at (b). We must therefore maintain a very strict reserve in regard to schemes for the pooling of sovereignty or the establishment of European supra-national machinery.
(d) Subject to (b) and (c) above, we should adopt a positive attitude towards proposals for co-operation in the political, social and cultural fields and should welcome the development of the Consultative Assembly into a responsible quasi-parliamentary body in which European points of views are advocated. We need not object to amendments to the Statute designed to give the Assembly greater independence or to increase its efficiency and prestige, so long as they do not enable it to stray beyond its consultative function. (This would mean opposing the proposal that the Assembly should have a veto on new accessions). By the same token we should agree to the provision of finance for the Standing Committee, the General Affairs Committee and (until its work is finished) the Committee on Rules of Procedure; but should not provide for the permanent maintenance of the other committees which the Assembly have set up.
(e) We should *not* support the proposal for a Special Session early in 1950.
(f) In order to maintain the principle that the elaboration of agreement between Governments is the business of the Committee of Ministers rather than of the Assembly, we should support where necessary the establishment of sub-committees of the Committee of Ministers for the purpose of studying proposals submitted by the Assembly and of preparing texts for agreement between Governments.
(g) Wherever it is clear that proposals under discussion at Strasbourg can more effectively and economically be dealt with in the context of O.E.E.C. or other European international organs we should support their reference to those bodies. We should bear in mind at all stages the strain placed upon national administrations by the multiplication of international organisations.
(h) In the cultural and social fields we should support the widest practicable degree of co-operation between Members. In particular we should advocate the extension of some of the non-military work of the Brussels Treaty into the wider field of the Council of Europe; and we should look favourably in principle upon the conclusion of a Convention of Human Rights.
(i) We should endeavour to get the Committee of Ministers to issue a statement to the effect that if the German Federal Republic desires to be invited to join as an Associate Member and accepts the principles of the Statute, an invitation will be issued to it. If necessary in order to secure French agreement to this we could agree to the admission of the Saar as an Associate Member at the same time. The question of Austria should be left over until the results of the Peace Treaty negotiations are clearer.

General discussion

5. His Majesty's Government are committed by Treaty to support the Council of Europe and its aims as defined in the preamble to the Statute, which include the achievement of "a greater unity between its Members . . .". Apart from this general and paper obligation the Government are committed, if only by the prominent and effective rôle which Ministers played in the critical opening session this year, to

encourage the development of the Consultative Assembly as a serious quasi-parliamentary institution, independent of Governments but having the duty of advocating European points of view on all matters within its competence.

6. Judged as an experiment in European parliamentary association and within the limits which were set, the Consultative Assembly can be said to have made a successful start. Many of the fears felt beforehand as to what might emerge from an Assembly consisting of delegates not responsible to their Governments were falsified in the event, and on the whole the Assembly steered its way successfully between empty talk on the one side and excessive ambition on the other. For this success the British Delegation had a large responsibility. The very success of the experiment from the point of view of organisation and publicity, however, may increase our difficulties in dealing with the practical implications. It is inevitable and natural that any body of this kind should tend to favour the creation of supra-national machinery which would in effect increase its own powers; and by its very existence it will constitute a form of pressure in favour of speedier and more radical unification in Europe than Governments are willing to accept. There will therefore be a growing possibility of conflict between the Governments and the Assembly.

7. The Council of Europe is an important element in the structure which we have been building up in Europe with the object of creating a feeling of confidence and unity amongst the Western nations. Together with the Brussels Treaty, the O.E.E.C., and the Atlantic Pact, it is one of the major weapons in the cold war. Whatever, therefore, may be our opinion as to the ultimate relationship between this country and the Continent, or between the continental nations, we should do nothing now to undermine the general hopes of solidarity and co-operation which the Council of Europe has aroused in Europe. Stated in purely strategical terms, the most immediate task is to prevent war by the double method of deterring an aggressor and encouraging a mood of resistance in our Allies. Therefore the "cold war" and the building up of Western European morale must have a high priority in our thinking. Any ostentatious weakening of British support for the Council of Europe might have disastrous effects on opinion in France, Italy, the Benelux countries and elsewhere. It might also destroy all hope of bringing Germany into close political association with the West.

8. Account must also be taken of American views. It is difficult to estimate what United States public opinion or Congress think about economic union in Europe and the position of the United Kingdom in regard to it, as the balance of opinion is apt to shift from time to time. There is a strong body of public feeling in the United States which expects Europe, with or without the United Kingdom, to get together politically and economically as a price for the continuance of United States aid. This school of thought has in particular many adherents in the Economic Co-operation Administration. Any appearance on our part of sabotaging such enterprises as the Council of Europe would certainly have serious results on American opinion. The truth is probably that most Americans do not expect this country to enter into any exclusive political or economic association with continental countries, and current American official policy is against it. But we should still be attacked in the United States if we could be shown to be preventing European unification by what might be represented as a selfish attitude.

9. It is clear that His Majesty's Government must maintain certain basic reserves in regard to the Council of Europe. The careful phraseology of the Statute and the

obvious caution of the Governments in their approach to it cannot conceal the fact that the Assembly provides a forum where His Majesty's Government will be exposed to continuous pressure, not only from the representatives of the other count[r]ies but also from British enthusiasts for European union, to undertake measures of unification beyond what they consider desirable or acceptable to the British people. Already the Assembly have declared (paragraph IV(1) of the enclosure to M. Spaak's letter of 9th September reproduced as Appendix A to the report annexed to C.P.(49)200) that they regard one of their aims and objects as being "the establishment of a European political authority with limited functions but real powers." We cannot accept such a doctrine as an aim of British policy. On the economic side in particular our existing policy, which is set out in E.P.C.(49)6 of 25th January, 1949, lays down that, though we may make considerable sacrifices for the sake of European economic co-operation, we should not run risks which would jeopardise our own chances of survival if the attempt to restore Western Europe should fail, and that we should not involve ourselves in the economic affairs of Europe beyond the point at which we could, if we wished, disengage ourselves. I know of nothing which should lead us to modify this policy; in fact the recent Conference of Commonwealth Finance Ministers and the Washington conversations point rather the other way. The economic implications and justification of this policy lie outside the scope of this paper. It seems clear that our general attitude towards the economic resolution of the Assembly should be one of great caution; but for tactical purposes it may well be best, during the forthcoming meeting of the Committee of Ministers, that I should endeavour to induce my colleagues to show their hands first. Otherwise the tendency of the Committee of Ministers will undoubtedly be to try to fasten on the United Kingdom all the blame for their inability to proceed with European economic unity on the lines which the Assembly obviously desires.

10. It is clear therefore that there exists a potential conflict between a policy of full participation in the Council of Europe and the wider interests which His Majesty's Government are always obliged to keep in mind. Our relationship with the rest of the Commonwealth and, almost equally important, our new relationship with the United States ensure that we must remain, as we have always been in the past, different in character from other European nations and fundamentally incapable of wholehearted integration with them. How soon or how sharply this conflict may come to light in Strasbourg or elsewhere is hard to say. One of the principal disadvantages of the Council of Europe from the point of view of His Majesty's Government is that by its nature it brings such issues under the glare of public discussion, where it is much more difficult than it would be in an ordinary governmental context to sustain the traditional non-committal and two-way facing policy of this country. Much will depend on the extent to which other European Governments, as distinct from their representatives in the Assembly, desire to press for the acceptance of proposals involving political or economic integration. It is not likely that such pressure will arise at once. Even in the Assembly there was not a majority in favour of schemes for immediate economic or political union and it was, I understand, largely fortuitous that the economic recommendations were not remitted for further study to a Standing Committee, as were the various proposals for political union. None of the Governments has declared itself to be in favour of schemes of this kind and if we show a certain caution we shall certainly not be alone. It is also worth noting that there is now a divergence of opinion in the Opposition on

this subject, and that as a purely internal, political proposition the campaign for European Union, as conducted by Mr. Sandys[1] and the European Movement, is unlikely to commend itself in its extreme form to any party in the House of Commons.

11. It should, in my view, be our object to postpone as long as possible being faced with a choice between, on the one hand, overstepping the limits of safety in integration with Europe and, on the other, appearing to abandon the ideas of the Council of Europe. To this end it will be necessary for us to balance our caution in the matter of economic and political integration with a policy of encouragement and support for co-operation in other fields. There are, I think, three ways in which we can do this. First we can support the requests of the Assembly in regard to its own independence and activities so long as these stay within the limits of a consultative body. We can agree to the amendments proposed in the Statute for giving the Assembly complete control over its agenda. I do not believe that it is practicable or worth while to oppose the wishes of the Assembly on these issues. The control which the Statute gives the Committee of Ministers over the Assembly's agenda is impossible to exercise in practice, and any self-respecting body of parliamentarians would be bound to resist it. We should, of course, retain the ban on any discussion relating to defence. We could also well allow the Assembly to abolish substitutes and increase (but not double) the number of representatives, and we could agree to the appointment of an additional Deputy Secretary-General to serve the Assembly. I think the Committee of Ministers should approve and provide finance for the Standing Committee and the General Affairs Committee which the Assembly has set up, because it is only natural that an Assembly which can only meet once a year should require some continuing machinery to prepare its work and represent its interests. In addition, it is reasonable to allow the Committee on Rules of Procedure to meet out of Session until it has drawn up revised Rules of Procedure for the Assembly. I do not think, however, that we should agree to finance the operation, between Sessions, of the other Committees which the Assembly has set up. To do so would be to make the Assembly to all intents and purposes an all-the-year-round institution, contrary to the intentions of the Statute. We must also strongly oppose the suggestion that the Assembly should be given the right of veto over candidates for membership that have been approved by the Committee of Ministers. To give the Assembly such a right would undoubtedly diminish the power of Governments to take decisions in the field of foreign affairs. After all, the Assembly consists of individual parliamentarians who only represent themselves, and it seems to follow that Governments cannot possibly divest themselves of any of their responsibilities in favour of an Assembly constituted in this way.

12. Secondly, we should endeavour to be as forthcoming as possible in regard to all proposals which do not involve committing His Majesty's Government to political and economic union. In particular we should look favourably upon the idea of a Convention of Human Rights and, in principle, upon the social and cultural resolutions. In these fields the five Brussels Treaty Powers have a particular contribution to make and I propose to recommend that they should submit a full report to the Committee of Ministers on the work so far achieved by them, together

[1] Duncan Sandys, chairman of international executive of the European Movement, 1947–1950; Conservative MP from 1950.

with suggestions as to how this could be expanded to cover the twelve Members of the Council of Europe.

13. Thirdly, I think we should do well in the Committee of Ministers to make arrangements for setting up suitable intergovernmental bodies to examine the majority of the recommendations which the Assembly has made. These intergovernmental Committees might meet at intervals at Strasbourg during the coming year for the purpose of investigating such matters as human rights, social security and so on, and their very existence should, I think, do something to discourage the Assembly from insisting on the establishment of too many Committees on its own account, and at the same time give it the impression that its recommendations are at any rate being taken seriously by the Governments concerned . . . .

154 CAB 128/16, CM 62(49)5 27 Oct 1949
'Council of Europe': Cabinet conclusions

The Cabinet considered memoranda by the Foreign Secretary (C.P.(49)200 and 204[1]) 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

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[1] See 153.

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 only 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.

155 FO 371/80125, no 1017 1 May 1950

'Note on the aims, strategy and procedure of the communists in Africa': brief no 13 for the London meeting of foreign ministers

Communism in Africa, whether considered as an organisation of Moscow-directed agencies or as a pattern of local growth, is in its early stages. The immediate aim is therefore to foment trouble and unrest rather than to seize power. The avowed long-term aim is "to overthrow imperialism" and so oust the Western Powers from the Continent of Africa. The first step towards achieving this goal is to support all nationalist and racial discontent, and so far as possible to canalize it in the direction of agitation for total independence.

Communist tactics have a pattern similar to that familiar in the recent past in Asia. It is perhaps important to note that present directives to the latter area have outstripped those to Africa and have inaugurated a phase of revolutionary action.

1. *Existing communist machinery*

(a) *Colonial and quasi-colonial territories*. The most powerful machinery for Communist agitation is in French territory. Overt or covert activities in colonial or quasi-colonial territories are normally *directed by the Communist Parties of the colonial power concerned*, and the strength of the Communist Party in France is reflected in Africa. In French West and Equatorial Africa, the area most affected by Communism in the whole continent, the principal agency of agitation is the Communist-dominated nationalist movement, the Rassemblement Démocratique Africain (R.D.A.). The R.D.A. receives its direction from Paris and a certain amount of financial assistance. There are Communist organisations in Algiers, Tunis and French Morocco. There are no Communist Parties in British West or East Africa, although there are Communist individuals who are known to be in touch with the British Communist Party, and Communist agitation seeks to stimulate and exploit nationalists like Nkruma[1], and to penetrate the Indian communities. There is a Communist centre in the Belgian Congo which receives direction from the Belgian Communist Party. There are few signs of Communism in the former Italian colonies, and none reported from Spanish or Portuguese territories.

(b) *Independent territories*. There is a Communist Party in the Union of South Africa and its influence is considerable among the native, Indian and coloured labour elements. Two Communist groups exist in Egypt, but they have so far failed to unite and form a party. There is little Communist activity in Abyssinia. There is a Communist-inspired "National Liberation Front" in the Sudan.

2. *General tactical line*

Radio Moscow, echoed by other Communist sources, has laid down the following tactics for Africa.

(a) Like the peoples of Asia, the peoples of Africa have resolutely *embarked on the*

[1] Sic, ie Kwame Nkrumah, founder and leader of the Convention People's Party in the Gold Coast from 1949; later first prime minister of Ghana.

fight for liberation and follow their example: but the time for armed rebellion has not yet arrived.

(b) *Communist Party leadership in the national liberation struggle* is claimed for the following regions: French West and Equatorial Africa through the Rassemblement Démocratique Africain; Tunis, Algeria, Morocco; and South Africa.

(c) Communist leadership is *not* claimed for U.K., Belgian or Portuguese territories. The Communists are not yet dominant in the following organisations leading the "liberation struggle": the National Council in [sic] Nigeria and the Cameroons; the Bataka in East Africa; the Council of Headmen and Negro League in Uganda; the African Union in Kenya; the National Front in Sudan; the Youth League in Somaliland. But *the democratic elements (i.e. Communists) in these organisations are establishing contacts with "progressive centres" such as Communist Parties, W.F.T.U., I.F.D.W., Partisans of Peace and others.*

3. *Use of international movements*

There are four main Communist-dominated international bodies involved in the anti-colonial campaign:

(1) the International Union of Students, headquarters Prague;
(2) the World Federation of Democratic Youth, headquarters Paris.

These two organisations are engaged in the indoctrination of students, the organisation of international missions and congresses of varying types, and the publication of material attacking colonialism.

(3) The World Federation of Trade Unions: which seeks to exploit labour organisations and has some success.
(4) The Women's International Democratic Federation, headquarters Paris.

All these organisations are related to a Colonial Bureau established in Prague as the main seat of anti-colonial agitation: it uses inter alia scholarships to Prague University as a means of indoctrination.

4. *Links with Moscow*

Soviet and satellite representation in Africa is thin and there are few signs of direct links with Moscow. The Soviet Legation in Addis Ababa puts out an Information Bulletin which appears from time to time in Elisabethville (Belgian Congo) and the Soviet Consuls-General in Algiers and Cape Town are alleged to be active. This year D'Arboussier[2], R.D.A. representative, has visited Moscow.

Generally speaking, it is the detribalised native who responds best to Communism, as he misses the narrow confines of tribal life and a leader on whom to bestow his loyalty. This gives the Rand, with its inflow of immigrant labour, its special importance in the diffusion of Communism in Africa. The semi-educated Indians also take readily to Communism, but the stand against Communism which has been taken in India and Pakistan influences them also. Communism has made the least progress where the influence of Islam is strongest. Though in the past year the Communist picture has been one of retrogression on some fronts, there are signs of increased interest in anti-colonialism from Moscow.

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[2] Gabriel D'Arboussier, French colonial administrator, elected in 1945 to the French Constituent Assembly as one of the deputies for French Equatorial Africa; general secretary of RDA, 1949.

156 CAB 128/17, CM 29(50)3 8 May 1950

[Anglo-American relations]: 'London meeting of foreign ministers': Cabinet conclusions

The Cabinet had before them a memorandum by the Foreign Secretary (C.P.(50)92) reporting the progress made in the early stages of the discussions between officials of the United Kingdom, the United States and France in preparation for the forthcoming meeting of Foreign Ministers.

The Foreign Secretary said that the Ministerial discussions, which were to open on the following day, would be developed in three stages. First, there would be Anglo-American conversations: secondly, there would be tripartite discussions between the United Kingdom, the United States and France: and, finally, there would be the meeting of the North Atlantic Council. Concurrently, opportunity would be taken to discuss matters of common concern to the United Kingdom, the United States and Canada, including certain questions relating to atomic energy research.

The Foreign Secretary said that throughout these talks his primary objective would be to secure a closer understanding with the United States Government on major questions of policy in relation to Europe and the Atlantic area, the Middle East and the Far East. In all matters of foreign policy and defence policy there could be no doubt that our interests would best be served by the closest co-operation with the United States and Canada. It was clear that, even with the support of the Commonwealth, Western Europe was not strong enough to contend with the military dangers confronting it from the East. To withstand the great concentration of power now stretching from China to the Oder, the United Kingdom and Western Europe must be able to rely on the full support of the English-speaking democracies of the Western Hemisphere; and for the original conception of Western Union we must now begin to substitute the wider conception of the Atlantic community.

One of the problems which we should have to face in the forthcoming discussions was how our financial and economic policies could best be related to this general conception of political and defence policy. It was clearly desirable that the objectives which we were pursuing in our relations with the United States Government on matters of foreign policy and defence should be in harmony with the aims of our financial and economic relations with the United States. The United States authorities had recently seemed disposed to press us to adopt a greater measure of economic integration with Europe than we thought wise; and there was some risk that the United States might join with the countries of Western Europe in accusing us of lack of co-operation in economic policy. One possible solution of this difficulty would be to obtain from the United States Government a further declaration of their determination to support the stability of sterling, and an assurance that in the context of collaboration in foreign policy and defence no pressure would be put on us which might impair the strength of our economic and financial position.

Another grave problem to be faced was the position of Western Germany in relation to this new conception of the Atlantic community. The Foreign Secretary had circulated a separate memorandum (C.P.(50)80) on policy towards Germany. Western Germany now contained a formidable industrial community of about 40 million people which, having been cut off from its former sources of food supply in Eastern Germany, must now live largely upon its exports. It was a challenging task

for statesmanship to bring this community into association with the Western world, in a peaceful and constructive spirit, by means acceptable to public opinion in France. The first instinct of the French people had been to insulate Western Germany from the Atlantic community, and to limit her association with Western Europe to the economic questions handled in the Organisation for European Economic Co-operation (O.E.E.C.). The President of the French Republic had, however, adopted a rather more conciliatory attitude in his remarks about French policy towards Germany in a speech which he had made on the previous day on the occasion of the fifth anniversary of the German surrender at Rheims. If Western Germany were allowed to evolve as part of a European organism, through association first with the O.E.E.C. and with the Council of Europe, France might in time be persuaded to modify her present insistence that Germany should be insulated from the North Atlantic Treaty Organisation. This, however, was not a process which could be rushed; for it must not be forgotten that both France and Italy were genuinely apprehensive about a resurgence of German militarism.

The forthcoming talks with the United States Secretary of State would also provide an opportunity for a frank exchange of views on policy towards China and Japan. There were as yet no indications that the United States Government had been able to formulate any fresh policy towards China; and the continuing uncertainty about American policy was undoubtedly embarrassing to a number of the other countries of the Commonwealth. Nor were there any signs that the United States Government were yet ready to consider the conclusion of a peace treaty with Japan. Although the conclusion of such a treaty would be greatly to our advantage, it was difficult to see what pressure we could effectively bring to bear to induce the United States Government to face these issues.

In the third phase of these discussions, when the meeting of the North Atlantic Council opened, the Foreign Secretary hoped that it might prove possible to frame a formal declaration of policy to be made on behalf of all the North Atlantic Treaty Powers. The Cabinet would, of course, be given an opportunity of seeing the draft of any such declaration before it was fully adopted.

In conclusion the Foreign Secretary said that in the forthcoming discussions various economic and defence questions were likely to be raised which were of close concern to other Ministers. He would be glad if he could have his colleagues' assistance on these matters, as they arose; and he proposed that, as the discussions developed, he should keep in close touch with the Ministers most directly concerned.

Discussion showed that the Cabinet fully endorsed the Foreign Secretary's ultimate objective of merging the original conception of Western Union into the wider conception of the Atlantic community, and thereby ranging the United States and Canada in support of the countries of Western Europe in their resistance of any Communist encroachment from the East. There was general support for the Foreign Secretary's view that the strength of the Soviet Union and her satellites could not be matched by the Commonwealth and Western Europe without the full support of North America; and that, from the point of view of foreign policy and defence, reliance must be placed on the greater strength of the Atlantic community.

In discussion the following points were also made:—

(a) In paragraph 8 of C.P.(50)92 it was stated that, in the official discussions preceding the Ministerial talks, the United States and French delegations had been prepared to consider the possibility of further negotiations with the Soviet Govern-

ment, but that United Kingdom officials had taken the line that general negotiations with the Soviet Union were unlikely to succeed until the Western Powers were able to negotiate from a position of strength. It was suggested that the Government would be placed in a difficult political position if any report were circulated that the United States and French Governments had been in favour of making an approach to Moscow and that this had been prevented only by the unwillingness of the United Kingdom Government to associate themselves with such an approach.

The Foreign Secretary explained that these were preliminary discussions only, and it was not yet known what view would be taken by United States and French Ministers on this point. His own attitude was clear. No good would come of negotiations with the Soviet Government unless the Western Powers knew precisely what their objectives would be in such negotiations and had some grounds for believing that they could secure them. If the Russians gave any indication that they were ready to discontinue the cold war and genuinely anxious to negotiate a general settlement, he would be quick to seize any opportunity for full and frank discussion of all outstanding issues. But experience had shown that, in dealings with the Soviet Union, it was useless to negotiate from weakness.

The Cabinet fully endorsed the Foreign Secretary's view on this question. They considered, however, that there was force in the point that the attitude of the United Kingdom Government might be misrepresented if reports became current that the Americans and the French had favoured a final attempt to secure a peaceful settlement with the Soviet Union by negotiation. *The Foreign Secretary* undertook to bear in mind the importance of ensuring that the United Kingdom Government could not be misrepresented as having been alone in placing obstacles in the way of any such negotiations with Moscow. In this connection it was suggested that, if the Americans showed any disposition to favour general negotiations with the Soviet Government, we might suggest that we should be prepared to enter into such negotiations on the basis of an agreed agenda including the question of atomic energy. This, it was thought, would induce the Americans to adopt a more realistic attitude towards such a proposal.

(b) With reference to paragraph 6 of C.P.(50)92 it was urged that in the discussion on economic questions we should make it clear that we were not prepared to adopt policies which would prejudice our prospects of attaining economic viability by the end of 1952. There was general support for this view.

(c) The Cabinet endorsed the Foreign Secretary's statement on future policy towards Germany. It was essential that Western Germany should be brought into closer association with Western Europe, and that France should be persuaded to adopt a realistic view of the future place of Western Germany in Europe. The first experiment in this direction could be taken in the Council of Europe. But, before long, it would be necessary to consider how Germany could best contribute towards the defence of Western Europe—though this raised grave questions which would require most careful consideration. French and Italian anxieties about a resurgence of German militarism were among the reasons for substituting, for the original conception of Western Union, the wider conception of the Atlantic community. For, in the wider context of the North Atlantic Treaty, France and Italy could feel greater assurance of security against German aggression and would therefore be more justified in taking the risk of agreeing to some measure of German rearmament.

(d) In connection with the defence of Western Europe, reference was made to the

importance of building up the great potential military strength of France. Importance was also attached to the need for a more complete integration of the machinery established under the Brussels Treaty and under the North Atlantic Treaty.

(e) It was agreed that the Commonwealth Relations Office should arrange to be kept informed of all matters arising in the course of the forthcoming discussions which would be of direct concern to any of the other self-governing members of the Commonwealth.

The Cabinet:—

Endorsed the Foreign Secretary's statement; and took note of C.P.(50)80 and 92 and of the points raised in the discussion.

157 CAB 129/40, CP(50)120 2 June 1950

'Integration of French and German coal and steel industries': Cabinet memorandum, report by committee of officials on Schuman Plan[1] (Chairman, Sir E Bridges[2])

[This document has been printed in *DBPO*, series II, Vol I, no 77.]

The French Government have indicated to us that it is essential that we and the other countries concerned should agree to a communiqué about the Schuman coal/steel proposals in the form given in Annex I[3] to this note, on the ground that this expressed the unity of view which is indispensable for the successful prosecution of the negotiations. They have further indicated that, if the United Kingdom Government is unable to subscribe to this communiqué, the French Government will open negotiations on the stated conditions with the other countries which have accepted them as a basis. In that event they will keep the United Kingdom Government informed of the progress of the negotiations in their desire to enable the latter to join in whenever they feel able to do so.

2. In our view this latest French proposal is basically no different from the earlier one. It essentially seeks to commit us in advance of negotiations to the principle of pooling European steel and coal resources and to the surrender to an independent authority of sovereignty over an important sector of our economy. We think it wrong to commit ourselves in this way, not because we necessarily preclude any possibility of some measure of pooling or some surrender of sovereignty, but because we think it wrong to pledge ourselves on these matters without knowing more precisely the nature of the commitment we are being invited to accept.

3. On this basis we would, therefore, have to contemplate the prospect that the others may go ahead without us. Our provisional view is that the economic arguments in favour of coming in or staying out of an international association of the kind contemplated by the Schuman plan are not conclusive one way or the other, and on this score there need be no cause for alarm if at this stage the French decided to proceed without us.

4. The main issues are really political. The exchanges with the French Govern-

[1] R Schuman, French minister for foreign affairs, 1948–1953.

[2] Permanent secretary to the Treasury.

[3] Annexes I and II not printed.

ment have brought out that their proposals, which started in a Franco-German context, have now been given a wider application. It is not merely pooling of resources, but also, in the first place, the conception of fusion or surrender of sovereignty in a European system which the French are asking us to accept in principle. M. Schuman's original memorandum said in terms [sic] that his plan would be a step towards the federation of Europe. It has been our settled policy hitherto that in view of our world position and interests, we should not commit ourselves irrevocably to Europe either in the political or the economic sphere unless we could measure the extent and effects of the commitment. This is in effect what we are now being asked to do. It is a commitment of this kind which in essence the French Government is now seeking, and at the very moment when the decision has been taken to develop and give greater meaning to the Atlantic community.

5. The most important aspect of the French proposal is that it represents a new and constructive approach to the problem of Franco-German relations. This is very much in our interest, from the political, as also the defence, point of view. If we abstain from the present phase of the negotiations the possible effects of our action on the progress of Franco-German rapprochement will have to be borne in mind.

6. The other Governments who have accepted the French communiqué in principle are not in the same position as the United Kingdom Government either politically or economically. Yet even they have not accepted the French formula without mental and, in the case of the Dutch, explicit reservation. We shall be kept informed of the progress of discussions; and it is unlikely that by refusing to join in now on the French terms we shall be prevented from participating in European discussions in some manner later on.

7. It will be seen, therefore, that there is a real difference of view between ourselves and the French which cannot be glossed over by mere verbal ingenuity in the drafting of a communiqué, and in our view it is better to face this issue now rather than later. For the above reasons we recommend that the latest French proposal should be rejected.

8. In order to avoid misunderstanding and misrepresentation of our position, it will be essential that our attitude should be made clear in a public announcement. A draft of such an announcement is appended (Annex II) for consideration.

158 CAB 128/17, CM 34(50) 2 June 1950

'Integration of French and German coal and steel industries': Cabinet conclusions on British policy

[This document has been printed in *DBPO*, series II, vol I, no 78.]

The Minister of State[1] said that, in spite of the numerous diplomatic exchanges which had taken place during the past few days, it had proved impossible to reach agreement with the French Government about the terms on which the United Kingdom could join in the examination of the French proposal for the integration of the coal and steel industries of Western Europe. The French Government were

[1] At the FO, Mr K G Younger.

insisting that all Governments participating in the proposed examination of this proposal should commit themselves in advance to accepting the principle of the scheme before it was discussed in detail. Since the matter had last been mentioned at the meeting of the Economic Policy Committee on 25th May, a further attempt had been made to overcome the French scruples by suggesting that the position of the United Kingdom Government should be explained in a final paragraph to be added to the proposed communiqué announcing the initiation of the discussions. This paragraph (reproduced in Foreign Office telegram No. 491 to Paris of 31st May) would have stated that the United Kingdom Government would participate in the proposed conversations in a constructive spirit in the hope that, as a result of the discussions, there would emerge a scheme in which they would be able to join; but it would have made it clear that the United Kingdom Government could not at this stage enter into any more precise commitment. This suggestion had, however, been rejected by the French Government, who had now invited us to accept the revised form of communiqué set out in Paris telegram No. 141 of 1st June (Annex I of C.P.(50)120). This would involve the participating Governments in a public declaration that they "set to themselves as an immediate aim the pooling of their coal and steel production and the institution of a new high authority" whose decisions would be binding upon them. The proposed communiqué also foreshadowed the preparation of a treaty; and it was known that the French Government desired that a treaty embodying the general principles of their plan should be concluded and ratified before the participating countries proceeded to the detailed examination of a practical scheme. The French Government had stated that, if we were unable to assure them by 8 p.m. that day that we would join in the discussions on the basis which they now proposed, they would feel compelled to go forward without United Kingdom participation.

Officials of the Departments directly concerned had met that morning to consider the position, and their recommendations were set out in C.P.(50)120.[2] It was their view that there was a real difference of approach between the United Kingdom Government and the French Government which could not be glossed over by mere verbal ingenuity in the drafting of a communiqué, and that it was better that this should be faced at the present stage rather than later. They therefore recommended that the latest French proposal should be rejected; and that, if the French Government decided to hold their proposed discussions without United Kingdom participation, our attitude should at once be made clear in a public announcement on the lines of the draft in Annex II of C.P.(50)120.

The Lord President[3] said that he and the Minister of State had been able that morning to discuss the position with the Foreign Secretary, who also felt that this latest French proposal must be rejected. The Foreign Secretary considered that a communication should at once be sent to the French Government on the following lines. It should make the point that the United Kingdom Government were unable to accept the French proposal by 8 p.m. that evening, since they were still without any information about the practical details of the scheme and were therefore unable to estimate its possible effects on their programmes for economic development and defence. They were acting in good faith in this matter, and were anxious to do their best to see whether a workable scheme could be devised which would be fair to all

[2] See 157.

[3] Mr H Morrison.

concerned and likely to promote peace, European solidarity and economic and social progress. They felt, however, that the best way of achieving this was, not by the continued exchange of notes, which had led only to misunderstanding and delay, but by a meeting of Ministers of the countries concerned, which could consider by what means the examination of the French proposal could best be handled. If, however, the French Government rejected this offer of a meeting of Ministers and went ahead with their plan without our participation, we should certainly lose no time in making a public announcement which would make our position clear.

In discussion there was general agreement that the United Kingdom could not participate in the proposed discussion of the French proposal on the basis of the communiqué suggested by the French Government in the telegram reproduced in Annex I of C.P.(50)120. This would commit us to accepting the principle of the French proposal before any of its details had been made known to us. No British Government could be expected to accept such a commitment without having had any opportunity to assess the consequences which it might involve for our key industries, our export trade and our level of employment. There was, therefore, general support for the proposals which the Lord President had put forward in the light of his conversation with the Foreign Secretary.

Other points made in the discussion were:—

(a) The bulk of public opinion in this country, as reflected in Parliament and in the Press, was likely to support the view that the Government could not be expected to commit themselves in advance to accepting the principle of this proposal before they knew what practical shape it would take and what it was likely to involve. There would doubtless be some criticism from groups which were disposed to favour almost any scheme for European integration; but most people would think that the course now proposed was not unduly cautious.

(b) There was some risk that our attitude might be regarded by public opinion in the United States as a further sign of our reluctance to promote European union; and it was specially important from this point of view that, if the French decided to hold their conversations without our participation, the reasons for our attitude should be made clear without delay.

(c) It was important that, as proposed by the Foreign Secretary, a further attempt should be made to dissuade the French from going forward on the basis proposed without our participation. It was unreasonable that we should have been presented with an ultimatum that, if we did not concur in their proposal within 24 hours, the French would proceed without us; and it should be made clear to the French Government that we were surprised to receive such summary treatment in a matter of this importance.

In this connection it was suggested that use might be made of the argument that the German Government were not free to engage in these discussions without the permission of all the Occupying Powers. It was pointed out, however, that this argument could hardly be used at the present stage, since the Prime Minister, in his statement in the House of Commons on 11th May, had already welcomed the project for Franco-German discussion of this proposal. At a later stage it might be appropriate to make it clear that German adherence to a treaty entrusting control of her basic industries to an international authority would require the concurrence of the Occupying Powers.

(d) Some Ministers thought that the French Government must have some

underlying political motive for urging this precipitate acceptance of the principle of integrating the coal and steel industries of Western Europe. They might perhaps envisage this plan as a means of avoiding the additional commitments for the defence of Western Europe which had been foreshadowed in the recent meeting of the North Atlantic Council. Alternatively, they might be strengthened by knowledge that the United States Government would support their efforts to secure agreement on the principle of their plan.

(e) Although the other European Governments invited to participate in the discussions had accepted the latest French formula, some of them had done so with reservations. It would, however, be undesirable for the United Kingdom Government to take this course; for nothing would be more likely to exacerbate Anglo-French relations than for us to join in the discussions with mental reservations and withdraw from participation at a later stage.

(f) Our position was different from that of the other European countries by reason of our Commonwealth connections; and we should be slow to accept the principle of the French proposal without consultation with other members of the Commonwealth, especially as it appeared to involve some surrender of sovereignty.

The Cabinet agreed that if, despite the further representations which were to be made to them, the French Government decided to hold their proposed discussions without United Kingdom participation, an announcement should be made without delay explaining the attitude of the United Kingdom Government towards the French proposal. This should follow the general lines of the draft set out in Annex II of C.P.(50)120. It was, however, agreed that the reference to the Atlantic Pact at the end of that draft should be omitted; and that the whole of paragraph 5 of the draft might with advantage be recast on the lines that the United Kingdom Government would have wished to be associated with the examination of this proposal and regretted that French insistence on a prior commitment in principle had made it impossible for them to do so, having regard to their obligations to Parliament and to the public.

The Cabinet:—

(1) Agreed that the United Kingdom Government should not participate in the examination of the French proposal for the integration of the coal and steel industries of Western Europe on the basis set out in the telegram reproduced in Annex I of C.P.(50)120.

(2) Invited the Minister of State to arrange for a communication to be sent forthwith to the French Government, on the lines approved by the Cabinet, suggesting that they should convene in Paris a meeting of Ministers of the countries concerned to consider by what means the examination of the French proposal could best be handled.

(3) Agreed that if, in spite of these representations, the French Government decided to discuss their plan with the other Western European countries concerned without United Kingdom participation, a public announcement should be made without delay explaining the attitude of the United Kingdom Government on the general lines of the draft in Annex II of C.P.(50)120; and authorised the Lord President to settle the final text of that communiqué in consultation with the Minister of State.

159 CAB 129/41, CP(50)153 3 July 1950

'Integration of Western European coal and steel industries: Commonwealth implications': Cabinet memorandum by Mr Gordon Walker (CRO). *Appendixes*: A and B

[This document has been printed in *DBPO*, series II, vol I, no 130.]

At their meeting on 22nd June (C.M.(50) 38th Conclusions, Minute 5) the Cabinet invited me to prepare a memorandum on the Commonwealth implications of the Schuman proposals.

2. The whole nexus of our relations with European countries in recent years—in the Brussels Treaty, O.E.E.C., the Council of Europe and, to some extent, the Atlantic Treaty Organisation—has inevitably brought into question the United Kingdom's relation to the rest of the Commonwealth.

3. In all the discussions aimed at bringing about closer unity of Europe, our policy has been governed by two factors:—

(a) the need to play our full part—and, indeed, to take the lead—in revivifying Europe, while at the same time—
(b) not engaging ourselves in anything which was likely to do damage to our relationship with other Commonwealth countries.

4. Our difficulties have been fully recognized by our partners in the Commonwealth, who have throughout realised that we have a rôle to play in Europe and have recognised that we ourselves have been scrupulous in bearing in mind the interests of the Commonwealth as a whole. At the O.E.E.C. Council meeting in Paris on 1st November, 1949, the Chancellor of the Exchequer publicly stated our policy in the words—"We have made it clear from the beginning that our task was to try to combine our responsibilities and interests as a leading member of the Commonwealth and of the sterling area with support for the development of unity in Europe. . . . Our position, therefore, is such that we could not 'integrate' our economy into that of Europe in any manner that would prejudice the full discharge of those other responsibilities that I have mentioned." The Chancellor's statement was, of course, communicated at the time to all other Commonwealth Governments, and the Australian Government, in particular, expressed their satisfaction at the line taken.

5. Similarly, the whole question of our relationship with Europe was considered at the Colombo Conference in January, and the meeting recorded the conclusion—"The representatives of the other Commonwealth Governments expressed the view that there need be no inconsistency between the policy followed by the United Kingdom Government in relation to Western Europe and the maintenance of the traditional links between the United Kingdom and the rest of the Commonwealth."

6. There would therefore be no danger in going forward with increasing international co-operation with Europe. The other Members of the Commonwealth would be likely to be disturbed by the setting up of a supra-national authority. If the United Kingdom steel industry were placed under an Authority beyond the control of the Government, this would give rise to the fear that the supply of steel and capital goods to Commonwealth countries might be jeopardised.

7. Moreover, such a supra-national authority would suggest that we were moving

towards a European Federation that would fundamentally alter the United Kingdom's relation to the Commonwealth.

8. It is fair to say, however that all Commonwealth countries would not necessarily react alike (*e.g.*, the Asian members of the Commonwealth would be more concerned about capital goods than about political developments; Australia and New Zealand would react more sharply against integration with Europe than would Canada and South Africa).

9. On the other hand, it does not seem that the modified scheme recommended in the report by the committee of officials annexed to CP(50)128 would be open to the same objections on the part of other Commonwealth countries. The report recommends that the authority should not be supra-national, with binding powers, but international, and with powers mainly advisory, though mandatory in certain limited and unobjectionable matters; the final responsibility would remain with the member Governments. A scheme, broadly along these lines, would be seen as playing its part in the general effort to restore European economy without raising the fear of Britain's being ultimately swallowed up in the Continent and cutting her ties with the Commonwealth.

10. There are certain possible implications in relation to strategic interests and to Imperial Preference which are dealt with in the report by the working party of officials annexed to C.P.(50)128 (see respectively, paragraph 101 and paragraphs 92 and 93 of that report). As regards strategic interests the proposal that the right to protect speciality production vital to defence should be reserved is clearly a welcome one from the Commonwealth point of view. As regards Imperial Preference there are, first, the preferences we enjoy in other Commonwealth countries: while we could forego these unilaterally, we should not wish to do so. Secondly, there are the preferences which we accord to imports, particularly those of pig-iron from India, of semi-finished steel from Australia and of semi-finished and finished steel from Canada (a table showing imports of iron and steel from members of the Commonwealth in 1949 is attached in Appendix A). We would not wish to withdraw the preference on these imports and could not do so without the concurrence of the other Commonwealth Governments concerned.

11. The Plan might affect United Kingdom companies who operate not only in the United Kingdom but also through subsidiaries of associated companies in other Commonwealth countries, *e.g.*, in the case of steel, Stewart and Lloyds in India and Lysaghts in Australia.

12. It is essential that we should keep other Commonwealth Governments closely informed of all developments about the discussions of the Schuman proposals. They were informed by telegram of the negotiations leading up to the publication of the French and United Kingdom communiqués of 3rd June and they are being kept currently in touch with subsequent developments both through the Commonwealth Liaison Committee and by telegram. Appendix B summarises comments received on 24th June from United Kingdom High Commissioners on the attitude of Commonwealth Governments and Press. There have been no further significant reports since that date.

13. To sum up, I think that the Commonwealth countries would look askance at any departure from our present policy of combining our responsibilities as a Member of the Commonwealth with support for the development of European unity, and would probably react sharply to any "integration" of our economy into that of Europe

in any manner which they regarded as prejudicing their vital interests. On the other hand, they have hitherto accorded a general welcome to the steps we have so far taken to ensure a better balance in Europe and they would probably welcome a scheme for the integration of Western European coal and steel industries, provided it contained adequate safeguards. Indeed, given this proviso, most other Commonwealth countries would be likely to regard United Kingdom association with such a scheme as a helpful contribution to stability and peace in Western Europe.

Conclusion

14. Subject, therefore, to the observations in paragraphs 12 and 13 above and to any views which other Commonwealth Governments may themselves express at a later stage, there is no objection from the Commonwealth point of view to participation by the United Kingdom in a plan for the integration of European coal and steel industries broadly on the lines recommended in C.P.(50)128.

Appendix A to 159: Note on imports of iron and steel from Commonwealth countries

The following figures show the tonnages and values of imports of iron and steel from Members of the Commonwealth for the calendar year, 1949.

Exporting country	Pig Iron		Semi-finished steel		Finished steel	
	Tons	£	Tons	£	Tons	£
Australia ...			13,175	194,559	1,047	54,677
Canada ...			3,617	137,208	232	114,572
India	21,980	277,876			6	1,204
New Zealand ...					—	107
South Africa ...					7	2,803
Total	21,980	277,876	16,792	331,767	1,292	173,363

All these items came in free of duty, but would have been subject to import duties if they had come from sources outside the Commonwealth.

Appendix B to 159: Summary of High Commissioners' reports (24th June) on the attitude of Commonwealth governments and of the Commonwealth press to the Schuman proposals

There has been some tendency in *Canada* to consider the United Kingdom over-cautious about European integration generally, and regarding the Schuman proposals official and public opinion would probably be gratified if we found ourselves able to participate in conversations with the French and others whilst protecting ourselves from premature commitments. The tendency to criticse the United Kingdom attitude is diminishing, however, and the impression is gaining

ground that her original hesitations were justified. In *Australia* there have been no indications that the Government have given detailed consideration to the implications of the plan, though Mr. Spender[1] made a non-committal reference to it in a speech on foreign affairs on 8th June; general outside comment shows some disappointment that United Kingdom Government were unable to participate even with reservations. The *South African* Government press has also been critical of the United Kingdom attitude and there is no perceptible appreciation of possible difficulties in respect of Commonwealth obligations. In *New Zealand*, on the other hand, the press has in general supported the United Kingdom refusal to take part in discussions on the plan on the French terms.

In *India, Pakistan* and *Ceylon* there has been no expression of Government opinion and the press has confined itself to factual reports.

[1] Australian minister for external affairs.

160 CAB 129/41, CP(50)200 30 Aug 1950

'Review of the international situation in Asia in the light of the Korean conflict': Cabinet memorandum by Mr Bevin

[This paper, outlining general policy towards South and South-East Asia, was approved by the Cabinet on 4 September 1950 (CAB 128/18, CM 55(50)4). Bevin is recorded as saying: 'It was his aim to induce the United States Government to look at Asia as a whole and to pay due regard to the desire of Asiatic countries to avoid any appearance of domination by the West. The United Kingdom Government has recognised the emergence of new forces in Asia by the grant of self-government to India, Pakistan, Ceylon and Burma; but the United States had been much slower to recognise the new spirit of independence in Asia'.]

I am circulating separately for consideration by my colleagues memoranda on Korea and Formosa. In addition, I think it necessary to review the whole position in Asia in the light of the Korean conflict, and to consider the policy of His Majesty's Government in relation to that part of the world. This is particularly important in view of the forthcoming Tripartite Ministerial Talks in New York which I shall be attending.

2. *Review of the policy of His Majesty's Government*

Since the end of the war, the policy of His Majesty's Government in South and South-East Asia has been to encourage the legitimate aspirations of the peoples of that area for independence. In accordance with this policy independence was given to India, Pakistan, Ceylon and Burma and with the exception of the last-named all these countries chose to remain in the Commonwealth. In Indonesia our efforts were directed towards the attainment of nationalist aspirations by legitimate means and by non-violence. After some anxious and troubled years Indonesia became a sovereign independent State as a result of the ultimate recognition by the Netherlands of the wisdom of granting independence. In Indo-China, His Majesty's Government have recognised Viet Nam, Laos and Cambodia as Associate States of the French Union, and have at the same time done what they could to persuade the French Government of the necessity of increasing the measure of independence accorded to these States. In our own dependent territories His Majesty's Government are pursuing an

enlightened policy of progress towards self-government within the Commonwealth, while seeking to improve the social and economic welfare of the people.

That the policy pursued by His Majesty's Government has been the right one there can be no doubt, and our support of nationalism in South and South-East Asia provides the best possible counter to communist subversion and penetration. The relations between the United Kingdom and the Commonwealth and foreign Governments of the area are cordial, and where matters of disagreement arise it can be said that it is possible to discuss these matters in an atmosphere conducive towards their settlement. There is a very strong fund of goodwill towards the United Kingdom in South and South-East Asia which should stand us in good stead.

The United Kingdom's position in the Far East was much weakened as a result of the war. The United States on the other hand, who played the principal part in the defeat of Japan, found themselves in the predominant position. The policy of His Majesty's Government in the Far East immediately after the war was to try to re-establish our commercial position in China and Japan and through the Far Eastern Commission to try to exercise such influence as was possible upon the post-surrender policies for Japan. In Korea the issue was almost entirely between the United States and the Soviet Union as occupying powers, and His Majesty's Government held what was little more than a watching brief.

This comparatively negative policy of the United Kingdom which was dictated by our post-war weakness and our many commitments elsewhere has meant that while on the one hand we were unable to exercise much influence upon the course of events, we were, on the other hand, less immediately involved in the *débacle* in China and Korea and are therefore to-day to some extent freer than the United States to determine our policy for the future in the Far East.

3. *United States policy in Asia*

The United States have tended since the war to regard South and South-East Asia as primarily a British interest. Indeed, until 1949 they were not disposed to give very serious consideration to the matter apart from the anxiety which they shared with us to see a settlement of the Kashmir dispute. Within the last year, however, the United States, largely owing to the Communist threat, have been disposed to take a closer interest in developments in South-East Asia to the extent of being prepared to give military and economic aid to certain countries within the scope of existing appropriations. It is hoped that they will eventually be prepared to take part in economic development in South and South-East Asia. In general the United States expect the United Kingdom to take the lead, and show a welcome disposition to consult His Majesty's Government before taking any kind of action. This is satisfactory and should be encouraged.

In the Far East, however, the United States have tended to be a law unto themselves since the end of the war, with results which have been far from happy. In Korea, up to the outbreak of the Korean conflict, United States policy had met with no great degree of success, and there is reason to believe that had South Korea fallen a victim to the North by processes similar to those which overthrew the existing Governments in Eastern Europe, the United States would have accepted the *fait accompli*. In China, the late President Roosevelt's policy of cultivating the friendship of that country failed dismally for the reason that American support was given to a régime which, through its failure to introduce promised reforms, eventually lost the

confidence of the overwhelming majority of the Chinese people. The United States Government, having denounced this régime in a White Paper, on the same occasion proclaimed its hostility to the Communist régime even before it had been set up. Yet at the same time they continued and still continue to give support to Chiang Kai-shek. Thus it is true to say that the United States lack all direction in their policy towards China. That this state of affairs is dangerous is demonstrated by the Formosan situation, which is discussed in C.P.(50)194.

A similar lack of direction is apparent in United States policy towards Japan. Initially the disarmament and demilitarisation of Japan was accomplished by General MacArthur with efficiency and despatch. But now, five years after the end of the war with Japan, the United States appear to have no clear idea as to the direction in which they are going. The Far Eastern Commission is virtually a dead letter, and consultation with other Powers is non-existent, even though the United States are not entitled to settle the Japanese problem by themselves. The dangers of such a situation need no emphasis. Japan is a country of more than 80 million people which cannot be ignored in the context of Asia. The treatment of Japan will determine whether in the future she is with us or against us. The lack of direction in United States policy offers no guarantee that the treatment will be the right kind, and clearly this is a matter in which friendly Powers should be consulted and consulted soon. Nor is there any need for the Korean conflict to preclude such consultation.

4. *The effect of the Korean conflict and Formosan situation upon Asia*

The immediate reaction of Asian countries (excluding China) to the North Korean aggression and to the United States intervention, which was subsequently endorsed by the Security Council, was good as has been demonstrated by the measure of support given to the Security Council resolutions. But second thoughts were induced not only by successive American defeats in Korea but by the situation created by President Truman's declaration on Formosa. Nothing in United States' Far Eastern policy since the war has inspired Asian countries with confidence, and the declaration on Formosa has caused both alarm and despondency because of the possibility which it has created of a conflict between the United States and China, with all the repercussions upon Asia which would be likely to follow. The doubts and fears to which the American action over Formosa have given rise have been given most expression in India, who has always been suspicious of American "imperialism" and is specially worried now lest American action should jeopardise the friendly relations which India herself is bent on establishing with China. But the feeling is probably more widespread that the United States is intervening in Asia and seeking to determine its future in a way unpleasing to the peoples of Asia and likely to be to their detriment. Though countries like Siam and the Philippines pay lip service to the United States they are not themselves held in high repute. India, on the other hand, has an undoubted influence upon Asian opinion.

There is therefore a distinct possibility that, unless United States policy towards China, Japan and Korea takes more account of Asian opinion and Asian susceptibilities, we shall find that Asia is gradually alienated from the West, which could only be of benefit to the Soviet Union.

5. *Internal difficulties of the United States administration*

Unfortunately United States Far Eastern policy is bedevilled by internal politics. The

bi-partisan foreign policy does not effectively extend to the Far East. For some time past China has been the subject of increasingly bitter controversy. The Korean conflict has given rise to accusations of unpreparedness and there has developed a tendency to search for scapegoats and to blame the Administration for the failure of its Far Eastern policy, and to ignore the fact that it is precisely because the Far East has become a party political issue that the Administration's policy has been so negative. The situation is rendered more acute by the fact that elections for the whole of the House of Representatives and one-third of the Senate are due in November. It may therefore be expected that the temperature on Far Eastern questions will rise rather than fall during the next three months, just at the time when both China and Korea will be in the forefront of international debate in the United Nations Assembly. The recent clash between President Truman and General MacArthur over the latter's statement on Formosa, which was published in spite of the President's veto, is likely to increase the party political tension. Added to all this is the fact that American public opinion is in a highly emotional state, which is attributable in part to the Korean situation itself and in part to the sense of frustration induced by the feeling that in fighting the North Koreans, Americans are not coming to grips with the real enemy. In such a state of mind the American public is likely to be irrational in its outlook, and unreasonable towards the United Kingdom where our policy diverges from that of the United States.

6. *The problem*

The problem before us is to seek, at a time when the general atmosphere in the United States is least favourable for such a course, to persuade the United States Administration not to adopt policies in relation to the Far East which will fail to command general support amongst friendly nations and which will antagonise Asia. The immediate issues are those of Korea and Formosa and the question of Chinese representation in the United Nations. These are discussed in separate papers before the Cabinet. It is sufficient to say here that, as regards Korea, it is essential to try to maintain intact the solidarity which has already been demonstrated by the 53 [sic] members of the United Nations Organisation. On China, including Formosa, the United States are likely to be more intractable, and it is on Chinese questions that the greatest difficulties are likely to be experienced in view of the atmosphere in the United States, which I have described. No effort is likely to succeed which, just before elections, has the result that the United States Administration appears to have given way to United Kingdom pressure. We cannot expect the Administration to do things which will lead to its certain downfall.

7. *The method*

Clearly, therefore, the United Kingdom should not be obtrusive in its efforts to influence United States policy in the right direction, nor must the onus fall on us alone for bringing about a change in American policy, if that can be effected.

The position is by no means hopeless. For the first time since the war the United States Administration have shown a desire to consult with us on Far Eastern Affairs and to give consideration to the views which we express, and they are also showing signs of appreciating the importance of Asian (and particularly Indian) opinion in dealing with these matters. Certain interchanges are already in progress between His Majesty's Ambassador in Washington and the State Department, and I am not

without hope that these will pave the way for the further developments which I have in mind.

Though the United States Administration, as I have indicated, will not change its policies in response to purely British suggestion, it may be willing to modify those policies in response to a majority view in the United Nations Assembly, provided an agreed view emerges as a result of debate and consultations.

I have it in mind, therefore, after the discussions which are going on with the State Department, to try to get them to agree to consult with other Powers, in particular with Commonwealth countries, with France and possibly with some other European countries. If the support of these can be secured, the next step would be to try to get the broad agreement of other friendly members of the United Nations, and thus build up a common front against any manœuvres of the Soviet Union, whose main purpose will be to create a split.

The task will obviously be a difficult one, but it offers the best hope for reconciling United States and Asian opinion and of enabling the Commonwealth to keep in line with the United States. Only by pursuing this course can we hope to avoid open divergence with the United States on China and the related question of Formosa, and the unfortunate consequences which might ensue in the present highly-charged atmosphere in the United States.

I invite my colleagues to endorse the course of action which I propose.

161 CAB 129/42, CP(50)236 19 Oct 1950

'The Council of Europe': Cabinet memorandum by Mr Bevin [Extract]

[This document has been printed in full in *DBPO*, series II, vol I, no 172.]

. . .

The general policy of His Majesty's Government

10. The line which I shall have to take in Rome must clearly conform to the basic policy which His Majesty's Government have accepted hitherto and to which we must stick, of avoiding commitments in Europe which would affect our position as the leading member of the Commonwealth, our special relationship with the United States and our responsibilities as the centre of the Sterling Area. We must therefore decline to accept limitations, in a purely European association, on our ability to take basic decisions of policy (including those of an economic character) on our own responsibility, and we cannot agree that any organs of the Council of Europe to which we belong should acquire authority of a supra-national character. I assume that my Cabinet colleagues will be in full agreement on this point.

11. On the other hand, it would be very wrong, in the present state of morale in Europe, for His Majesty's Government to take up a position which obstructs the endeavours of other European Powers to achieve closer unity. There has always been a certain danger that a refusal by Great Britain to take a full part in the movement towards European unity might lead to the creation of a *bloc* of European Powers inimicable [sic] to our interests, especially if Germany were to get control of such a *bloc*. Traditionally, British policy has always been to prevent the formation of any such grouping on the Continent, but the emergence of the Soviet Union as an

overriding threat to Europe has altered the basis on which this policy was founded. Subject to careful watch on the revival of German influence and power, I do not think it need any longer be regarded as necessary for His Majesty's Government to work against the creation of close groupings, even of a federal character, between Western European countries. Furthermore, such is the present material and moral weakness of countries such as France and Italy that they are in danger of losing the will to survive as separate independent nations; and it might be fatal to the preservation of democracy in Western Europe if we were openly to discourage the conception of European unity which is reflected in the Council of Europe.

12. For these reasons, I think we have to steer a course between becoming too deeply involved ourselves in European union on the one hand, and, on the other, standing in the way of greater continental cohesion. While, therefore, I admit that the Council of Europe has many features which are objectionable to us and is not an institution in which Great Britain can ever find a wholly satisfactory position, we must nevertheless do what we can to prevent its collapse and to assist it to do useful work and to play a sensible part in the revival of Western Europe. The proposals which I set out below are designed to create conditions in which His Majesty's Government can continue to play a valuable rôle in the Council in its present limited form, while allowing other Governments, if they so wish, to enter into closer commitments with each other on specific subjects within the framework of the Council . . . .

162 FO 371/124968, no 24/2 11 Aug 1951

'Some notes on British foreign policy': memorandum by Sir R Makins (FO)

[Sir Roger Makins, deputy under-secretary of state at the FO, described his paper as 'a quick sketch', arising out of doubts and questionings in Whitehall about the soundness of British foreign policy, especially on Europe: viz, concern about Britain's economic and military weakness, about growing American power, and about weakness in the Middle East. It was sent to the private secretaries of Cabinet ministers. Sir W Strang believed it was an analysis and exposition 'both brilliant and sound'. Morrison made a number of marginal comments (minutes, 11–30 Aug 1951), including a suggestion to refer to the need for a policy which was 'lively, adaptable and imaginative'; he felt the stress on dependence on the USA was crude, and specially the phrase 'they are paying the piper'—a gift to *The Daily Worker*, he believed (see para 8, note 1). Sir G Jebb (30 Aug 1951) thought Makins's paper a bit summary on the United Nations: it had an important role, especially if Britain ever reached a *modus vivendi* between East and West for negotiation—a point which Makins accepted.]

Periodically, we all have qualms about the soundness of our foreign policy and need to be reassured. Since some of these qualms have been expressed recently, it may be useful to examine the grounds for reassurance.

2. It is a truism to say that the object of British policy is to secure peace, because it is the case that a peaceful world is a major British interest. All our actions should be subject to this major purpose.

3. Foreign policy is based on national strength, and cannot safely get too much out of line with the resources, moral and material, which a country can control. British foreign policy in recent years has sought to recognise this fact, and has rested

on the basic assumption that neither the United Kingdom and Commonwealth alone, nor the United Kingdom and Western Europe alone, nor even the United Kingdom, Western Europe and the Commonwealth alone, possess sufficient resources to resist the forces arrayed against them. The second basic assumption is that these forces are those controlled by the Soviet Union and are being used to weaken, undermine and ultimately to dominate the democracies of Western Europe, by all means short of war, and, in certain circumstances possibly even by war itself. The resources and support of the United States of America are therefore essential to the security of the United Kingdom and indeed to the free world.

4. We believe that the British "way of life," which is a convenient expression to use for our political and social system, is more enlightened than that of other countries; we believe also that British influence is on the whole moderately and wisely exercised in the world, and consistently used to promote the peaceful development and economic welfare of our own and other peoples. So long as we believe this (and if we cease to believe in our mission we shall soon go down) it must be our objective to maintain our position as a great Power, and this has, indeed, been our main purpose since 1900, when British power was at its zenith. It can be argued, and it was so argued before the last war, that our resources are no longer equal to this task, and that we ought to content ourselves with a more modest rôle; and if we survey the resources which we physically own, there is something to be said for this view. But our resources are not only physical; they are in large measure intangible and imponderable: our prestige, our technical and political skill, our reputation for fair dealing and wise counsel, our national will, and consequently the support which we obtain not only from the Commonwealth and Empire but also from foreign countries. Secondly, if we accepted a lesser rôle, it would be so modest as to be intolerable. We have plenty of enemies and if we relaxed our grip scarcely a British interest outside the United Kingdom would survive.

5. It follows that we must continue to aim at the maintenance of our power and influence in the world at the highest possible level.

6. The strategy we are following in pursuit of these objectives is fourfold—

(a) to maintain the maximum cohesion in the Commonwealth and Empire, and to hold the sterling area together;
(b) to maintain a partner relationship with the United States;
(c) to promote the cohesion of Western Europe;
(d) to strive for the fullest measure of economic independence and strength for the United Kingdom.

(a) *The Commonwealth*

7. It is a delicate task to maintain the Commonwealth as a world force. Much has been done in recent years through frequent ministerial meetings, and the Colombo Plan was a success. But too much pressure would defeat its purpose; and, in particular, any rift between the United States and United Kingdom would put an unbearable strain on the Commonwealth relationship. Not all the members would necessarily choose the United Kingdom side. The problem of Commonwealth cohesion in foreign and economic policy is likely to get more difficult as the members of the Commonwealth develop their own nationhood, and to it will soon be added the analogous problems of the emancipated countries like the Gold Coast,

Nigeria and Malaya. The greatest weakness in the Commonwealth, politically, strategically and morally, is the India–Pakistan dispute.

(b) *Relationship with the United States*

8. The maintenance of close and friendly relations with the United States is not only desirable in itself, but necessary, since American support is essential to the free world. It is a problem of increasing difficulty to manage our relationship with them and to maintain the conception of Anglo-American partnership, for the power and resources of the United States are increasing so much faster than our own. But the task is not impossible. The Americans continue to regard the British in a special way, and we can keep this special relationship on two conditions: first, that we avoid another internal economic crisis and so keep ourselves independent of general economic aid, and secondly, that we do not expect the Americans always to do things the way we want them done.[1]

(c) *Western Europe*

9. Our policy is, very broadly speaking, to support and co-operate with the Western European countries to the fullest extent short of entering into an organic relationship with all or any of them. This is the most difficult of the three facets of our policy, since we are of, but not in, Europe. The Europeans are conscious of their own weakness and are trying to pull us in, and some Americans are sometimes trying to push us in. We want Europe to be strong, but if we were classed as just a European Power and bound in an organic relationship to a predominantly Latin and Catholic grouping, we should soon lose our world position and a great deal of our liberty of action without strengthening either Europe or ourselves.

(d) *Economic independence*

10. This is vital to our world position and the key to a strong foreign policy. It is also the strand of our policy which is in the greatest danger of breaking.

The Atlantic community

11. It is evident that this policy which we are pursuing is a very difficult and complicated one, and that there is some risk of our falling between several stools. In order to guard against this risk we must constantly try to find a synthesis of our objectives, and this is for us the supreme importance of the concept of the Atlantic community. It forms a nodal point for the four main strands of our policy. But we must recognise that the development of the Atlantic concept has its difficulties. Some of the European members, particularly the French, are not very enthusiastic about N.A.T.O., ostensibly because it is too militarist, but really because it is too predominantly Anglo-Saxon for their taste. They hanker after a small European grouping in which they would expect to be top dog. Norway, and to some extent the Netherlands, as non-Latin mainly non-Catholic countries, are more solid in their support. Some Americans are not enthusiastic, because in the Atlantic community

[1] Although the printed version reproduced here retained the original date of Makins's memo, a number of amendments were incorporated as a result of Morrison's comments. At the end of para 8 the original typescript read: 'After all, they are paying the piper, and in the last analysis we are dependent on general American support for our security'. In response to Morrison's comment, this was omitted, Makins noting (14 Aug 1951): 'I agree with the Secretary of State's comment. Omit last sentence'.

they are bound by common obligations to less powerful nations and lose some freedom of action; it is much more comfortable and agreeable to sit on the side and push the Europeans around. Only Canada, for the same reasons as the United Kingdom, is at present a whole-hearted supporter of the Atlantic concept. Finally, the present Atlantic grouping is not really wide enough for some purposes, which need the co-operation of all nations of the free world (*vide* the International Materials Conference). Nevertheless, N.A.T.O. is making headway and we must persevere with it. It is our best bet by far.

United Nations

12. The United Nations and its agencies were designed to work on a basis of four- or five-Power co-operation and cannot fulfil their purpose in present world conditions, but they must be mentioned since it is to our interest to preserve these institutions intact. They may play an important rôle if the existing tension between East and West subsides.

Longer-range aims

13. The present policy of the Western democracies, which is fully supported (with some faint-heartedness on the French part) by all the members of N.A.T.O., is the containment of Soviet Communist imperialism, and has been well described as "building up positions of strength." Though it has many positive aspects, this is basically a negative policy which must give way as soon as possible (*i.e.*, as soon as the West is strong enough) to the positive purpose of reaching an accommodation, or rather a *modus vivendi* (in the precise meaning of the phrase), with the Communist half of the world. There seems no reason why it should not be possible to reach a state of equilibrium in which resources, both material and technical, on each side can be turned back from armament production to economic and social development and the raising of living standards. This in turn might reduce the appeal and perhaps alter the character of communism and bring about a transition to a new and, it may be, a more prosperous period of human society.

Doubts and difficulties

14. Many pitfalls beset this rather optimistic programme. First and foremost it requires strong nerves and a willingness of the part of Western peoples to accept immediate hardships and efforts for future benefits: "Peace before Plenty" on a world scale. There are also more specific hazards which must be considered briefly from a United Kingdom standpoint.

(i) *Europe*

15. (a) *Federal tendencies*. The most disturbing thing about Western Europe is the lack of what is loosely called "morale." This is the product of defeat and national divisions in the war. Its symptoms are a loss of trust in the national State, a large Communist element, weak Governments, and unwillingness to introduce the necessary social reforms. One result has been the move for federation, which is partly escapist, partly insincere, but still a move to be taken seriously. Specifically, the French back it because they see in it an instrument for the re-establishment of French influence and prestige and the possibility of containing the resurgence of Germany. They regard it as a French project because, as the saying is, when a

Frenchman says "Europe" he means "France." The Germans back it for a similar reason; they think it will be the means by which German leadership in Europe can be restored. The Americans back it for various reasons, but basically because they are naïve enough to think that contemporary Europe will be saved by the remedies prescribed for the thirteen colonies in 1776. It is sometimes argued that it is dangerous to our interests to permit Western Europe to federate without the United Kingdom, since it would be a break with our traditional policy of not permitting Europe to be dominated by a single Power (in this case the "Community"). But we in our turn must avoid anachronistic thinking. Europe is already divided between East and West, and the Power grouping is no longer on a European, but on a world scale. There are admittedly risks, political and economic, in allowing a restricted grouping of Western European States to consolidate itself. They must be taken since they are less than the risks of joining. Moreover, if the movement is genuine and continues to enjoy enthusiastic American support, we cannot prevent its progress: and it does hold out perhaps the only prospect of Franco-German rapprochement. We can explore every method of associating ourselves closely, in appropriate cases, with any federal or quasi-federal institutions which may be developed. There are also safeguards. The federal elements will be part of the Atlantic grouping; we should continue to have the support of the Scandinavian countries, with which our links should become closer; and the federation, in view of the latent rivalry within it of French and German ambitions, will stand in need of our collaboration and influence.

(b) *Germany*

A divided Germany is unstable; a united Germany might again be a menace in certain circumstances. But we must accept the fact of a divided Germany and seek to integrate Western Germany with Europe politically, economically and in defence.

(ii) *United States*. Although the United States has made great progress in the school of world leadership, her policy is likely to cause anxiety for some time. The antiquated political and administrative system, the formidable lack of co-ordination in the Government, the emotional disposition of the people, the staggering preponderance of power, the tendency to sacrifice long-term objectives for short-range advantages, the clumsy and insensitive handling of other countries, the lack of understanding of the meaning of the word "negotiation," all make her a rather awkward ally. And there is always a haunting possibility that she may slip back to a new form of isolationism (it would really be a form of imperialism) and try to "go it alone," or, alternatively, be tempted to "do a deal" with the other great Power in the world. But these are faint prospects; America is an indispensable ally with plenty of good will, and we must cajole and counsel her with infinite patience and forbearance. It is sometimes suggested that we ought to put more weight on Europe in our dealings with America, and form a collective front against American pressure. I think this is unsound. Americans resent the idea of "ganging up," and my experience of resisting American pressure with our European friends is that they collapse at once and leave us to do the resisting. They realise well enough how much they depend on the United States, and, while they do a lot of snarling, they have no intention of biting the hand that feeds them. The place to face the Americans is in N.A.T.O., but round, rather than across, the table.

(iii) *Middle East*. The worry here is to hold the Middle East together and to maintain our influence and prestige, and the hard fact is that we now need American support to keep our end up in this area. We must therefore strain every nerve to

bring the Allied Command in the Middle East into being. This has disadvantages, for we shall never be free of French spite and Italian intrigue in this part of the world. We shall have to guard against it as best we can. The dispute with Persia has dealt a heavy blow to our prestige, and we have brought this on ourselves by allowing the oil company, in which we have a controlling interest, too much freedom of action though vital national interests were at stake. We cannot afford another mistake of this magnitude.

(iv) *No money*. In our present balance of payments situation we have no resources available for overseas investment other than that to which we are already committed. This is a serious handicap to the initiation and influencing of policy by His Majesty's Government. Governments which initiate policies are normally expected to contribute to their execution.

(v) *United Kingdom economic strength*. This is the greatest anxiety. Another serious economic or balance of payments crisis leading to instability of sterling and the need for general economic assistance, or a production crisis, leading to some further reduction in exports, particularly of coal and steel, would paralyse our foreign policy and make our already difficult rôle almost impossible to play. The key to success abroad lies in the mines, blast furnaces and factories at home.

Leadership and dynamism

16. The United Kingdom is sometimes accused of lack of leadership (by Europeans and Americans) and lack of dynamism (by Americans). There are a good many things to be said about this. Most Europeans will only follow a lead in the direction in which they already want to go (*vide* our difficulties about leading them into N.A.T.O.). It is easier to be dynamic if you have enough steaks. Some Europeans and Americans think that international difficulties can be solved by formulæ or high-faluting declarations and that progress can be achieved by political conjuring tricks. But you cannot pull a rabbit out of a hat unless you have a rabbit in a hat. It is unwise to take bold political initiatives unless there are enough resources to back them up. At present we have barely enough resources to sustain existing policies. As a matter of fact, these criticisms that the United Kingdom is "dragging its feet" are mainly misplaced; we exercise a great deal of influence and still do nearly all the effective work done by international organisations. It we do not do more, it is precisely because we lack "what it takes" to pursue an expansionist policy.

Public opinion

17. The success of a policy depends ultimately on the strength of the national will and resolve behind it. The foreign policy we are pursuing to-day calls for austerity, restraint, and a sustained productive effort from the British people. Unless they understand this and are prepared to make the effort, the policy will fail.

Conclusion

18. The policy we are following is, in its broad lines, the only feasible one for the United Kingdom if we are to avoid sinking to the level of a second or third class Power. But there should, of course, be appropriate changes of emphasis and modification of tactics (such as we are now making in regard to federal trends in Europe).

19. This policy is a bold one. It strains our resources, both material and moral, to

the full, and needs firm resolve, strong nerves, the highest degree of political and diplomatic skill and the support of public opinion. United Kingdom policy needs to be lively, adaptable, and imaginative, and we should take the lead where we can. And we cannot afford to make mistakes.

20. In particular the policy involves—

(a) a substantial effort from the British people on the basis of "Peace before Plenty";

(b) the avoidance of an economic crisis in the United Kingdom leading to failure in production and exports or to a balance of payments situation in which the United Kingdom will need general economic aid.

163 FO 371/124968, no 24/5 17 Sept 1951

[Foreign policy in the Middle East]: despatch from E A Chapman-Andrews (Beirut)[1] to Mr Younger (FO), commenting on Sir R Makins's memorandum

"Some Notes on British Foreign Policy" by Sir Roger Makins, recently circulated in Print,[2] provides food for thought and I beg leave, with some diffidence, to offer the following comments, particularly on the Middle East aspect of the subject. I need hardly add that I offer these comments as a public servant, frankly, and without regard to United Kingdom parliamentary party politics which, of course, as such, are not my concern.

The premise

2. Few responsible Englishmen in the Middle East can be without qualms about our foreign policy today and I at least find little ground for reassurance in these "Notes." I agree that British interests are best served by peace, the maintenance of which, for as long as possible, under honourable conditions, must be our object. I also agree that in face of the Communist threat, we must be prepared, when necessary and up to a point, to sacrifice our immediate national interests in order to maintain a resolute common front with the U.S.A., the Commonwealth and other states who are determined to fight Communism. I know that the exportable surplus of United States' industry exceeds the total industrial production of the United Kingdom. I agree that foreign policy must be related to national strength, which, in its turn, is best derived from a sound economic and financial position (i.e. national wealth), and that the national will is at the root of the production of national wealth today. Moreover, a successful foreign policy also stems more directly from the national will, of which an informed and coherent public opinion is the expression. Finally, I agree that our country still disposes of significant material and moral resources (I prefer this order of the two adjectives for application to the Middle East) and possesses a wealth of talented and experienced men in the various public services of the Crown abroad (armed and civil) and in merchantile [sic] and industrial enterprises.

[1] Envoy extraordinary and minister plenipotentiary at Beirut.

[2] See 162.

3. One would expect a country with a record and resources such as ours, to enjoy a predominant material and moral position. Yet despite victory in two world wars in both of which Britain bore the brunt of the desert fighting and which secured national independence to the Arab States and Israel; despite the help we have given and are still ready to give to increase national wealth through the proper technical development of their resources and services; and finally, despite the fact that British forces alone offer the only possibility of a successful defence of the Middle East in the early stages of another world war (which all concerned admit to be an imminent possibility), our influence throughout the Middle East today has reached a low ebb.

Background to the Middle East

4. Before we examine the reasons for the decline of our influence, we must consider the not always self-evident facts underlying the political and social state of the region today. The following diagnosis applies to the greater part of the region, possibly excluding (a) Jordan, where British influence is still strong, and (b) Israel, where the controlling influence is still Western European in character. Admittedly there is a handful of individuals in most of the countries concerned who are exceptions to the general run.

5. Generally speaking, in the Middle East, nothing succeeds like success, nor fails like failure. There is little honesty, public or private. Bribery and corruption are rife from top to bottom. "The best is like the worst." To acquire wealth is a virtue in itself—the greater the wealth, the greater the virtue. The end and not the means is all important. Office is sought for the fruits thereof. Self-indulgence, heartlessness, complete indifference to social evils (except for the almsgiving enjoined by Scripture), and a total incapacity to plan and execute, characterise the people. Owing to some defect of mental equipment, they are unable to see more than is immediately before them, as a man may see all that is in a room, but be incapable of forming any clear mental picture of what is in the other rooms of the house, let alone the terrain surrounding the property. Their minds are fixed on the immediate present, though certain lobes of the brain are reserved for producing materialistic hallucinations of other worlds, including the hereafter. More than perhaps any other people, they are vividly conscious of the reality of unseen worlds, perhaps as an escape from the bitter reality, for most of them, of the present one. To this is due their susceptibility to excitement and passion, particularly religious but also political, so easily aroused by eloquence, which can quickly move them to transports of delight, the depths of despair, or murderous anger. Words have magic power, being the key to worlds of imagery. Logic means nothing. Hence the tremendous power of the demagogue and agitator; also of the preacher and prophet. Ceaseless repetition of sounds in speech or music allure and fascinate them. What maddens us, enchants them. Hence the power of slogans. For some of the mystical sects of Islam, continuous repetition, to a sing-song rhythm in ever-quickening tempo, of a phrase of a prayer, will produce mass hypnosis or hysteria. I have witnessed this in Cairo. All, through the magic of words repeated in unison, have transported themselves to another world, more real to them than reality.

The same with politics. Democracy, social responsibility, even public opinion in our sense, do not exist. Unless there be a strong central government acting through regional governors and district administrators, a system at best resembling benevolent despotism, there is demagogy, which is only one remove from chaos; and from

that to dictatorship is but a step. Thus in the Middle East today, we see peoples hovering between mob rule on the one hand and dictatorship on the other. The representative institutions of constitutional government which Britain took the lead in introducing after the first world war are becoming increasingly unrepresentative and therefore unauthoritative, dependent either on the support of the Generals of the Army or on the aroused passions of the mob in the street. Dictatorship itself, as a political concept, is not repulsive to the native mind, which has been schooled to "kiss the hand you can't cut off." There is an innate sense of respect for success, for the successful application of overwhelming force, for force itself. A tyrant here, even today, may not only be safe, but popular, provided only that he is too strong to be challenged, that his actions are swift and effective and that he can be generous. A Communist dictatorship would be acceptable to the masses on the same conditions, though generosity would doubtless take the form of an all-round share-out of social benefits. The Moslem religion would be no effective bar to such a system, provided there was no interference with the outward and physical forms of worship and observance.

The British position today

6. It will, I think, be generally conceded that since the war, despite our efforts, our policy in the Middle East has had serious set-backs. In *Palestine*, by throwing in our hand, we have estranged the Arab world and gained nothing in exchange. In *Israel* we have created an enigma if not a Frankenstein. Successive Israeli governments have affirmed a policy of "neutralism," though the present leaders may be ready, without official commitment, to hold out hopes of cooperation in war in return for help sorely needed today. Israel's financial demands are gigantic and are unashamedly based on a programme of intensified immigration, thus in turn accentuating existing problems and laying the sure foundation of future aggression. In *Arabia*, our influence is waning. In *Iraq* and *Egypt*, despite the inexhaustible patience with which we have tried to explain the strategic realities of the present day, and sought by negotiation to reach a compromise between strategic requirements on the one hand and the slogans of native demogagy [sic] on the other, reason has not prevailed. In *Syria* we have lost our place, so high in 1943, to the French, who are solidly backing and supplying the army which in turn virtually controls the country. Even in *Jordan*, as a result of the influx of nearly half a million refugees from Palestine (thus doubling the population overnight), our position has been shaken and our staunchest ally assassinated.

7. What are the causes of these failures?

(a) *Palestine*. We surrendered the Mandate in despair of finding a solution acceptable to all concerned. We refused to impose by force our own judgment of a just solution—partition. The situation got out of hand because we recoiled from taking the only measures capable of restoring law and order. These would have been drastic but not brutal, and, as our military command stated at the time, would have quickly succeeded. We recoiled largely for fear of provoking an outburst in Congress. Pressure was continually applied by America on behalf of the Zionists, allegedly because of the vital importance of the Jewish vote, the power of Jewish pressure groups, big business, finance, and control of American publicity. American Jewry drove us out of Palestine. But unfortunately, despite the gigantic

scale of American finance in Israel, American Jewry still resides and will continue to reside in America where it continues to maintain its pressure.

(b) In *Arabia*, despite the misgivings of King Ibn Saud at the time (prior to 1945), we allowed the Americans to acquire oil development rights and are now witnessing the rapid build-up of American power and influence to the detriment of our own, while the rulers of the country, once the puritans of Islam, are so dazzled by the glittering treasure of an Aladdin's Cave miraculously revealed that the Administration has become corrupted from top to bottom. British advice and guidance in the proper use of this sudden wealth might have been acceptable if we had been the jinni [sic] that produced them. The Americans are unsuited and unable to fill the role.

(c) In *Egypt*, as previously in India, American public opinion is against "British colonialism," as though we were still in the days of the Boston Tea Party. Responsible Americans visiting Egypt sympathise with and therefore encourage the Egyptian viewpoint. They believe that a hostile Egypt today means a useless base in the event of war,—a very doubtful proposition.

(d) In *Persia* too, American sympathy was with the Persians in the early stages of the present oil dispute and this is probably at least partly responsible for the present situation. The Americans already regard Turkey, Arabia and Persia as their, rather than our, spheres of influence.

(e) In *Syria*, France is backing a virtual military dictatorship with the supply of arms, while we have no arms for anybody largely owing to the urgent need to supply our Western allies, including France.

(f) *Lebanon*. Here our prestige is still high though it is in for a slump unless we take swift advantage of the opportunities now offered to raise, train and equip national armed forces (of which there are next to none at present) and furnish certain other expert advice on the modest scale requested.

To sum up, the first reason for our decline in the Middle East is our eagerness not to offend America who in turn, so far as Israel is concerned, is completely in the hands of American Jewry. In the case of Syria, we have been supine in the face of French activity. Thus our leadership of the Arab world, secure since 1918, has, since 1945, been successfully challenged by the United States and even by France. Neither one nor the other is capable of taking our former place and both are out largely for their own hand.

8. The second reason is our attitude towards U.N.O. The mere two sentences with which this subject is dismissed in the "Notes" is disarming. The "Notes" concede that "The United Nations and its agencies cannot fulfil their purpose under existing conditions," but go on to say that since they may play an important rôle in a better world, it is our interest to preserve them intact. This, in reverse, is as though a man should retain his membership of a sick benefit club in case the National Health Scheme should crash. This might be understood as an idiosyncracy provided he did not allow the sick benefit club with its rules and regulations to run his life, which is what we are doing in the case of U.N.O. Here we have an organisation under whose rules even purblind Egypt may occupy the Chair of the Security Council and Israel have an equal vote with the United Kingdom in the Assembly. Yet Egypt can with impunity flout the Council's decision regarding the blocade [sic] of the Suez Canal while Israel has not only defied the Council's authority on many occasions, but is

guilty of massacring the entire population of the village of Deir Yassin (with the imaginative purpose, amply fulfilled in the event, of stampeding refugees elsewhere), an act comparable only with the Lidice crime, but conveniently overlooked,—and of murdering the United Nations mediator himself—also conveniently forgotten. Jordan meanwhile, the State that has suffered most from the Palestine war and yet has shown the keenest desire to clear up the mess, remains outside the Organisation. The ineffectiveness of U.N.O. is and will continue to be a contributory cause of our decline so long as we regard its resolutions as a substitute for action on our part. The longer this state of affairs lasts the more will the decisions of U.N.O. be flaunted [sic] by those who do not agree with them.

9. The third reason is our failure to seize quickly such opportunities as occur of increasing our influence and expanding our trade. We are admittedly short of skilled workers, experts and technicians. We do our best to supply these when called upon, but it is a poor best,—a tale of disappointment and delays. The same applies to arms and instructors. We are unwilling to take risks and supply even token quantities of arms for purely political reasons. This is a mistake under present-day conditions. That we cannot spare them is no answer. At a critical stage of the last war, the only armoured division fully equipped and ready for service in the United Kingdom was despatched to the Middle East. Boldness usually pays. We can spare both arms and instructors if we want to and it is only by doing so that we can hope, under existing conditions, to build up dependence upon us. Finally we are honest, but slow over delivery dates for exports, while our commercial shipping position, so far as the Eastern Mediterranean is concerned, is extremely bad, with the result that where merchants are able to buy British goods or capital equipment, they are often unable to ship for months ahead. It is often impossible for civilians, even British people working in the Middle East, to obtain passages from the United Kingdom even to Egypt. This is a question of programming in which we should be wise to take more account of the Middle East if, for vital strategic reasons, we must strengthen our position here.

Remedies

10. These are admittedly difficult to prescribe in detail with the assurance and clarity of the diagnosis. But since they must involve a change of attitude on our part, it may be more useful to begin by trying to set down what we should not do, rather than what positive steps we should take. I suggest the following:—

(a) Fear is a bad counsellor. We should not allow fear of offending our friends, whether American or French, or fear of action against us at U.N.O. to stand in the way of effective action, if necessary by ourselves alone, when we know we are in the right. A Security Council decision or a judgment of the International Court of Justice in our favour should not be regarded as ends in themselves, or substitutes for action on our part, but rather as moral justification for action.

(b) We must not even fear provoking another world war when we act in the knowledge that our quarrel is just. All are agreed that the great catastrophe will not befall unless and until the Soviets themselves decide that the moment is ripe and that they will not be forced or rushed into such a decision, nor reach it at all on any other grounds than a cold-blooded calculation of their chances of success.

(c) We must not recoil, *in certain circumstances*, even from "doing a deal"

ourselves with Russia, for example to limit the sphere of a conflict in which we have become involved. The "Notes" (paragraph 13) describe as our long-range aim that of reaching a *modus vivendi* with the Communist half of the world. With this I fully agree, even though it is not unlike "peaceful co-existence", provided we and our friends together are strong at the perimeter and keep on our toes. Indeed, I believe that Stalin himself made it clear towards the end of the war that he preferred some such arrangement to the project of the United Nations Organisation. Soviet policy since then, both inside and outside the United Nations, is capable of being interpreted as still working towards that end. The elimination of buffer states when they prove to be danger areas, should advance the achievement of our long-range aims. The partition of Korea is an example, but in any future cases the need for a clash of arms may by timely pre-arrangement be eliminated.
(d) We should not hesitate to exercise our right of veto in the Security Council when we take action on demonstrably justifiable grounds, fortified, for example, by a decision of the Council itself or the Hague Court.
(e) We should not offer unsolicited advice unless, in the event of its not being taken, we intend to act in a manner that will be disagreeable for the recipient or his friends.
(f) We should never fall short of our word, i.e. announce our intention to make a test-case of tankers for Haifa and then climb down, or make any public announcement, even in association with other powers (e.g. the Tripartite declaration on Palestine) unless we are resolved, and make it clear that we are so, to implement it, if necessary by force, if necessary alone.

11. So much for the negative. The positive springs from it:—

(a) Although "it is easier to be dynamic if you have enough steaks" we shall lose altogether such stakes as we still have in the Middle East unless we pull ourselves together, give a lead and see something (anything) through to a successful conclusion.
(b) We should strive for the reform of the United Nations Organisation in order to make it a more effective instrument. If, for example, it could be established that states refusing to execute its resolutions or adopt its recommendations, in other words, states that defy its authority, should be expelled, it would be a step in the right direction. It is wrong that a state should enjoy such security and other advantages as membership of the Organisation affords and yet be able to flaunt [sic] its authority with impunity.
(c) We must seek and seize opportunities for strengthening our position and influence, and where we can prove we have just cause, act strongly. We must not allow the complexity of modern world conditions so to dull our national instincts that we lose faith in ourselves as a great nation whose qualities have been tried on many a field, whose greatness is founded on a long tradition of straight and strong dealing all over the world, whose courage is not measured by the amount of shot left in the locker and whose friendship is worth having and not to be taken too much for granted.

12. I am sending a copy of this despatch to the Head of the British Middle East Office.

164 CO 537/3702 22 June 1948

[The future of Hong Kong]: minute by Mr Creech Jones on discussions with Mr Bevin about making a statement

[Long before the situation in Hong Kong was complicated by the Chinese Communist victory in China, Mr Creech Jones had been anxious to get some constitutional advance, though he realised it would be difficult, especially in view of the effect of the prevailing apathy on the working of Hong Kong political institutions: 'We have, however, to put ourselves in a strong position vis-à-vis our critics—both the Pacific powers, the Chinese, and liberals of USA. The sooner, too, we can get a statement of Government policy as to the future status of Hong Kong the better. I am concerned also about our critics here. We must do all we can to get our plans completed and a more vigorous policy of development operating in Hong Kong—on the assumption that there will be no change of long-term policy' (CO 537/1651, 18 Jan 1947). Whatever the legality of the British position, he thought they would be faced with increasing nationalist pressure in Asia (CO 537/4805, minute by N D Watson, private secretary to S of S, 5 Aug 1949).]

I appreciate to the full the arguments for a statement regarding the future of Hong Kong & have urged them many times to the notice of the Foreign Secretary & discussed them at length in the Foreign Office. But Mr Bevin has taken a very strong line & I am sure that if we go to the Cabinet the arguments Mr Bevin advances about the Far East situation & the international problem will bring a decision which we shall disapprove of. It is the political problem which worries the Foreign Secretary regarding China—& the effects of any declaration are likely to be very serious—& incidentally create new difficulties for us in Hong Kong. There is no question of our leaving Hong Kong—declarations usually suggest that we have been considering such a possibility. The assumption must be that the status of Hong Kong remains unchanged & everything is done in the Colony on that assumption. The more we question it & demand it & describe it, the more uncertainty will grow & confidence weaken. I cannot break the adamant view of the Foreign Secretary and I am certain that the Cabinet will be obliged to support him and I do not relish a decision against us.

165 CAB 128/15, CM 33(49)2 9 May 1949

'China: defence of Hong Kong': Cabinet conclusions

[The Chinese People's Republic was formally proclaimed in October 1949. British policy sharply diverged from American by according recognition to the new state, despite some misgivings that this might give rise to problems in Malaya if the Chinese community there assumed this might mean a cessation of punitive measures against the rebels (CAB 128/16, CM 62(49)7, 27 Oct 1949). However, for many months before this, the victory of the communists in China was obvious. The implications for British trade and for Hong Kong were discussed by the Cabinet from March 1949 onwards. The COS advised that the kind of threat the communist Chinese might pose to Hong Kong was greatly superior to previous Chinese army capability, but not of the kind which a major power like Russia could mount. On balance, although the immediate danger was from refugees and internal subversion, the Cabinet did not favour any specific crack-down on communist activities in the colony, lest this should provoke the Chinese authorities. (*ibid*, CM 18(49)2, 8 Mar; CM 30(49)4, 28 Apr 1949). The governor and the commissioner-general for South-East Asia both urged the government to declare their intention to maintain Hong Kong as a British colony. Ministers were uncertain of their course: 'any suggestion that the UK Government might abandon Hong Kong would have profound repercussions in Malaya, Siam and Burma'; but they must be careful 'to avoid drifting into a position in which,

after pouring valuable resources into Hong Kong, they had at the end to withdraw with great material loss and loss of prestige' (*ibid*, CM 32(49)2, 5 May 1949). Alexander visited Hong Kong, 6–9 June 1949. His conclusion was that 1949 was very different from 1941, because Britain had command of the sea and effective air support. He was therefore 'soberly confident' that, despite its vulnerability in water, food and fuel supplies, a military defence of Hong Kong (short of an onslaught by a major power) could be successful (CAB 129/35, CP(49)134, 17 June 1949, memo by minister of defence).]

The Minister of Defence drew the attention of the Cabinet to a telegram from the British Defence Co-ordination Committee in the Far East suggesting that, as the Commissioner-General for South-East Asia[1] and the Commanders-in-Chief of the Land and Air Forces in the Far East would shortly be in London, the Chiefs of Staff should take this opportunity of discussing with them the effects which recent developments in China were likely to have in India and South-East Asia. The Committee suggested that there was urgent need for diplomatic, economic and military action to form a containing ring against further Communist penetration; and that this ring should be formed by the co-ordinated action of many countries, including India, Burma, Siam, French Indo-China and the Dutch East Indies. The Minister added that the Communist forces seemed to be making rapid progress south of the Yangtse, and the need for a co-ordinated policy in respect of Hong Kong might be more urgent than had been assumed in the Cabinet's earlier discussions.

The Cabinet were also informed that Mr. L.D. Gammans, M.P.,[2] had put down a Question for answer by the Prime Minister, asking what approaches had been made to the Governments of other Commonwealth countries regarding the possibility of their contributing towards the defence of Hong Kong. The Australian Minister of Defence was reported to have stated, in reply to questions at a recent Press Conference, that the United Kingdom Government had not yet suggested that Australia might assist in the defence of Hong Kong.

In discussion the following points were made:—

(a) Other Commonwealth Governments had been kept informed of developments in China and of our decision to reinforce the garrison at Hong Kong. The time had probably come to send them a fuller appreciation of possible future developments and to mention to some of them the possibility of their making some contribution towards the defence of Hong Kong. The Commonwealth Relations Office had been inclined to advise that in the first instance this question should be raised with the older Commonwealth Governments only; and it was agreed that material support in the defence of Hong Kong was more likely to be forthcoming from Australia and New Zealand than from any of the other Commonwealth countries. On the other hand, it was pointed out in the discussion that the first aim of our policy should be to deter the Communist forces in China from making an attack upon Hong Kong and to convince world opinion that it was expedient that the British position there should be maintained. From this point of view it was perhaps even more important that the Commonwealth countries in Asia should express at least their moral support of our policy in Hong Kong. India's support, in particular, would have a powerful effect on public opinion throughout Asia.

(b) It would be preferable if Mr. Gammans could be persuaded to withdraw his

[1] Mr Malcolm MacDonald.

[2] Capt David Gammans, Conservative MP for Hornsey, 1941; formerly colonial service in Malaya, 1920–1934; member of parliamentary delegation to Sarawak, 1946.

Question, on the ground that it would not be possible at the moment to make any public statement about the attitude of the other Commonwealth Governments on this question.

(c) The Cabinet were informed that the proposal made in the telegram from the British Defence Co-ordination Committee in the Far East was consistent with the Foreign Secretary's general desire for closer political co-operation between the various countries of South-East Asia. In discussion, however, doubts were expressed about the expediency of attempting to make common cause on this issue with French Indo-China and the Dutch East Indies. The Colonial policies of the French and the Dutch were regarded with great suspicion by the Asiatic peoples; and there would be little prospect of persuading the Government of India to join in discussions on China in which the French and the Dutch were to be represented.

If, therefore, any approach were to be made to the Governments listed in this telegram, it should be related to the situation in South-East Asia generally and should not give prominence to our anxieties about the future of Hong Kong.

(d) Ministers should also treat with reserve any suggestion that Hong Kong could be used by the Western Powers as a rallying-point for anti-Communist forces in Asia. The Government of India were convinced that in Asia Communism was most dangerous when it could ally itself with nationalism; and they would regard it as playing into the hands of the Communists to represent Hong Kong as an outpost of western democracy in the Far East.

(e) The suggestion was made that in the long run it would prove impossible to preserve Hong Kong as a British Colony, and that serious consideration ought now to be given to the possibility of giving it the status of an international port on the analogy of Trieste. It was, however, the general view of the Cabinet that this was not an opportune time to consider so radical a change of policy.

The Cabinet:—

(1) Agreed that the United Kingdom Government must make every effort to carry the other Commonwealth Governments with them in their policy in respect of Hong Kong; and took note that the Secretary of State for Commonwealth Relations would at once formulate, in the light of the discussion, and submit to the Prime Minister, specific proposals about the timing and method of the approach and the basis on which other Commonwealth Governments should be asked whether they would be prepared to assist in the defence of Hong Kong.

(2) Took note that the Prime Minister would arrange for Mr. Gammans, M.P., to be asked to withdraw his Question from the Order Paper.

(3) Invited the Minister of Defence to consult with the Foreign Secretary, on his return to London, regarding the scope of the discussions to be held during the forthcoming visit to London of the Commissioner-General for South-East Asia and the Commanders-in-Chief of the Land and Air Forces in the Far East.

(4) Invited the Secretary of State for the Colonies to enquire into the suggestion that Chinese Communists deported from Malaya were finding their way into Hong Kong.

(5) Asked the Secretary of State for the Colonies to circulate, for the information of the Cabinet, a factual appreciation of the present situation in Hong Kong, covering such points as the composition of the population by nationalities, the value of British commercial interests and the importance of the Colony from the point of view of British interests in China generally.

166 DO 121/23, pp 227–234 12 May 1949

[An approach to Commonwealth governments about support for Hong Kong policy]: minute by Mr Noel-Baker (CRO) to Mr Attlee

At the Cabinet meeting on the 9th May[1] I was asked to formulate, in the light of the discussion, and to submit to you, specific proposals about the timing and method of an approach to other Commonwealth Governments regarding our Hong Kong policy and about the basis on which they should be asked whether they would be prepared to assist in the defence of Hong Kong.

2. As we see it, it is a question not of just defending an isolated Colony, but of identifying Hong Kong as the first point in the East where, if things go wrong, our ultimate determination to repel Communist aggression will have to be successfully demonstrated. If that be so, other like-minded Governments in the Commonwealth association should, in principle, be prepared to support our stand and to assist it. I consider that an approach to Commonwealth Governments at the proper time would be right and I should expect that some Commonwealth Prime Ministers at least would be willing to support our policy. At the same time there are difficulties, both general and particular, in the way of obtaining anything more than moral support for our policy, to which I feel bound to draw attention.

3. There is the general difficulty of the well-known reluctance of even the most co-operative amongst the other Members of the Commonwealth to commit themselves in advance, and in peacetime, to the despatch of military assistance against a hypothetical contingency.

4. In addition there are special considerations in each of the other Commonwealth countries which are examined below.

Canada regards herself as far removed from the dangers in China; internal political difficulties have prevented her from sending crews to help in the Berlin airlift, and she has not forgotten the fate of Canadian troops in Hong Kong in the last war. Indeed this is still at intervals a subject of controversy by the Opposition in the Canadian Parliament, and the Canadian Government are very unlikely to be willing to give any hostage to their opponents before the forthcoming General Election. Canada has taken a strong lead in the formation of the Atlantic Pact, but has never shewn the same interest in the Pacific and, unless the United States were to intervene actively, it is unlikely that Canada would feel able to send any military assistance.

Australia and *New Zealand* are the obvious countries, from the point of view of proximity and self-interest, from which to seek material help, but the Australian Prime Minister made it clear last year, when we were wondering whether to approach the Australian Government for military help in Malaya, that it was quite out of the question that the Australian Government should commit themselves to the despatch of troops, and it is very likely that he would take the same stand in the case of Hong Kong. This belief is strengthened by the recent refusal of Australia to be associated in the joint scheme for assistance to Burma. There is also the history of the arrival of the Australian troops in Singapore in the last war in time to become prisoners of the Japanese, which is parallel to the memories of Hong Kong in the Canadian mind.

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[1] See 165.

New Zealand would no doubt in principle be willing to give any help she could, but her resources are limited and she could find it difficult to be more forthcoming than her partner in the Anzac Pact, which pledges both parties to prior consultation.

While *South Africa* has under the present Nationalist Government come a very long way in defence co-operation with us, it must be recognised that all Governments in the Union think in terms of the African Continent only; our objective is to stimulate their interest in the defence of the Middle East, while relying on Southern Africa as a support area, and we should not wish to prejudice that prospect. Any prospect of her helping us in the Far East should be dismissed.

Very special problems arise in the case of *India* and I deal with these more fully in paragraph 5 below, but it seems most unlikely that in present circumstances Pandit Nehru would agree to despatch troops or other material military assistance to defend Hong Kong.

Pakistan might perhaps be more disposed to consider a request sympathetically, but she has no suitable forces to send and in any case there would be no prospect of her agreeing to send any forces out of Pakistan while the Kashmir question is not settled, and she fears the possibility of an attack from India.

Ceylon has as yet no armed forces that could be used in Hong Kong.

5. I realise that the most valuable moral support that can be obtained would be some statement from Pandit Nehru. It was recognised at the Cabinet meeting that the Government of India would regard it as playing into the hands of the Communists to represent Hong Kong as an outpost of Western democracy in the Far East. I must confess that the prospects of obtaining any favourable response from Pandit Nehru seem to me to be very slender in view of his persistent attacks on "Colonialism", of his frequently repeated announcements of neutrality and of his refusal to join up with either the Eastern or Western bloc. It must also be recalled that he gave an appreciation of the Communist threat to China in February last in which he tended to write down the menace from this direction (see his message quoted in telegram A. No.13 of 12th February, a copy of which I attach as an appendix).[2]

6. I have thought it right to set out at length the difficulties in handling this question. This does not mean that these cannot be overcome. Paragraph 2 above indicates the common interest of all like-minded Governments in meeting the threat which faces all of us and we should be letting down the principle of Commonwealth consultation if we did not take other Commonwealth Governments as fully as possible into our confidence and invite their suppport. (We have, of course, already kept them informed of the steps we have taken and shall continue to do this). We have also forwarded to our High Commissioners for communication to the Governments of Canada, Australia, New Zealand and South Africa, the appreciation by the Chiefs of Staff contained in the Annexes to C.P.(49)100 of 3rd May: the appreciation has been sent to the High Commissioners in India, Pakistan and Ceylon to enable them to take action if it should be decided to make an approach to these Governments.

7. It does not seem that we can fairly approach Commonwealth Governments either for moral or material assistance until we can let them know clearly and definitely what our intentions are in the event of a major Communist threat to Hong

[2] Not printed.

Kong developing. If Commonwealth Governments are asked to despatch forces to Hong Kong they will wish to know whether we intend to hold it at all costs or whether there is any thought in our minds of pulling out in the face of a major land threat with consequent loss of prestige: equally if they are to support our policy by public statements, they must know exactly what the full implications of that policy are. Moreover it is important that, in making any request to Commonwealth Governments, we should give a precise indication of the timetable involved and make it clear whether we are asking for immediate assistance to meet the existing emergency, or will require their help at a later stage or will only call for aid if it should be necessary to maintain Hong Kong against a major land threat.

8. There are really two aspects of the problem, involving asking for (a) moral and (b) material, support.

9. As regards seeking moral support, I would, as suggested above, expect that we might obtain strong support from a number of other Commonwealth Governments, though not perhaps in the case of India. Much depends on developments in the campaign, but if any public declarations from Commonwealth Governments are to be sought, the timing should be arranged to coincide with any further statement of policy to Parliament here.

The case of India is very special, but is also crucial. Before we decide on making any approach to Pandit Nehru, I think it would be most helpful to have the advice of Sir Archibald Nye.[3] Mr. Malcolm MacDonald is coming home for consultation on the 18th May and I think it would be invaluable if Sir Archibald Nye could be available at the same time. If you approve, I would therefore propose to instruct him to fly home at once so as to be available for this purpose.

10. As regards material support I should not wish to rule out the prospects of obtaining help from other Commonwealth countries, though in practice I think that any assistance is likely to be limited to Australia and New Zealand. It must be remembered that few Commonwealth countries have mobile forces that can readily be despatched overseas. Naval vessels and aircraft could perhaps be made available, but there is not likely to be in the Commonwealth any substantial body of troops that could be moved rapidly to the scene of action: moreover it should be borne in mind that generally Commonwealth troops are under no liability to serve overseas. If our approach is to have any prospect of success our request must be specific in terms, must be related to forces that are likely to be available and must indicate whether the forces are required for immediate emergency or will only be called for at a later stage. I recommend that the Chiefs of Staff should be asked to examine urgently what requirements they would wish to be sought from other Commonwealth sources, whether these are likely to be available in Australia and New Zealand and, if so, to give a precise indication of the timing involved. For the reasons given in paragraph 7 above, it would be important that in making any approach to other Commonwealth Governments we should be able to give a frank explanation of our intentions in Hong Kong in all the contingencies that are likely to arise.

11. To sum up, I suggest that decisions are required on the following points:—

(i) whether it is moral support only or material support that we desire from other Commonwealth countries;

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[3] UK high commissioner in India.

(ii) if we ask for material support we must make it clear whether help is required at once as an immediate measure or only at a later stage as a long-term step. In the former case, Commonwealth Governments are likely to assume that any support given now would imply a determination to hold Hong Kong in which they would be involved. In the latter, we must make it clear at what stage and in what form their help is required. In any event the Chiefs of Staff should be asked to examine these points in detail, bearing in mind that no Commonwealth countries have mobile forces readily available (except India and Pakistan);
(iii) on the question of moral support, it is equally important that in making any approach we should be able to give Commonwealth Governments a clear indication of our own long-term policy;
(iv) in the meantime the Chiefs of Staff appreciation in C.P(49)100 of 3rd May has been forwarded to our High Commissioners in Canada, Australia, New Zealand and South Africa for communication to these Governments. The documents have also been sent to the United Kingdom High Commissioners in India, Pakistan and Ceylon, but will not be passed on to those Governments pending a decision here as to an approach to them;
(v) as an immediate step, Sir Archibald Nye should be recalled for consultation.

12. I am sending a copy of this minute to the Foreign Secretary, the Minister of Defence, and the Secretary of State for the Colonies.

167 CAB 128/15, CM 38(49)3 26 May 1949

'China: defence of Hong Kong': Cabinet conclusions[1]

The Cabinet considered memoranda by the Prime Minister (C.P.(49)119), the Minister of Defence (C.P(49)118) and the Secretary of State for the Colonies (C.P.(49)120) on the defence of Hong Kong.

The Prime Minister recalled that on 5th May the Cabinet had authorised the despatch to Hong Kong of reinforcements sufficient to secure the Colony against internal unrest or sporadic attacks by guerillas. Since then the Communist forces in Southern China had made substantial progress, and the question now arose of sending further reinforcements in order to secure Hong Kong against the risk of direct attack by these forces from the mainland. The Chiefs of Staff had advised that such an attack might be delivered at any time after September; and that, if it was to be resisted with success, an immediate decision should be taken to despatch to Hong Kong the further reinforcements set out in the memorandum by the Minister of Defence (C.P.(49)118).

The Prime Minister said that, from consultations which he had held with the Commissioner-General for South-East Asia and the Commanders-in-Chief of the Land and Air Forces in the Far East he was satisfied that failure to meet this threat to the security of Hong Kong would damage very seriously British prestige throughout the Far East and South-East Asia. Moreover, the whole common front against Communism in Siam, Burma and Malaya was likely to crumble unless the peoples of those countries were convinced of our determination and ability to resist this threat to Hong Kong.

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[1] Previous reference: see 165.

In their earlier discussions the Cabinet had been reluctant to commit themselves to any long-term policy in respect of Hong Kong; and the Prime Minister had therefore considered, in consultation with the Foreign Secretary and other Ministers directly concerned, how a decision to defend the Colony could be presented in such a way as to command the support of public opinion in the democratic countries of the world. He had come to the conclusion that it should be presented as a decision to resist aggression; and he recommended that support for such a policy should be enlisted from the Governments of other Commonwealth countries and of the United States.

The following points were made in discussion of the political considerations involved:—

(a) Policy must take account of the fact that Hong Kong was valuable to us mainly as a centre of trade. In the short term, trade would be seriously interrupted, if not entirely brought to an end, if preparations for the military defence of the Colony were countered by measures of blockade from the mainland. In the long term, if a strong Communist Government established itself in control over the whole of China, it would be impossible for us to maintain Hong Kong as a trading centre unless that Government acquiesced in our continuance there. These considerations seemed to suggest that the aim of our policy should be to find a basis on which a Communist Government of China could acquiesce in our remaining in Hong Kong. If we made it a point of prestige that we should retain Hong Kong as a British possession, it might become a matter of prestige for the Communists to force us to withdraw from it.

As against this, attention was drawn to the importance of our being able to argue from a position of strength in any negotiations with a Chinese Government about our future position in Hong Kong. If we showed no determination to defend the Colony, the risk of its being attacked would be increased; and, if we were forced to withdraw from it, we should have little prospect of persuading a Chinese Government to allow us to return. In the short term, if we showed ourselves determined to remain there, the Communists were unlikely to maintain an economic blockade for any length of time; for the continued interruption of the normal flow of trade between Hong Kong and the mainland was likely to be as embarrassing for the Communists as it would be for the Colony. The temporary interruption of that trade, during a period of tension or actual hostilities, would not do it any lasting injury: it could soon be revived thereafter, as it had been revived since the end of the war.

(b) Practical evidence of our determination to defend Hong Kong would have important consequences. First, it might well deter the Communist forces from making a direct attack on the Colony. Secondly, it would rally to our side the wavering elements among the local population and would substantially reduce the threat to internal security. Thirdly, it would strengthen the anti-Communist front throughout South-East Asia. The maintenance of our trading position in Hong Kong was doubtless important; but even more important at the present time was the political question whether we must not somewhere make a stand against Communist encroachment in the Far East. If we failed to make this stand in Hong Kong, should we not find it much harder to make it elsewhere in South-East Asia?

(c) There were, however, dangers in making at this stage any forthright declaration of our determination to defend Hong Kong. Apart from the risk that such a declaration might be regarded as provocative by the Chinese Communists, there was also the danger that a unilateral declaration by the United Kingdom Government

would be interpreted, however it was phrased, as a relic of "Colonialism." We should find ourselves in an awkward position if, having made the declaration, we failed to enlist a sufficient number of our friends in its support. Although it was fairly clear that we should gain the support of Australia and New Zealand, the attitude of some other Commonwealth Governments was uncertain and it would be unwise to count on the support of public opinion in the United States. Should it not rather be our aim to mobilise as many Governments as possible in support of a policy of resisting aggression against Hong Kong, so that we might appear to be acting as the instrument of an international policy rather than pursuing a selfish policy of our own? There was general support for the view that no declaration of policy should be made until consultations had been held with the Governments of the other Commonwealth countries and of the United States.

(d) *The High Commissioner for the United Kingdom in India*[2] said that there seemed little prospect of persuading Pandit Nehru to make any public declaration of India's support of a policy of defending Hong Kong against aggression by Chinese Communist forces. First, he might think this inconsistent with his general opposition to "Colonialism." Secondly, he would be mindful of the French and Portuguese possessions in Pondicherry and Goa; and he would not wish to say anything which might preclude him from objecting, at some later date, to any proposals for strengthening the French or Portuguese garrisons in those places. Thirdly, he had stated that India would not associate herself with power *blocs*, and the declaration made at the end of the April Meeting of Commonwealth Prime Ministers had already been criticised by his political opponents and by some of his political supporters on the ground that it might limit India's freedom of action in international affairs.[3] These critics would be greatly strengthened if, within so short a time after that declaration, Pandit Nehru publicly voiced his support of a United Kingdom policy for the military defence of Hong Kong. In these circumstances our best hope was to persuade Pandit Nehru to refrain from making any public statement which was critical of our proposed policy in Hong Kong. So long as our action was limited to suppressing internal disorders he might well be willing to refrain from any such comment. If, however, we were compelled to resist an armed attack by forces operating under the auspices of a Chinese Government, he would find it more difficult to remain silent. From the point of view of avoiding public criticism in India, it would be preferable that we should avoid making any formal declaration of policy.

The Commissioner-General for South-East Asia said that, from his point of view, he would welcome a public declaration of our determination to defend Hong Kong against aggression. He recognised, however, that the question whether any such declaration should be made must be decided by reference, not so much to local needs, but rather to the wider considerations which had been mentioned in the Cabinet's discussion. From the point of view of strengthening morale in Hong Kong

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[2] Sir Archibald Nye.

[3] A communiqué issued at the end of the Prime Ministers' Meeting in April 1949 contained a declaration stating that the Government of India had informed the other governments of the Commonwealth of the intention of the Indian people that under the new constitution which was about to be adopted India should become a sovereign independent republic. The Government of India had, however, declared and affirmed India's desire to continue her full membership of the Commonwealth and her acceptance of the King as the symbol of the free association of its independent member nations and as such Head of the Commonwealth.

and in South-East Asia it would perhaps be sufficient that we should despatch to Hong Kong reinforcements sufficient for its defence.

The following points were raised in discussion of the military implications of defending Hong Kong:—

(e) To what extent would the successful defence of the Colony be frustrated by failure to control an influx of refugees from the mainland? This had proved a serious difficulty in 1941. The Cabinet were informed that, although the movement of refugees could not be satisfactorily controlled while trade continued between the Colony and the mainland, no insuperable difficulty should arise in a state of siege. Full preparations had been made for dealing with this situation, and the Governor was satisfied that any large-scale influx of refugees could be prevented.

(f) Was it clear that adequate water supplies would be available under conditions of siege? The Cabinet were informed that, as the leased territories would be included within the defence area, the water supply should be sufficient to meet the requirements of the population and of the increased garrison, provided that control was maintained over consumption. It would not be difficult to take precautions against damage by sabotage.

(g) It was hoped that by September the situation in Malaya would have improved sufficiently to allow the Guards Brigade to be moved to Hong Kong without undue risk.

(h) *The Secretary of State for Air*[4] said that he was not in agreement with the proposal (paragraph 6 of C.P(49)118) to include, in the reinforcements to be sent to Hong Kong, a long-range fighter squadron from the United Kingdom. He was reluctant to accept this reduction in the strength of Fighter Command; and he suggested that on this point no final decision should be taken until it was known whether the squadron of Australian Mustangs could be transferred to Hong Kong from Japan.

(i) Some Ministers took the view that it would be undesirable, for political reasons, to proceed with the proposal (paragraph 9 (b) of C.P.(49)118) to call up Section "A" of the Army Reserve.

(j) *The Minister of Defence* said that a working party of officials had prepared detailed proposals for finding the shipping required for the additional reinforcements set out in C.P.(49)118.

(k) *The Chancellor of the Exchequer* said that he proposed to arrange for a representative of the Bank of England to proceed at once to Hong Kong to advise the Governor on currency problems.

The Cabinet:—

(1) Approved the proposal to send to Hong Kong the further reinforcements described in C.P.(49)118, subject to further consideration by the Defence Committee of the proposals (i) to send a squadron of long-range fighters from the United Kingdom and (ii) to call up Section "A" of the Army Reserve; and authorised the Service Departments to proceed at once with the preliminary arrangements for all these movements save those affected by (i) and (ii).

(2) Agreed that for the time being no public announcement should be made that any fresh decision of policy had been taken in respect of Hong Kong or that any further reinforcements were to be sent there.

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[4] Mr A Henderson.

(3) Invited the Secretary of State for Commonwealth Relations and the Foreign Secretary, respectively, to inform the Governments of the other Commonwealth countries and of the United States of the development of the situation in Hong Kong and of the decision to reinforce the garrison still further; and to ascertain whether those Governments would be prepared to support a policy of defending Hong Kong against aggression by Communist forces from the mainland and, if need be, to make at the appropriate stage public declarations in support of that policy.
(4) Agreed that final decisions regarding the basis of United Kingdom policy in respect of Hong Kong, and the form and timing of any announcement regarding it, should be taken by the Cabinet in the light of the views expressed by the Government of the other Commonwealth countries and of the United States.

168 DO 121/23, pp 171–174 3 June 1949

[Defence of Hong Kong]: CRO outward telegram no 741 to acting UK high commissioner in Canada, on Mr St Laurent's attitude

We are grateful for your full report of your discussions with Prime Minister[1] and Heeney.[2] At the same time we are perturbed by the line which Mr. St. Laurent took and, while we think that the points which you made in reply were entirely right, we feel that Mr. St. Laurent failed to appreciate some of the major considerations and we hope that the eventual reply promised will take greater account of realities.

2. In particular we feel that Mr. St. Laurent has failed to take account of the following:—

(i) As stated in my telegram No. 697 all we are doing is to take essential precautions against a threat of armed aggression. This we are entitled to do under the terms of the United Nations Charter. Precise form threat will take is open to doubt. Naturally we hope that it will be possible to avoid actual hostilities, but an armed attack is not impossible and we are bound to prepare for this contingency. Even if Chinese Communist Government, when formed, made proposals for the future of Hong Kong, we should have to consider our course very carefully, and could not rule out possibility that proposals which, at their face value, seemed reasonable, might be followed by an attack on the Colony. Our policy is, as we see it, the best insurance against this eventuality;
(ii) The vital point, as we see it, is that Hong Kong may be the point in the Far East where we shall have to make a stand against Communism. Whatever form the Chinese Communist government might eventually take, there can be no doubt that the successes of the Communists in China have added immensely to the prestige and potentiality for further disruption of other areas in the Far East by the Soviet Government. We have been trying discreetly to encourage the peoples of South-East Asia to defend themselves against Communist infiltration, and it is our hope that some day the territories of this region might form a united front against Communism and Russian expansion. If the United Kingdom failed to hold Hong

[1] L S St Laurent, prime minister of Canada and leader of Canadian Liberal Party since 1948.
[2] A D P Heeney, Canadian under-secretary of state for external affairs, 1949.

Kong against a Communist attempt to seize it by force, the whole front, which is not yet built up, would crumble. Siam and Burma would probably be the first to go, and Communist domination over these two principal rice-exporting countries of the world would put such power into the hands of the Communists that we might expect the whole of that part of Asia to succumb eventually to their influence. Such a development could not fail to have a disastrous effect upon the Atlantic Pact Powers and the Western Union. We cannot afford to let the whole of Asia fall into Communist hands, and that is what we think will happen if the United Kingdom suffers a major setback at Hong Kong. The issue is therefore not one of Colonial policy, but of world resistance against Communist expansion;

(iii) Again the issue is not that of thwarting a nationalist demand in Hong Kong for its return to China. Provided we can satisfy the Chinese population in Hong Kong that we are willing and able to maintain our position there, we are confident that the overwhelming majority of them will co-operate willingly in any measures we take and will wish to preserve the present status of the Colony;

(iv) In any case the logic of Mr. St. Laurent's argument is that the whole of the dependent Empire should be liquidated forthwith. Surely he can hardly have intended this.

3. There is the further important consideration of the value of trade through Hong Kong to China as a whole, which has been immensely enhanced since the handing back of the Treaty ports. At present Hong Kong handles about £20 million of goods per month, of which it consumes or produces less than three per cent. It provides the storage, insurance, banking and shipping facilities for this transit trade and is thus of enormous benefit to the economy of China as a whole. Moreover, Hong Kong dollars are used as currency very widely in commerce in Southern China and so long as Hong Kong remains under its present system of government, it will enable China to maintain trade relationships with the Western world. Its whole position is, therefore, quite special. And none can believe that the existing services rendered by Hong Kong could be continued with the same efficiency, if Hong Kong were to be administered as part of China. Indeed, it may well be that the Chinese Communists themselves, recognising the economic importance of Hong Kong will, like previous Chinese Governments, find it in their interests to accept the position and leave it alone.

4. We are sending you by mail (see my telegram Y. No.65 Saving) a factual appreciation of the present situation in Hong Kong by the Secretary for the Colonies.

5. We shall be glad if, in any further discussions with the Canadian authorities you will bring the foregoing considerations to their notice and express the hope that they will take them into account in their considered review of the position. While in view of the Canadian Election we should not wish to press for an early answer from the Canadian authorities, we naturally hope for their eventual support and trust that in any case we are right in assuming that there is no chance of Mr. St. Laurent or other Canadian Ministers giving public expression to the criticisms of Colonial rule which he mentioned to you at your talk.

169 CAB 128/15, CM 42(49)5 23 June 1949

'China: defence of Hong Kong': Cabinet conclusions on the attitude of Commonwealth and United States governments[1]

The Cabinet had before them the following memoranda on Hong Kong:—

C.P.(49)134: by the Minister of Defence, reporting on the visit which he had paid to Hong Kong from 6th to 9th June;
C.P.(49)135: by the Secretary of State for the Colonies, commenting on certain questions which had been raised by the United States Secretary of State when he was asked whether his Government would support a policy of defending Hong Kong against aggression;
C.P.(49)136: by the Secretary of State for Commonwealth Relations, summarising the response of other Commonwealth Governments to the enquiry whether they would support such a policy.

The Minister of Defence and *the Secretary of State for the Colonies* informed the Cabinet that action was already being taken to give effect to the specific recommendations made in paragraph 25 of C.P.(49)134.

Discussion then turned on the attitude of the other Commonwealth Governments. Whole-hearted support, moral as well as material, would be forthcoming from New Zealand; and South Africa had given a firm promise of moral support. The other Commonwealth Governments were, however, reluctant to commit themselves in advance, and evidently entertained misgivings about the long-term prospects of our position in Hong Kong. It was specially disappointing that the Australian Government should have been unwilling to assume any share of responsibility for withstanding Communist encroachment in a part of the world which they professed to regard as being of special concern to them. The Cabinet were, however, informed that, since C.P.(49)135 was circulated, the Prime Minister of Australia had given a categorical assurance that his Government would not raise the question of Hong Kong at the Security Council without first consulting the United Kingdom Government; and he had also indicated, in confidence, that if an attack were actually made upon Hong Kong, his Government might well adopt a different attitude on the question of giving material assistance in its defence. The Prime Minister of New Zealand had made it clear that, despite representations from the Australian Government, he was not prepared to withdraw his offer to send three or four frigates to help in the defence of Hong Kong; and, indeed, he was now considering whether he could not also make available some aircraft with crews and ground staff. *The Secretary of State for Commonwealth Relations* said that it might be helpful if he now sent to the Australian Government a fresh appreciation of the position in Hong Kong, which would take account of the impressions which the Minister of Defence had formed during his visit.

Discussion then turned on the questions raised by the United States Secretary of State, which were considered in C.P.(49)135.[2] *The Secretary of State for the Colonies* said that, although he had put forward in his paper some tentative suggestions about the reply which might be returned to these questions, he felt that

[1] Previous reference: see 167.

[2] CP(49)135 is withheld.

they raised the whole problem of long-term policy in respect of Hong Kong and he thought the time had now come when Ministers must review that problem afresh in the light of the changed conditions in China. *The Foreign Secretary* said that he would propose to avoid sending even an interim reply to Mr. Acheson's questions. He would prefer to undertake at once a thorough review of long-term policy in respect of Hong Kong. From the response to the approaches which had been made to the other Commonwealth Governments and to the Government of the United States, it now appeared that the United Kingdom Government would have to bear the main responsibility for devising effective means of safeguarding British interests in Hong Kong; and he considered that Ministers should lose no time in formulating a positive policy for dealing with the situation. There was general agreement with this view.

The Cabinet:—

(1) Invited the Secretary of State for Commonwealth Relations to arrange for his Department to prepare, in consultation with the Foreign Office and the Ministry of Defence, a fresh appreciation of the situation in Hong Kong for the information of the Australian Government.

(2) Took note that no reply would be sent for the time being to the questions raised by the United States Secretary of State, as reported in the telegram annexed to C.P.(49)135.

(3) Invited the Foreign Secretary and the Secretary of State for the Colonies to submit to the China and South-East Asia Committee proposals on long-term policy in respect of Hong Kong.

170 CAB 128/16, CM 54(49)2 29 Aug 1949

'China: future of Hong Kong': Cabinet conclusions[1]

[The memorandum discussed at this Cabinet meeting, CP(49)177, has been withheld, but the substance of it is given in the following document (171), which summarised the paper in re-draft. Originating with Sir C Jeffries, it was a joint paper from the CO together with the FO and CRO. Mr Creech Jones accepted it, Sir T Lloyd having given his opinion that it was excellent. At the Cabinet, the foreign secretary asked for consideration of possibly bringing Hong Kong under some form of international control. J J Paskin in the CO as well as Jeffries thought this was impossible. Mr Creech Jones then explained to them what they could not know of the Cabinet deliberations: 'There was discussion on the question of the status of Hong Kong at some future time in certain eventualities and when some other status than the present one may need to be considered. The Foreign Secretary refused to commit himself in regard to any particular kind of status whether international or otherwise. He was pressed on this after I had said that in the paper I was inclined to the view that consideration of any other kind of status was premature and academic. Hence the deletions in our paper of the kind of conditions and the kind of Government with whom H.M.G. would discuss. But it was suggested that the Foreign Secretary should think about the matter in view of the fact that it was necessary for him to speak in Washington to the Secretary of State regarding the questions U.S.A. had asked about Hong Kong's future. The Foreign Secretary gave no promise committing himself to any view & said that he would think over the proposal of some form of international control & consider whether it was worth while sounding the S. of S. of U.S.A. on his reactions to any such idea. But it was felt to be a matter of great secrecy because of the present situation in Hong Kong' (CO 537/4805,nd).]

The Cabinet considered a memorandum (C.P.(49)177) circulated by the Foreign

[1] Previous reference: see 169.

Secretary and the Secretary of State for the Colonies in response to the Cabinet's request of 23rd June that they should submit their proposals on long-term policy in respect of Hong Kong.

The Foreign Secretary said that he and the Secretary of State for the Colonies had reached the conclusion that, while the United Kingdom Government should be prepared to discuss the future of Hong Kong with a friendly, democratic and stable Government of a unified China, the conditions under which such discussions could be undertaken did not exist at present and were unlikely to exist in the foreseeable future. Until conditions changed, the United Kingdom Government intended to retain their position in Hong Kong and should so inform the Governments of other Commonwealth countries and the United States, though they should refrain in public from pronouncements which would exacerbate relations with China. They therefore recommended that the Foreign Secretary should communicate this conclusion to the United States Secretary of State and seek his support for it, and that the Lord Privy Seal should similarly inform other Commonwealth Governments.

In discussion it was pointed out that the conclusions suggested in this memorandum went beyond the Cabinet's earlier decision (that Hong Kong should be defended against aggression), which was based on the principle that force, or a show of force, should not be allowed to bring about any change in the status of the Colony. This, however, was essentially a short-term policy, and the Cabinet had wished to have an opportunity of examining proposals for a long-term policy. Some Ministers believed that our only chance of maintaining our position in Hong Kong for any length of time was to enlist the support of the United States Government for a policy of placing it under an international régime; and it was arguable that, if such a proposal was to be put forward at all, it should be put forward quickly before conditions in China deteriorated any further. It was also arguable that, from the point of view of British prestige in the Far East, it would be preferable to take the initiative in making such an offer rather than wait until a Chinese Government formally demanded that Hong Kong should be handed back to China. The Cabinet were also reminded that the Australian Government had already expressed doubts about the expediency of waiting upon events and declining meanwhile to discuss the long-term future of Hong Kong. If early agreement could be reached on a system of international control for Hong Kong provision might be made for the Government of a unified China, when such a Government was established, to take a share in the control.

On the other side, it was argued that any move over Hong Kong which could be interpreted as a sign of British weakness in the Far East would undermine all the efforts which were being made to stem the encroachment of Communism throughout South-East Asia. Moreover, the conception of an international régime for Hong Kong was not free from legal difficulties. It was doubtful whether the United Kingdom Government would have any right to surrender the Leased Territory to an international authority, and the device of granting a sub-lease to such an authority might not prove feasible. Finally, if international control were proposed, there might be difficulty in excluding the Soviet Government from any share in it.

In further discussion attention was drawn to the proposal in paragraphs 12 and 16 of C.P.(49)177 that we should not discuss the future of Hong Kong with a central Chinese Government unless that Government were "friendly, democratic, stable and in control of a united China." The inclusion in this formula of the condition that the

Government must be "democratic" would, if accepted, have the effect of precluding us from discussing that question at any time with a Communist Government of China. It was the general view of the Cabinet that the conclusion indicated in paragraph 16 of C.P.(49)177 might be accepted as an interim policy, subject to the omission of the words "and democratic" in the second line of that paragraph; but that further consideration should be given in the near future to the possibility of establishing some form of international control over Hong Kong and that if, on further reflection, the Foreign Secretary thought that this might prove to be a practicable course he might take an opportunity of ascertaining, in informal and exploratory conversations with the United States Secretary of State, whether the United States Government would be likely to support such a policy.

The Cabinet:—

(1) Endorsed, as an interim policy, the conclusion set out in paragraph 16 of C.P.(49)177 subject to the omission of the words "and democratic" from the second line of that paragraph.

(2) Invited the Foreign Secretary to give further consideration to the suggestion that Hong Kong might be brought under some system of international control, and if he considered such a course to be practicable, to ascertain in informal and exploratory conversations with the United States Secretary of State whether the United States Government were likely to support such a policy.

171 CO 537/4805, no 86B 7 Sept 1949

[British policy in Hong Kong]: CRO outward telegram no 326 to UK high commissioners

Following is appreciation of situation in Hong Kong. Begins.

In some respects situation is similar to that which faced us—and to some extent still faces us—in Berlin. Just as we cannot foresee with certainty how future of Berlin will develop but are convinced of necessity of remaining there, so we are impelled to remain in Hong Kong without any clear indication of extent or duration of military commitments involved. In both cases threat of Russian and Communist expansionism necessitates holding what we have and not withdrawing.

2. Over and above our unassailable legal right to be in Hong Kong there are other cogent reasons for our remaining there, for example,

(a) real interests and wishes of the inhabitants. (There is no reason to doubt that it is to their general advantage that British connection should be maintained and there is equally little reason to doubt that this is their real wish; the present Chinese population of Hong Kong consists almost entirely of persons, or descendants of persons, who come to Hong Kong from other parts of China to live and work in British territory and under British administration);

(b) its value as a safe, free, and efficiently run port and place of exchange for international trade in Far East;

(c) its strategic value;

(d) expressed or implied undertakings given by United Kingdom Government since the war that no alteration of status of the Colony was contemplated.

A memorandum expanding these aspects is being sent to you by Saving telegram.

3. It must be accepted however that both Nationalists and Communists in China are likely to aim at eventual recovery not only of leased territories but also of ceded areas of the Colony. This could be by one or more of following three means:—

(a) *By threat or actual use of force*. We have already taken steps to meet this and have made it clear that we are not prepared to allow interference by Chinese Communists in our own territories. This has strengthened local morale. Were we however to withdraw our forces and thus allow it to be implied that we are not prepared to stand our ground, results throughout South East Asia would be disastrous. Large Chinese communities in neighbouring countries (e.g. Thailand where there are signs that the process has already begun) may well support Chinese Communist cause unless Governments of South East Asian territories make it clear that they are determined to suppress Chinese Communist interference in their affairs. For political and strategical reasons we cannot permit South East Asia to be dominated by Communism, and from an economic point of view it would be a disaster if the area were cut off from rest of the world. Any weakening before Communists in Hong Kong would be regarded by peoples of South East Asia as beginning of a general retreat and they would immediately turn their thoughts towards making terms with the new power of Communism.

While it is difficult for us in view of our responsibilities elsewhere to accept commitment involved in Hong Kong we trust that in doing so we shall receive support of other Governments and it is relevant in this connection that United States Secretary of State said at recent Press conference that if any action were taken against Hong Kong which United States considered a violation of Charter of the United Nations, then United States would fully meet its obligations under the Charter.

(b) *By the use of pressure*. Same considerations as above apply to attempts by Chinese Communists to render our position in Hong Kong untenable by stirring up internal unrest, strikes, etc. Only evidence that we are prepared to deal with these attempts will convince Chinese population of Hong Kong that stable government under protection of United Kingdom will continue. Given that conviction they will prefer British law and order to Chinese chaos and disaster even though they will not admit this in public. If, on other hand they lack that conviction they will come to terms with Communists even though they fear and dislike them.

(c) *By peaceful negotiation*. The Nationalists have in the past raised question of termination of lease of New Territories but they did not press the matter and it is hardly a live issue with National Government today.

If and when a Communist Central Government of China is set up they may attempt to discuss future of Hong Kong with United Kingdom Government. This pre-supposes that United Kingdom Government together with other Powers have entered into diplomatic relations with the new Government. For our part however, we must postulate that in addition we should not be prepared to discuss future of Hong Kong with the new Government unless it were friendly, stable, and in control of a united China. We could not agree to negotiate with an unfriendly Government since we should be negotiating under duress. Unless there were a stable Government we could not rely on it to preserve Hong Kong as a secure free port and place of exchange between China and rest of world. We should be

unwilling to discuss Hong Kong with a China which was not united because its future would be likely to become a pawn in the contest between conflicting factions.

4. The lease of the new territories expires in 1997. It does not seem likely that any Chinese Government will be prepared to renew lease. Without these territories Hong Kong would be untenable and it is therefore probable that before 1997 United Kingdom Government of the day will have to consider status of Hong Kong. It is not possible however, some two generations in advance to lay down principles which should govern any arrangement which it may be possible to reach with China at that time. A decision at present time can therefore only be taken on an interim policy. Ends.

172 CO 537/6046, nos 11 & 28 — 4 July 1950

'Constitutional reform in Hong Kong': notes by H P Hall[1] of a discussion at a CO internal meeting. *Note* by Mr Creech Jones (6 Jan 1950)

[Constitutional advance in Hong Kong was regarded as still important, but by the end of 1949 there were doubts about whether the time was suitable for constitutional experiments. The gap between British and American policy on China was widening, and from April 1950 relations with China were clearly deteriorating. Hong Kong was now in a state of 'cold siege' (minute by Jeffries, 5 May 1950). In October 1946 the governor, Sir Mark Young, had proposed more management by Hong Kong people of their own affairs: (i) replacing the Urban Council by a municipal authority, half elected, half nominated by unofficial bodies; and (ii) modifying the Legislative Council to reduce the number of officials from nine to seven, and thereby giving the unofficials a majority. The British government more or less accepted (i) in July 1947. A change of governor then led to further reconsideration. By June 1950 Young's successor as governor, Sir A Grantham, felt that more than a small unofficial majority was required, and despite the disturbed conditions in the Far East, constitutional development must be contemplated. The arguments about how to further this went on for the rest of 1950. Then the outbreak of the Korean War gave the Colonial Office cold feet again, arguing that it would not be wise to alter a smoothly-working system for an alternative which might take some time to settle down; they still found no real evidence of any public desire for constitutional change.]

The Secretary of State said that he had read through the papers again. It appeared that in the middle of 1949 the Legislative Council had made proposals which the Governor had approved and sent to the Secretary of State, Mr. Creech Jones. These proposals were that the Legislative Council should consist of 11 unofficial members and 6 official members. Of the 11 unofficial members 6 were to be elected and the franchise was restricted to British subjects giving an estimated total of 17,000. These proposals were generally approved by Mr. Creech Jones *vide* his minute at (11) on the 1950 file. The Secretary of State gave Sir A. Grantham a copy of Mr. Creech Jones' minute to read. The Secretary of State enquired whether the proposals had been discussed with Mr. Creech Jones. *Mr. Paskin* said that they had and that further discussions on them were to take place after the Election. The Governor had analysed the way the voting might go and appeared satisfied. The Department here were

[1] Principal in CO Hong Kong and Pacific Dept.

however doubtful and when Mr. Creech Jones had approved the proposals he had thought that if the voting should go wrong the Governor could always use his reserve powers. At the discussions after the Election the Department had intended to put to Mr. Creech Jones the point that reserve powers are very seldom used and cannot be relied upon for carrying out general administration of Government.

2. *The Secretary of State* said that the "Young" Plan had certain attractions. Hong Kong was growing into a city state and could not afford two big authorities. Constitutional advance might therefore be based on building up the municipality. These proposals had been dropped for a Legislative Council with an unofficial majority which would include a majority of elected unofficials. These proposals were now being dropped for something retrogressive. (Which the Secretary of State was not inclined to favour as not being in accord with His Majesty's Government's general views as to the form which constitutional progress should take.) The real reason appeared to be that we did not want to do anything in Hong Kong. He thought that the only way in which we could keep Hong Kong in the Empire was to win over the population into wanting to remain in the Empire. During discussions with the Commissioner General recently the Commissioner General had pointed out that in the not too distant future only Malaya, Singapore and Hong Kong would not have self-government: all the other territories in South East Asia would have it—Indo-China, Indonesia etc. We therefore did not have very much time in which to plan the future of these territories. *Mr. Paskin* pointed out that this was quite all right in the case of Malaya which could be made into a viable country but that Hong Kong had no future as an independent state. It must either remain (1) a British colony or (2) become absorbed into China. It could not maintain an independent existence as a city state. *Sir A. Grantham* said that Hong Kong would eventually go back to China and that this would probably occur when the lease of the New Territories expired i.e. in 1998 [?1997]. *The Secretary of State* suggested that the one chance of retaining Hong Kong was to make the population want to stay within the Empire. *Mr. Paskin* suggested that this was not quite the same as in Singapore where the Chinese population might be made to think that it was their home. Hong Kong was too close to China. Our only hope of staying in Hong Kong was to show that our Government there was of use to the people, to China and the world.

3. *The Secretary of State* thought that we should wait until the position in the Far East was clearer, say in six months time, and then decide what could be done about Hong Kong. He could not reject the proposals made in the 1949 despatch without consulting his colleagues and would prefer to defer a reply to that despatch for the time being. *Mr. Paskin* said that the difficulty in giving a plausible reply to the 1949 despatch had been discussed with the Governor and the only device which we had been able to think of was the one about the narrowness of the franchise. There was a danger in employing this as it would go on record and if at some later date the Governor wished to introduce direct election it might be difficult to restrict this to British subjects. *Sir A. Grantham* pointed out that the present proposals go further than the Young proposals in that they do in fact give the unofficials bigger control than the Young proposals did . . . .

Note with 172: 'Hong Kong constitution'

I assume that in spite of the Emergency in Hong Kong it is advisable at this stage of affairs to go ahead with constitutional adjustments. Last August the Governor emphasised the urgency of the matter, after a period of indifference in Hong Kong (following the Mark Young plan).

I assume too, that the matter should not be deferred for the consideration of the special Office Committee although I hope that the Despatch of the Governor in August, which is extremely instructive, will come to their notice as illustrating the problem of meeting both central and municipal interests in small territories.

Discussion has taken a long time and meantime there has been Parliamentary interest. Our new position does not square with our earlier public announcements and consequently will bring us no credit. In the light of events and the factors brought out in the discussion I accept the Governor's view that the Legislative Council should be reformed before a Municipal Council is set up and that the latter should be developed from the existing Urban Council.

This change of front leaves local governments in Hong Kong still unsatisfactory and I agree that it would be wise when the Legislative Council has been reformed to consider the question of a Commission to study how the Urban Council should be developed, local government organised and its franchise extended.

As to the Legislative Council, its relation to the Executive Council remains the same as now and the composition of the Executive Council is untouched. I am not sure whether before long both matters should not be looked at again. We may have difficulty in containing new wine in some of the old bottles.

I agree that the franchise should be limited to British subjects as qualified by the requirements set out in the Governor's despatch. That includes women as well.

The Chart at No. 62 is useful. I do not like "communal" blocs and nominated members, but at this stage in the circumstances of Hong Kong, I think we cannot help but accept the Governor's recommendations. I would make a point in respect of each of these matters. As to "blocs" I am mystified at the arithmetic. The Hong Kong population is 1,814,000 of whom 14,000 are non-Chinese. The Chinese will be given 6 seats and the non-Chinese 5! It is also disproportionate when the number of British subjects is taken instead of population. There are 16,000 British subjects of whom 12,000 are non-Chinese (6,500 U.K. and Dominions, 3,000 Portuguese, 2,500 Indian) and presumably 4,000 are Chinese. The total seats are the 5 for non-Chinese and 6 for Chinese, but representation on the basis of election is 2 for non-Chinese and 4 for Chinese.

What the 'rationale' under these figures is I can't see unless it is that the problem is not only one of counting heads of British subjects but also of reconciling to this principle racial and other interests in Hong Kong. If we agree that only British subjects should be voters then we get the curious result that 4,000 Chinese should have 4 elected seats and 12,000 non-Chinese only 2—may be because the Chinese British subjects are less likely to be birds of passage and have a more permanent interest in Hong Kong. If regard is had to the fact that the population is overwhelmingly Chinese some justification is given to the greater number of elected seats going to the Chinese: but the population is 1,814,000 Chinese to 14,000 non-Chinese, yet the total seats (nominated and elected) are allocated 6 Chinese and 5 non-Chinese. Frankly I cannot discern any principle on which the figures in the

Governor's recommendations are based.

As to nominated members, it would appear that the Governor is concerned about "kith and kin" rather than economic interest—a difference in sharp contrast with my recent discussions about the Gold Coast constitution. I accept the Governor's view but purely as a transitional expedient in achieving a representative institution that nomination should be based on nationality or race though I hope the point will be brought to the notice of the nominated that they are appointed by the Governor from their nationality or race because of their social experience of their individual race and they are selected to promote the general and broader interests of the Colony—not merely to represent sectional interests.

I agree that the Leg. Co. will have more elbow room if its number of unofficials is 11 rather than 9 though I see the apprehensions of the Dept. But the risks are remote and I think on practical grounds should be taken. The Governor has reserve powers and usually other expedients he can draw on if necessary. There must, too, appear a bigger sop to democracy than the figure 9 will allow. Cynical as this may seem, we cannot ignore that we want British values and standards established in Hong Kong which is an outpost of considerable British significance and influence, while at the same time we must accept it as a colony with some political significance surrounded by territories proclaiming democracy if practising communism in which full responsibility cannot be conceded. The inconsistency makes our situation in Hong Kong difficult but we undoubtedly will be faced with a clamour for a fully democratic system later on.

I agree that while we must accept the fact that for the time being the Governor should preside over the Leg. Co. the practice should diminish as circumstances permit as stated by Mr. Rees-Williams and Lord Listowel.

173 CO 537/2037 11 and 25 Feb 1947

[Togoland]: minutes by J S Bennett and K E Robinson on the problem of the Ewe people in British and French territories

[The Ewe were an enterprising people with networks of kinship and commerce across three colonial boundaries: there were about 137,000 of them in British Togoland, 175,000 in French Togo, and almost 400,000 in the north-eastern corner of the Gold Coast, as well as cognate peoples in Dahomey. The partition of (German) Togoland between France and Britain after the First World War had aroused strong protests from the Ewe, but the specific movement for their unification chiefly arose out of the Second World War, when the French Vichy government closed the frontier between French and British Togoland (1940). Following an All-Ewe conference at Accra in 1946, Ewe representations on unification were first sent to the UN Trusteeship Council in 1947. The objectives of their petitions varied, but initially the strongest demand was for a self-governing, united Eweland under temporary British tutelage. The Trusteeship Council responded cautiously, and the only concrete action to emerge was the establishment in 1948 of a Joint Standing Consultative Commission for Togoland in order to facilitate the discussion of common affairs.]

Now that the Trusteeship Agreements for British and French Togoland have been approved and we have a meeting of the Trusteeship Council ahead of us next month, I think it is necessary to raise once more the whole question of policy on the Ewe situation.

2. Policy so far has been governed by the agreed conclusions of the Anglo-French

discussions in London on 7th September, 1946, as amplified in a despatch and covering personal letter sent to the Gold Coast Government (Nos. 72, 79 and 80 on 25041/19/46). However, this was essentially an interim policy designed only to cover us during the recent General Assembly and until the Trusteeship Agreements had been approved, and we must now think out how to handle the question during the next stage.

3. The Trusteeship Council has an item on its provisional agenda for the examination of petitions, which is, of course, a function allocated to it by the Charter itself. I have already sent forward separately papers on the general question of petitions to the Trusteeship Council. We know that there are some Ewe petitions already in New York. Admittedly the U.K. might be able to say that these petitions are technically out of court because they were written before the territories came under trusteeship, but it is doubtful whether this legal quibble would now do us any good and in any case the Ewes (or Dr. Chapman[1] himself) could very quickly write a new petition. The latest issue of the "Ewe News-Letter" (No. 3 on this file) shows that the All-Ewe Conference is still active, and that it is increasingly relying on an appeal to public opinion and international action to secure the aim of Ewe unification. It is also important to notice that the Ewes have got hold of the Philippine Resolution about Conferences of non-self-governing peoples, even though on a point of detail the News-Letter quotes an earlier version of the Resolution and not the one finally adopted. They are now trying to raise a fund of £10,000 by March, 1947 to be spent apparently on pushing their case internationally.

4. In these circumstances it is unlikely that we shall be able (even if we wished) to stave off international discussion of the Ewe question much longer, and we must be ready with a line to deal with any Ewe petitions which may come up at the first meeting of the Trusteeship Council. Both we and the French Government will be expected to state our position. We might be able to buy a little more time by undertaking to examine the petitions and give our comments at the second meeting of the Trusteeship Council, but we should not rely for certain on getting approval of this, and in any case I do not think anything is really to be gained by trying to put off the evil day a few months longer. We have got to make our minds up sooner or later whether we will agree to some investigation of the desire of the Ewe people for unification and, if so, what means this investigation should take.

5. It is to be remembered that the Trusteeship Council has the right to make visits to trust territories. Its provisional rules of procedure extend this right to sending members of the Secretariat or special experts whom the Council has the right to appoint. Thus the Trusteeship Council might quite well wish to send a party to British and French Ewe territory, and it would be quite in order for the party to include Dr. Chapman, dressed as an international Civil Servant. Admittedly visits by the Trusteeship Council have to be at times agreed upon with the administering authority (Article 87(c) of the Charter), and we could, if we wished, object to the visit. I doubt, however, whether this line would do us much good. The more difficulties we raised, the more we should encourage the suspicion that we had something to hide and in consequence pressure for the visit to be made would

[1] Dr Daniel Ahmling Chapman, first general secretary, All-Ewe Conference; subsequently area specialist, UN Dept of Trusteeship and Information for Non-Self-Governing Territories; head of Ghana civil service and secretary to Ghana Cabinet, 1954–1957.

increase. I do not think either we or the French would be able to hold out indefinitely in these circumstances and a deferred visit forced on us by international pressure would, I think, be worse than one which we had freely agreed to in the first instance.

6. The above summarises some of the international pressures which seem likely to develop. On the domestic side, it is also for consideration how long we ought in our own interests to repress the Ewe movement and refuse to take any account of it, as we are now in effect doing. This is bound up with the attitude of the third party in the case, the French Government.

7. The French have so far adopted a completely rigid and unrealistic attitude. They deny that the Ewe movement is a popular or representative one (this is contradictory to information supplied to us by the Gold Coast Government) and they deny that there is such a thing as the Ewe problem because, they say, it would call into question French sovereignty in Togoland—a fatuous argument which would carry no weight in the Trusteeship Council, particularly bearing in mind that one of the basic objectives of the Trusteeship System is to promote the political advancement of the inhabitants of trust territories and their progressive development towards self-government or independence "as may be appropriate to the freely expressed wishes of the peoples concerned". Nevertheless, we are morally committed by the September discussions to consult the French again when preparing our line of action in the Trusteeship Council, and it seems safe to assume that we shall find the greatest resistance on their part to adopting anything but a completely negative line.

8. I cannot help feeling that the time has come, or will very shortly come, where we shall be forced to decide between our interests on the one side as an ally of France and on the other side our general international standing in colonial matters. On its own merits, the Ewe question seems to me to raise one of the fundamental issues of African colonial policy and cannot be indefinitely ignored simply to avoid difficulties with France. The only result of this would be to alienate the Ewes who live in British territory on an issue which is, after all, one of principle affecting the position of dependent peoples generally. In the United Nations and other international bodies, particularly during the last 18 months, the U.K. Government has on the whole taken a very holy line about colonial matters. We have set ourselves up as enlightened colonial administrators, who profess the greatest regard for the wishes and interests of dependent peoples, whether technically under international trusteeship or not. On these grounds we pooh-poohed the Philippine Resolution about a Conference of non-self-governing peoples to enable them to "express their aspirations" without interference from the colonial powers. We have been accustomed to argue that dependent peoples suffer from no disabilities by the mere fact of their colonial status and that the problems which arise in colonial territories should be treated on their merits on the same footing as in sovereign states. Our attitude towards the Ewe question, which is a practical test of these professions, is becoming increasingly difficult to justify. If we continue to refuse either to take any account of their aspirations ourselves or to allow some impartial outside investigation, we shall justify everything our critics say about the necessity for colonial matters being treated as a separate international problem and for the necessity of international accountability for colonies.

9. Up till now our attitude on the Ewe question has been studiously correct but not noticeably constructive. For the reasons given, I do not think we can hold this position any longer. The choice, therefore, lies between

(a) being forced into a defensive alliance with the French, refusing to take any action but being put in an increasingly difficult position in the Trusteeship Council and elsewhere; or
(b) taking the initiative in advocating some serious consideration of the Ewe claim to unification, attempting to carry the French with us but going ahead alone if they refuse to co-operate.

10. The disadvantages of course (a) have already been discussed. The disadvantages of course (b) will be felt in our relations with France, particularly in the colonial field. It has been argued in the past that we must damp down the Ewe question in order to avoid damage to our general colonial collaboration with the French. I question this argument. If our collaboration on economic and technical matters with the French colonies is such a tender plant that it cannot stand the shock of tackling one or two serious political problems, I doubt whether it is worth weeping many tears over. In any event, we must decide the relative priority of the two things. In my judgement, the issues of international and African policy raised by the Ewe question are more important than what little value we have so far got or are likely to get by collaboration on technical matters with French colonial governments.

11. Two possible constructive courses open to us would be

(i) to attempt to form an Anglo-French commission of enquiry, outside the Trusteeship Council but informing the Council what we were doing; or
(ii) to advocate in the Trusteeship Council the sending of a commission of enquiry, which would have British and French members but which would be led by a neutral.

12. The French have already made (during M. Laurentie's[2] last visit to London) tentative suggestions about an Anglo-French Commission, but they clearly have in mind something with restricted terms of reference which would certainly not be able to consider fundamental problems. Such a Commission would in my view be worse than useless, since it is merely nibbling at this problem to try and deal with it by economic palliatives and the Commission would merely raise false hopes. The French Government on the other hand would certainly not agree under British pressure alone to appoint a Commission which was entitled to consider the fundamentals of the problem, i.e. re-drawing of frontiers.

13. I therefore prefer alternative (ii), which would in my view be the right way of using the Trusteeship Council to do a constructive and useful job of work which for obvious reasons the two colonial powers directly concerned are unable to settle between them.

14. If this general line is approved, perhaps we might discuss how to launch it first on the Foreign Office and then, as would be necessary, on the French by way of private advice in advance of the Trusteeship Council meeting.

J.S.B.
11.2.47

I am afraid I have held this up partly owing to general pressure of work and partly

[2] H Laurentie, French alternate delegate on the UN Trusteeship Council.

because the problem involved is in my view one of the most difficult confronting us in West Africa. I do not, I am afraid, altogether agree with Mr. Bennett's approach to the problem in his minute above. I think that it exaggerates the real importance of the Ewe question (which I cannot think raises a fundamental issue of Colonial policy) and very seriously under-estimates the importance of the Anglo-French alliance. I do not wish to spend time arguing at length in minutes but as the person largely concerned I feel obliged to take exception to the suggestion in paragraph 10 of Mr. Bennett's minute, that our action in the past in relation to the Ewe question has been determined by desire to avoid damage to our general Colonial collaboration with the French. The issue is not one of "constructive international action" in relation to the Ewe question versus the maintenance of Anglo-French collaboration in technical matters relating to the Colonies; it is one of allowing the Ewe question to endanger the prospects of the Anglo-French alliance to which our foreign policy has been closely directed during the last two years and the achievement of which is calculated to have effects on the internal politics of France which, as I understand it, are considered by H.M.G. to be of major importance . . . .

K.E.R.
25.2.47

174 CO 537/2057, no 48 30 Apr 1947

'International aspects of colonial policy—1947': memorandum by J S Bennett

[This paper arose out of preparation in the International Relations Dept for the anticipated discussion of colonial policy at the 1947 UN General Assembly scheduled for September. In trying to define British policy towards the UN, it rapidly became clear to Bennett that the CO needed to go into 'some of the fundamentals of the international position of colonies at the present day and the general principles of UK colonial policy'. As Bennett himself admitted the result was a 'rather formidable-looking paper . . . not the sort of document one can consider satisfactorily on an office file', but he hoped it might be discussed by the heads of geographical departments and the assistant under-secretaries concerned; he sent private advance copies to Cohen and one or two others (minute, 3 May). Poynton's reaction was that the memo was 'interesting and provocative . . . I should be reluctant to accept some of the conclusions reached in it although it contains many pertinent comments' (minute, 12 May). Thomas welcomed the memo: 'every paragraph, especially in the conclusions, invites rejoinder, but we need a lot more fundamental thought on the question where we are aiming, and I have personally found No. 48 very stimulating' (minute, 16 May). The paper, however, never received the consideration it deserved, and the secretary of state apparently never saw it. This pigeon-holing was partly the result of Bennett's moving in August to take over the Mediterranean Dept.]

I. *Introductory*

1. This paper is written in an attempt to clear the air before the next United Nations General Assembly in September, 1947 as regards questions of colonial policy, particularly the line to be taken by the U.K. and other colonial powers in handling Chapter XI of the Charter. Experience since San Francisco has shown that colonial issues arouse increasing international interest and are certain to be discussed in one form or another. The institution of the trusteeship system—now virtually completed—has been in the nature of a dress rehearsal, for both the colonial and non-colonial powers. It is now necessary to assess the position in its

broader aspects. The U.K. is in any case committed to having a policy about Chapter XI for discussion with the French and Belgians at the conference in Paris due to take place shortly after the conclusion of the Trusteeship Council. It will also be desirable to exchange views in good time before the September Assembly with the Dominions and with the United States Government.

2. H.M.G. have declared from time to time that the basis of their foreign policy is the United Nations. The extent to which it is desired that this policy should be applied in the international aspects of colonial matters (beyond the specific action already taken to place three African territories under trusteeship) has not yet been closely defined. A number of gradations are possible, between the one extreme of making United Nations opinion one of the foundations of our colonial policy and the other extreme of taking as little notice of the United Nations as possible consistently with the strict letter of the Charter. Pending Ministerial guidance on that issue, it appears best to confine this paper to a study in terms simply of the international pressures, and the related internal pressures, operating on the U.K. and the other colonial powers.

II. *The position in the United Nations*

3. The formal position is that the following colonial matters (leaving aside Palestine, which is an exceptional case) may be expected to come up in the next General Assembly:—

(a) Trusteeship, in the shape of:—
  (i) The report of the Trusteeship Council;
  (ii) Further elections to the Trusteeship Council;
  (iii) Possible further criticism by the Slav bloc of the validity of the existing trusteeship agreements.
(b) Action on information supplied by colonial powers under Article 73(e)—*ad hoc* Committee meeting three weeks before the Assembly.
(c) Review of action (if any) taken under the so-called "Philippine Resolution" (conferences of non-self-governing peoples).
(d) Future of South-West Africa (and Nauru).
(e) (Possibly) Establishment of the South Pacific Commission.
(f) (Possibly) Colonial participation in Specialised Agencies (in view of membership clauses in draft "relationship agreements" between these agencies and the United Nations).

In addition, we cannot exclude the possibility of other specific colonial issues being raised, as a result of developments between now and September (e.g. French action in Indo-China and Madagascar, and/or pressure for certain non-mandated territories to be brought under trusteeship).

4. The first to arise in point of time will be that in paragraph 3(b), and it seems likely to be the central feature from the point of view of formulating policy since it brings up in the clearest and most general form the interpretation of Chapter XI of the Charter.

5. The U.K. (as we have often pointed out) took the lead in putting Chapter XI into the Charter. The fact that it was considered desirable to do so is a testimony to the depth of present-day feeling that (irrespective of the special case of trust territories) colonial policy, at least in its broadest aspects, is a matter of international

concern and should be the subject of internationally recognised standards and obligations. Since San Francisco, the U.K. and other colonial powers have attempted to take up the position that Chapter XI is a voluntary declaration, imposing obligations on them alone and conferring no rights of supervision or initiative on the United Nations as a whole, beyond the right to receive certain documents "for information purposes" under Article 73(e). The debates last year have, however, already made it clear that the majority of the United Nations are not content with this limited interpretation, and attach great importance to Chapter XI as a means of discussing and formulating resolutions on colonial affairs.

6. It seems superfluous to linger over the legal interpretation of Chapter XI; a convincing enough case can be made by the protagonists of either party. The facts are that Chapter XI is in the Charter; that under Article 10 the General Assembly may discuss any matters within the scope of the Charter; that whether we like it or not, the General Assembly *will*[1] discuss matters within the scope of Chapter XI; that our chances of getting the question of their right to do so referred to the International Court, if we so desired, are negligible (bearing in mind the India–South Africa dispute) while our motives would certainly be misconstrued; and that even if we walked out we could not prevent such discussions, and should merely be allowing our own case to go by default. On the other hand the powers of the General Assembly, on this as on all other matters, are not executive or mandatory and are limited to making recommendations. We are not, therefore, under legal commitment to give effect to the outcome of any General Assembly discussion on Chapter XI questions, though (depending on the circumstances of the case) we might find ourselves under a strong moral obligation to do so.

7. The question is, therefore, not *whether* we should allow General Assembly action in respect of Chapter XI to go beyond the strict receipt and pigeon-holing of information under Article 73(e), but how we shall treat the inevitable debates on matters of colonial policy. That is to say, should we (a) attempt to lead and guide the discussions—following up the initiative we took when we put Chapter XI itself into the Charter—and take positive steps to explain and justify the broad features of our colonial policies to the United Nations and to seek their sympathy and support in carrying them out; or should we (b) rest on our oars, defend ourselves if attacked, put forward no ideas or resolutions ourselves but try to whittle down those of others, and in general adopt the attitude that we do not "recognise the jurisdiction of the court" and that it is an act of grace for us to make a statement at all? Behind this question of tactics there obviously lies the question of policy whether or not the international (and internal) pressures are such that, in any event, what we do in the colonies will have to be guided to a considerable extent by those pressures. If that is so, then alternative (b) would be self-defeating.

8. It is unnecessary here to recapitulate in detail the attitude of the principal non-colonial members of the United Nations concerned, but the following main factors may be noted:—

(a) The U.S.S.R., supported by the Slav group, must be expected to continue their pressure for "emancipation" of colonies in general, for reasons of Russian foreign policy, and also in part from a genuine (if ill-informed and prejudiced) interest in

[1] Emphasis throughout in original.

the question. They may also point to the apparent more rapid progress of the Asiatic territories of the U.S.S.R. It is, however, noteworthy that, in a number of other United Nations discussions (e.g. in the Commission on Human Rights), a practical community of interest between the Colonial Office and the Kremlin is beginning to emerge—both insisting on national sovereignty and on reservations to cover backward areas, as against the liberalism of the Western Powers, including the U.K. itself.

(b) India, supported by other Asiatic states, will continue to press for the rapid liquidation of the remaining European colonial regimes in Asia, and will also try to assert Indian influence throughout the Indian Ocean and in the Pacific.

(c) The Arab League will tend to support (a) and (b) so long as Palestine, Libya and French North Africa remain under foreign rule.

(d) The Latin American states, while having no major axes to grind, will tend to follow the "liberal" American tradition, without the counterbalancing factors which are beginning to operate in the case of the United States itself.

9. This combination of pressures, particularly in terms of voting strength actually at the Assembly, is very strong. It embraces practically the whole world outside Western Europe.

10. The attitude of the United States is, therefore, of vital importance, both in the Assembly and in the world at large. American opinion has traditionally been opposed to "colonialism." The desire to see rapid political emancipation remains, but is being counter-balanced by strategic and other interests as the United States itself acquires colonial or quasi-colonial responsibilities. The early and disorderly dissolution of the Western European colonial empires would precipitate a further world redistribution of power which might have serious consequences for the United States. There is evidence of a growing recognition of the need for the United States, as the greatest surviving imperial power, to support its elderly poor relations (e.g. the "Truman Doctrine" in Greece and Turkey). On the other hand, while probably well-disposed to the continued existence as such of those colonial powers who are members of the United Nations, the United States is by no means necessarily committed to the colonial policies they at present follow. It may be expected that the need for United States support will be increasingly used to bring American influence to bear on the strategy of colonial administration (compare war strategy in 1942-5). In particular, the American economic system and ideals are far removed from the doctrines of planned economic and social development in the colonies which hold the field in the U.K. and (to a lesser extent) among the other colonial powers. Yet the United States alone possesses the material resources capable of making those doctrines really work.

III. *Position of the colonial empires*

11. There are many common factors in situations which all the colonial powers have to deal with, both internationally and internally. The significant differences are rather between one colonial region and another than between one colonial power and another.

12. It is, therefore, not possible to consider U.K. policy without taking account of the position of the colonial powers generally. It is an important fact that the Colonies (using this term in its broadest sense) are held almost exclusively by the Western

European states—the "Western bloc" with all that that implies. With the present redistribution of power in the world and the relative decline in strength of Western Europe, the colonial empires are subject to severe external and internal pressures. Western Europe does not at present possess, and may never possess again, either sufficient resources to develop the colonies to the maximum extent which the situation demands or sufficient power to maintain the status quo. Spain and Portugal are weak and discredited. France has collapsed once already, is still divided internally, and serious cracks are already appearing in her overseas empire. Belgium and Holland, as colonial powers at least, are largely dependent on the U.K. and France. The U.K. itself is seriously weakened economically and in manpower.

13. Redistribution of power could, broadly speaking, come about in three main ways:—

(a) By acceleration of the development of local autonomy or independence (which is inherent in the situation even though its recognition as an avowed factor in policy has so far been largely confined to the U.K.).
(b) By the acquisition or increase of influence by present non-colonial powers, through some machinery of international accountability designed with greater or less sincerity to lead towards (a).
(c) By direct redistribution of colonial territory.

Of these, (a) is most in line with the interests (real or at least supposed) of the colonial peoples themselves. At the other extreme, (c) is simple power politics. (b) is a mixture of the two. Hence it was inevitably included in the structure of the League of Nations and of the United Nations, but its practical working out has so far been beset by mixed motives and suspicions. The redistribution of colonial territory, besides being the least justifiable, would only be accepted by present colonial powers under very severe stress, probably only as a result of defeat in war (e.g. Italy). For the time being it may, therefore, be ruled out, with certain possible minor exceptions, and bearing in mind the uncertain future of the Spanish and Portuguese empires. This paper can, therefore, be confined to methods (a) and (b).

14. Applying the above to the five main colonial regions:—

(1) *Middle East and North Africa*
The Middle East proper is now out of the colonial phase save for the wholly exceptional case of Palestine. Libya and French North Africa are outstanding. The line of pressure is clearly towards independence without any intervening stage of trusteeship. Nationalist movements are strong and are supported by the Arab League.

(2) *South East Asia*
This region presents a number of resemblances to Region (1), with the new independent India playing a corresponding role to the Arab League. Nationalist movements stimulated by the Japanese occupation, are active and increasingly in touch with one another. Indonesia has gained virtual independence by the use of force, diplomacy and international opinion, and Indo-China looks like doing the same. Burma and Ceylon are rapidly reaching independence by more peaceful means. The exceptions for the time being are the U.K. territories in Malaya, Sarawak and Borneo, where the previous regime has been replaced not by an

autonomous structure but by a more direct form of colonial administration than before. This measure has, however, only been partly successful and its future is uncertain, particularly in view of developments in the rest of the region. In this region generally it seems unlikely that either external or internal pressure groups would invoke the instrument of international accountability, except in its most general sense, for the same reasons as in the Middle East and North Africa.

(3) *Tropical Africa*
Unlike (1) or (2) there is little in the way of indigenous civilisation. Pressure for increasing autonomy comes from a small but growing educated class; nationalist movements are as yet undeveloped and when they grow will perhaps be pan-African rather than territorial. In these circumstances the external pressures outweigh the internal. Independence immediately or in the near future is not practicable and the necessity for the continuation of some form of foreign colonial administration is generally recognised. International attention is, therefore, focussed not on the continued existence of the colonial powers as such but on the methods and objectives of their administration. International accountability in its formal sense (trusteeship) already applies in certain zones of East and West Africa, artificially selected because they were taken from Germany after World War I. There is increasing pressure towards widening the area of accountability both functionally (e.g. through Specialised Agencies) and territorially (e.g. South West Africa). Since the unity of African problems is increasingly stressed by the colonial powers themselves, it is politically difficult to draw the line against this spread of accountability.

(4) *The Pacific*
This follows very broadly the pattern of Region (3); external pressures exceed internal, but both are less acute than in Africa. The trusteeship system is already in force in parts of the region for the same reasons as in Africa. The significant difference is that for strategic reasons the U.S.A. is involved in this region alone as one of the colonial powers.

(5) *The Caribbean*
This region is unique since its population is predominantly European or Europeanised, and its continued existence as a colonial region is due to exceptional circumstances. Both internal and external pressures exist, but the former are on the whole being met by the colonial powers and the latter are dominated by the strategic and commercial interests of the U.S.A. in the region, which again have been met by the lease of bases and the establishment of the Caribbean Commission. The Caribbean is a regional rather than a world problem.

15. From the above it is evident that the key regions for the U.K. (and to a large extent for the colonial powers generally) are South East Asia and Tropical Africa. In the Middle East-North Africa region our colonial commitments have been liquidated apart from Palestine and Libya (both of which are essentially foreign policy matters); France, however, is still deeply committed in this region and there is always the danger that the U.K. might become involved in the consequences of French mistakes as in the case of Syria. The Pacific and Caribbean regions involve relatively small land areas and populations and neither present such acute problems at the moment; in

both the influence of the United States is likely to be decisive and it is at present being exercised with moderate benevolence towards the existing regimes. The Mediterranean Islands and Gibraltar have been omitted from this review because their retention is due solely to U.K. strategic regions [sic].

16. Of these two key regions, the dominant issue in South East Asia is that of nationalism and independence, and in Tropical Africa that of international accountability.

IV. *Trends of British policy*

17. It may be useful to examine in the light of the previous sections some of the trends of current U.K. colonial policy; necessarily only the broadest of generalisations can be attempted. The purpose of the examination is to indicate what particular vulnerable points there may be from the international angle at the present time.

18. While the extension of political liberties has been for a very long time our avowed objective, it has usually been carried out slowly and cautiously. The tradition of U.K. policy has been on the whole paternal. Good administration is in general considered a prior objective to the rapid extension of political responsibility.

19. In recent years, with the much publicized Colonial Development and Welfare Acts, the emphasis of British colonial policy has been increasingly placed on economic and social development. The need for great improvements in this field is, of course, unquestionable. This concentration on colonial development has, however, also had the indirect effect of strengthening the paternal tendencies noted in the previous paragraph. Material development and social progress are to come before political development, and "democracy" in the Colonies would be largely meaningless without them. Unconsciously the philosophy of British colonial policy has adopted what is virtually a Marxist approach.

20. These factors make for some lack of flexibility in relation to the internal pressures for increasing and rapid self government. If the pace of political development is to be set by economic and social development, it is bound to be very slow. Moreover, it has been shown on a number of occasions that material development is not generally acceptable to politically conscious dependent peoples as an alternative to political emancipation. Our approach to political development appears to be based on the assumption that the Colonies can be treated more or less in laboratory conditions and that we are effectively in control of the timetable for this sociological experiment. In the light of the previous sections it is doubtful whether this assumption is any longer valid (e.g. South East Asia, but the principle applies generally).

21. The modern emphasis on economic and social development has also increased our impatience with external "interference." This reaction is equally or more marked among the other colonial powers; in its modern phase it dates (perhaps significantly) from Vichy's concentration on the colonial empire after the fall of France in 1940. Hence resistance to any hint of international accountability is on the increase. The creation of the mandate and trusteeship systems has had the accidental effect of strengthening this resistance in regard to other colonial territories. The African region naturally provides the main example here, but again the principle applies generally.

22. Perhaps the most important vulnerable point is the gap between the magnitude of the programme set by the idea of colonial development and the

practical ability of the U.K. and the other Western powers to carry it out. Our financial material and manpower resources are severely restricted. The augmented C.D. and W. Fund is already recognised to be inadequate; but resources on the major scale required cannot be diverted to the Colonies now or in the foreseeable future. The other colonial powers appear to be even worse off. Hence, in the face of international pressure, an appeal to let us alone so that we can get on with the job is deprived of a very important part of its justification. Indeed, the chances of impoverished Western Europe being able to carry through controlled economic and social development of the Colonies *within the time which political circumstances will allow* appear to be distinctly questionable.

23. It is, therefore, arguable that it is necessary to reconsider the basic assumptions of policy with a view either to accelerating the pace of political development, or to widening the circle of countries, whose resources can be called on for colonial economic and social development, or to both these things. Otherwise there is a risk that internal and external pressures may break the "controlled experiment" before it is completed, which would obviously be the worst of all conclusions from the point of view of the colonial peoples themselves.

24. It is interesting to speculate whether on pure grounds of technique, there may be lessons to be learnt from the rapid economic and social modernisation of the Asiatic areas of the U.S.S.R., where the Marxist approach has been carried to its logical conclusion. The Stalinist "nationalities" policy, combined with the exercise of remote control by enlisting the local intelligentsia into the Communist Party, seems to have found a possible method of carrying through a very authoritarian operation quickly, while at the same time providing at least a facade of autonomy. The important distinction in technique seems to be that the Russians have found a way of absorbing and employing the local intelligentsia while we, in our efforts to maintain the highest standards of administration at all costs, have been reluctant to create a class of what are called "professional politicians". Nevertheless, the indigestible colonial intelligentsia seems to be a growing problem in many territories, and unless a more effective political instrument for carrying out economic and social development can be found the situation appears to be increasingly vulnerable.

25. Another factor is the stress recently placed on collaboration between colonial powers. In the technical fields there are obvious advantages in this. It is apparent, however, that the Western European Powers cannot greatly help one another on the real factor which all lack—resources. The constructive importance of colonial collaboration on its economic and technical merits should, therefore, not be exaggerated. Politically it is a symptom of a common defensive mentality. The danger here is that the closer the association becomes, the greater the probability that the joint policy of the "Club" must descend to a lowest common denominator (e.g. are we to support South African annexation of South West Africa or French repression in Madagascar as the price of colonial solidarity?) From both technical and political points of view, the U.K. probably has more to give—or more to lose—than to receive as a result of this process. It appears, therefore, that the right perspective is to regard colonial collaboration as a secondary technical factor and not as a major instrument of policy.

26. The position of colonies in relation to international functional bodies (Specialised Agencies, Commissions of the Economic and Social Council) is becoming increasingly important. Here it seems that we have unconsciously been

attempting two divergent lines of policy. On the one hand we assert the principle that in international economic and social matters political status is irrelevant, no distinction should be made between colonies and sovereign states, and no special "colonial machinery" should be set up. Yet we and the other colonial powers are busy creating just such special colonial machinery in the two Regional Commissions and the less formal collaboration with the French and Belgians in Africa; and we resist strongly any suggestion that such arrangements for inter-colonial collaboration on economic and social matters should be brought into relationship with, or absorbed by, the United Nations and Specialised Agencies. If we allowed our declared principle of "colonial equality" in the economic and social field to be followed to its logical conclusion, there would inevitably be a considerable further spread of intervention in these matters in the colonies by the United Nations and its organs; but it is current policy to resist this. In fact, economic and social matters cannot be divorced from the political superstructure; and it is in the political field that the significant differences between colonies and sovereign states lie. The more we try to disarm international interference by proclaiming that there is no difference between colonies and sovereign states in the economic and social field, the more we shall come up against the fact that there is a very real difference in the political field; and it is likely that the attempt to have it both ways will merely end in focussing additional international attention to the fact of *political* dependence as the real and central characteristic of the colonial system. This fact is already beginning to appear in the course of the work of such bodies as the Human Rights Commission, where the Colonial Office has continually had to hold the U.K. Representative back with reservations arising from colonial conditions. It is likely that in the end we shall have to choose between either coming out in favour of special colonial clauses and colonial machinery (thereby abandoning our equality principle) or else attempting to bring U.K. policy as a whole in regard to Human Rights down to a lowest common factor based on colonial conditions. A similar problem arises in our attempts to secure "associate membership" for colonial territories in Specialised Agencies, which again is based on the doctrine of equality of treatment in economic and social matters. It is becoming apparent that colonies will only be able to participate effectively in these bodies, and will only be accepted as such internationally, when they are politically qualified to do so. These examples illustrate in an acute form the dilemma facing us in attempting to follow a progressive policy of colonial participation in international functional bodies, while at the same time preserving unchanged the principle of exclusive sovereignty in the colonies.

V. *Some tentative conclusions for discussion*

27. The greater part of the world is opposed to the continuance, at least in its existing form, of our and other colonial empires. This pressure is exerted, for different reasons and with varying degrees of intensity, regional and general, by the Slav, Asiatic, Middle Eastern, and Latin American groups of states. Western Europe is the exception, but closer association between the U.K. and the rest of Western Europe on colonial issues is likely to increase our liabilities without proportionately increasing our assets.

28. Peaceful pressure exerted through the United Nations or otherwise need not be expected to produce (except in special local conditions) sudden catastrophic changes in the status quo. Nevertheless the combination of pressures is more than

the U.K. is now in a position to resist indefinitely. The only quarter from which effective support is both available and (in favourable circumstances) likely to be forthcoming is the United States. But the United States cannot be expected to underwrite the British Empire either *in toto* or unconditionally.[2] In consequence, the system and objectives of colonial administration as regarded between the two wars no longer correspond to the realities of the situation.

29. *Time* has, therefore, become the dominant factor. We are no longer (as hitherto supposed) in ultimate control of the timetable of developments in the colonies; and policies (such as those deriving from the C.D. and W. Acts) which are based on that assumption will be shown to be increasingly invalid. If this is so, we have broadly speaking a choice of two alternative courses:—

(a) to "hang on," ignoring international and related internal pressures with which we disagree, conceding each step ad hoc and only when these pressures become overwhelming (as in India); or
(b) to liquidate as rapidly and satisfactorily as possible those commitments which are likely to become untenable, to beat a strategic retreat to shorter and more defensible lines (both territorially and functionally), and as a condition of this manoeuvre to seek to fortify ourselves with the maximum practicable United States support.

30. There are advantages and disadvantages in either course; though it may be worth remarking that, in the United Nations at least, course (a) would appear entirely negative while course (b) could be presented positively. Course (a) speaks for itself and needs no elaboration. The remainder of these conclusions will, therefore, be devoted to deductions on the assumption that course (b) were followed.

31. Firstly, the outstanding colonial commitments in the Middle East-North Africa and South-East Asia regions should be wound up as rapidly as possible. Those regions are the most exposed to external pressure, not only the general international pressure on colonial matters but also the particular regional pressures exercised respectively by the Arab League and by India and the other Asiatic states. The internal pressures for self-government are also stronger than in other colonial regions, and in consequence United States support for the colonial powers in these regions would be more difficult (probably impossible) to secure. In place of the existing colonial-type administrations, the aim should be to develop the process (already begun by the U.K. in the Middle East) of building up groups of independent states associated with the Western powers by community of interests expressed in the form of treaties or (in very favourable circumstances) even of Dominion relationship. By facing the dominant modern political issue, such a policy would offer the best chance, in the long run, of preserving Western friendship and influence in those regions, including suitable defence arrangements (though the 1936 Egyptian Treaty pattern is now out of date). Scope for continued Western advice and assistance in the technical fields, which would be needed, could be maintained through such instruments as the already-existing British Middle East Office and Special Commissioner's Office in South-East Asia.

32. In the Middle East-North Africa region, such a policy would (apart from

[2] Poynton noted in the margin: 'I thought this form of presentation was dead. The point surely is that USA must help the British Empire to underwrite the world' [12 May].

Palestine) mean the U.K. (a) supporting an autonomist settlement in Libya and (b) exercising pressure on the French to bow before the coming storm in Tunis, Algeria and Morocco. Since North Africa is a vital link in the French imperial system, the necessity of exercising such pressure would of itself be likely to destroy the prospects of close collaboration with the French in the colonial sphere generally. Nevertheless, the prior claims of the general colonial strategy presupposed in this section would make it essential for this pressure to be exercised.

33. In South-East Asia, though the French are involved in Indo-China, the main responsibility would be on the U.K. Burma is already on the verge of independence; Ceylon should follow suit (this may be already in train). There remains Malaya, where we would have to run up as quickly as possible the framework of an autonomous government, by-passing the intervening stages. This does not mean an ideally good or stable government (it would probably be neither—compare India), but simply any structure that would just work. Sarawak and Borneo would present more difficulty, but at least a start could be made by publicly reversing the policy implied by the recent "annexations."

34. The Colonial Empire proper (leaving aside the strategic islands) would thus be reduced to Africa, the Pacific and the Caribbean, of which (for reasons already stated) the Caribbean can also be to some extent put aside as a special problem. Tropical Africa is obviously the core of the "colonial problem" proper; geographically, except for its Indian Ocean coast which is exposed to Asiatic penetration, it is relatively remote from special regional pressures; there can be no doubt of the necessity for the continuation of external guidance in some form for a continued period; and for all these reasons there would be a prospect of United States support and assistance being forthcoming. The Pacific echoes these characteristics in a minor key.

35. In Africa (and the Pacific), the new strategy would impose two broad objectives:—

(a) to devise a means of tapping American resources in order to accelerate the pace of economic and social development, at the price of admitting some degree of United States influence in policy generally;
(b) to accelerate the pace of political development, parallel with (a), by making maximum use of the small minority of educated Africans, at the price of some lowering in standards of administration.

36. The first objective could be approached in various ways. A straight American Loan for colonies is unlikely. At the other extreme, assistance through the International Bank (another route to the same source) would probably be cumbersome and open to various objections. The first essential would, of course, be vigorous presentation in the United States of the case for American "involvement" in Africa in the United States' own interests (the U.S. is already "involved" to a limited extent in the Pacific and Caribbean). Given this, the creation of the necessary machinery might best be approached regionally—the two existing Regional Commissions perhaps being used as experimental grounds before the introduction of the full principle to Africa. The first step would be to confer on these (or analogous) bodies financial powers, i.e. power of allocation and administration over a joint colonial development fund contributed by all the participating governments. This would of course imply "regionalising" our own C.D. and W. Fund and devolution of Treasury

control, which would appear desirable on other grounds too. The objective would be, through some such means, to draw not only on United States financial resources but also (perhaps equally important during the phase of U.K. recovery) on American equipment and technical manpower. The regional "governing body" would obviously exercise *de facto* large influence not only in its own field of economic and social development planning but also, indirectly, on the broader field of administration and policy generally (compare O.L.L.A [?OLAA] during the war, especially in small countries). It would be wiser, and perhaps more acceptable, to leave the exact scope of its powers and functions as judiciously vague as possible. We should aim at a regional agency broadly of the pattern of the Middle East Supply Centre in 1943/44. A necessary corollary would, of course, be to shift a considerable focus of U.K. control from Whitehall to a resident U.K. regional authority.

37. We should attempt to carry the other colonial powers with us in this general line of approach, but should begin simply on an Anglo-American basis if they were unwilling to co-operate at the outset.

38. In the internal political field, it would be impossible (and presumptuous) to go into details in this paper, but it is clear that the kind of proposals for rapid devolution of authority and constitutional reform at present being studied by the preparatory committee for the Conference of African Governors would need to be carried out rapidly and perhaps extended. An advisory body of Africans might also be directly associated with the organisation described in paragraph 36.

39. The suggested new African regional organisation should not be set up actually through the machinery of the United Nations, since its functions would be considerably broader than those, for example, of the Economic Commissions for Europe and for Asia and the Far East recently set up by the Economic and Social Council. It should be made clear from the outset, however, that it was the intention, once the new organisation was satisfactorily established, for it to be brought into relationship with the United Nations. For this purpose the device of a "relationship agreement" with the United Nations as a whole (such as the Specialised Agencies are negotiating) should be used in preference to direct subordination to or absorption by one of the organs of the United Nations. The device of a carefully drawn up "relationship agreement" would preserve the proprieties while allowing the new organisation the maximum freedom of action. Similar treatment could be given to the existing Pacific and Caribbean Regional Commissions, if reorganised on the lines suggested. However, if these regional organisations set up subordinate technical bodies, primarily of local composition and functioning in the field of a particular Specialised Agency, those subordinate bodies should seek direct recognition as the regional branch of the appropriate Specialised Agency. To facilitate this, efforts should be made to persuade the U.K. itself to switch over from a "centralising" to a more "federalist" concept of the structure of Specialised Agencies.

40. The very broad generalisations outlined above would, of course, take time to examine and work out, and very little could be available to show at the 1947 (or even perhaps the 1948) United Nations Assembly. Nevertheless it would be a natural corollary of adopting this course that we should abandon a "defensive" attitude about Chapter XI and seek instead to explain our objectives in the colonies fully, quoting as many concrete examples as the situation gradually permitted. On the one hand we could point to such cases as, for example, Ceylon and Burma. On the other, we might go over to the attack on Article 73(e) by enunciating the principle of "no

representation without taxation"—in the form of a carefully-designed trial balloon for the concept of international regional assistance to colonial economic and social development. These matters of Assembly tactics would, however, naturally have to be determined in the light of circumstances at the time, granted the basic principle that we were not going to attempt to remain purely on the defensive under Chapter XI.

41. The suggestions outlined in this section are purely generalisations thrown out for discussion; no attempt has been made at this stage to present them in detail, nor to cover considerations arising from the defence and commercial interests of the U.K.

175 CO 537/3151 23 Jan 1948

[Prospects of Anglo-French economic collaboration in Africa]: minute by K E Robinson

[This forceful minute was not entirely approved of by Cohen: he did not, he commented (27 Jan 1948), take such a gloomy view; and in any case ministers wanted the possibilities of Anglo-French co-operation in West Africa explored. Kenneth Robinson remained a persistent protester about the constant Foreign Office pressures to rush development schemes forward because the OEEC and the Americans wanted some concrete development projects as soon as possible to ensure dollars and to support requests under the European Recovery Programme appropriation—e.g. 'I spoke strongly about the practical results of any attempt to rush the conference for political reasons' (CO 795/159/45500/48, minute, 14 July 1948)—this with reference to Central African transport (see 130, note). Robinson had been put in charge of a Working Party. The brief they drew up stressed that trade possibilities were limited by the fact that French and British territories were economically substantially similar. Though British planning was 'more centralised than a year ago', policy still aimed at setting up a series of development plans for colonies or regions rather than a masterplan for the colonial empire as a whole, conceived and administered from the centre in the French manner. But because of the need to increase the tempo of development ('for the sake of the peoples themselves and to provide more food and raw materials for the world at large'), expert assistance and general guidance to colonial governments in development planning was being greatly extended.]

. . . I must confess that my examination of the various problems put on the agenda by the French has led me to a very complete agreement with the views expressed by Monsieur Peter[1] about the merits of these items. My discussions with the French Embassy in London and even with Monsieur Monod[2] of the French Foreign Office had already convinced me that those who had been responsible for the proposals for these talks had absolutely no conception of the problems involved, of the work already done under the arrangements previously made for Anglo-French collaboration which have been pursued quite a bit, so far at any rate as West Africa is concerned, and were actuated wholly by political motives. I fear that there is very serious danger that these talks may even result in some deterioration in our relations with the French since I believe that if we are to be at all honest we shall have to admit that the scope for any additional co-operation in these fields is at best not very great and that the proper course to pursue is an intensification of the efforts which are already being made.

2. M. Peter's comment on the 4th item, namely the integration of British and

[1] Director of economic affairs at the French Colonial Office.
[2] Guy Monod of the Africa Section.

with a request which was calculated to involve discussion at the Assembly of political problems and which was designed to involve and embarrass and afford a platform for scurrilous misrepresentation at the United Nations.

(b) *Committee to examine information supplied.* It is likely that a Committee will meet each year prior to the Assembly Meeting to examine the information received and comment on it; but the Resolution carried, although very near to the margin of the authority of the Charter, does safeguard our position.

(c) *Extension of trusteeship of colonies.* A Resolution in favour of placing colonial territories under United Nations Trusteeship was carried in Committee Four and received a tie of votes in the Assembly. This would have been insufficient to carry it even on a bare majority. (Actually it was held that a two-thirds majority was required.) We opposed this Resolution because (i) as yet there was insufficient confidence and experience in the Trusteeship Council; (ii) the matter was entirely within the discretion of the Colonial Powers and was not required by the Charter; (iii) so far as British Colonies were concerned, the administration was similar to that in trust territories and the proposal retarded rather than helped the advance to self-government; (iv) Britain had obligations under treaty to the considerable part of the Colonial Empire composed of protected peoples and these obligations could not be transferred; (v) advance to self-government was a vital part of British policy; and (vi) such a step would be resented by the Colonial peoples themselves.

9. Undoubtedly at United Nations meetings we shall continue to meet a great deal of prejudice, ignorance and hostile criticism. In general, however, it may be said that the atmosphere was considerably better this year than last. In no case (except the final vote on transmission of political information) was there an actual majority of the political votes against us, and in no case (except that mentioned) was there a margin of more than five votes against us. We must recognise that in these matters there is likely to be a "hard core" of inconvertible opponents—namely, the Slav *bloc*, India, and, probably for some time at least, the "coloured" nations (Afghanistan, Ethiopia, Haiti, Liberia, Pakistan, Philippines, Siam). The Arab group is apt to be capricious. In this Assembly their minds were occupied solely by Palestine and their votes were far more influenced by antagonism towards the United States over Palestine than by the merits of any case under discussion in the Fourth Committee. After the U.S.S.R. had also pronounced in favour of the U.N.S.C.O.P. majority report, the Arabs were less intractable on colonial and trusteeship matters. The majority of the Latin American States appear to be more sympathetic and it would be well worth while trying to educate them. The Argentine, Brazil, Costa Rica, the Dominican Republic, Nicaragua, Peru and Uruguay were staunch supporters and almost always voted with us. Cuba, Guatemala, Mexico and sometimes Panama were hostile. The rest of this group varied: their attitude seems due to ignorance more than hostility. The Western European Powers, Greece and Turkey, voted with us on almost every occasion.

10. The fact that the United States have largely come round to our point of view in recent years, and the head-on clash between the Western democracies and the Soviet group, combined with the increasing indignation on all sides at Soviet obstructiveness in almost every aspect of United Nations work, has put us in a fortuitously favourable position. This, however, should not be regarded as necessarily permanent. The United States are at the present moment too pre-occupied with

communism to devote much time to "British imperialism." It is therefore most important to do everything we possibly can, while the present exceptional international circumstances continue, to consolidate our position and win as much support as we can for our colonial policy. We can do much by positive measures and publicity to establish confidence among all but the inconvertibles.

177 CO 537/3151, no 62 24 Mar 1948
[The Anglo-French colonial talks, 17–20 Feb]: minute by Sir S Caine

. . . The following summary of the background and resolutions of the Conference may be useful.

2. The general character of the talks was determined by the following:—

(a) They formed a continuation and pulling together of a number of previous formal and informal contacts on economic and associated technical matters. Such contacts were initiated in the early stages of the war and have been actively revived and extended from 1945 onwards.

(b) We and the French Colonial authorities are inspired by the common objectives of developing the resources of our respective dependencies for the benefit of their inhabitants, whose standard of living will thereby be increased, and the rest of the world which may hope to secure by such development increased supplies of scarce commodities.

(c) On a wider background the talks are related to the general movement towards a Western Union emphasised in recent talks between the Foreign Secretary and French Ministers, and to the specific organisation of the Western European countries in connection with the European Recovery Programme and American aid, it being recognised that the development of the Colonial dependencies can contribute to the establishment of Western European equilibrium and international trade. With this in mind they were attended by the Commercial Minister, representing the British Embassy in Paris, and Mr H J B Lintott of the Board of Trade, on behalf of the Anglo-French Economic Committee.

(d) Although the talks were confined to British and French representatives, it was fully recognised on both sides that similar close cooperation is needed between both countries and other powers having Colonies in Africa and indeed elsewhere.

3. The actual achievements of these discussions are in one sense modest, but intensely practical. The following are principal points:—

(a) We reviewed all the practical issues arising in the area of common Anglo-French interest in Africa covering the four British West African territories, French West Africa and French Equatorial Africa, in particular policy in the marketing of produce, communications, trade between the territories and coordination of development plans.

(b) In all these fields agreement was reached on full and frank exchange of information between London and Paris and between the local authorities in Africa.

(c) A number of practical issues were taken a stage further, e.g. in the discussion of the future supply of coal from Nigeria to French territories, of salt from the French to British territories, and in arrangements for further joint investigations

of such matters as the extension of the Sierra Leone Railway over the border into French Guinea, the survey of the River Niger, the development of meat production in Northern Nigeria and the French Cameroons, and joint action in fisheries.
(d) Definite arrangements were made for detailed examination of our respective development programmes with a view to bringing to the notice of the two Governments any particular matters in which there was overlapping or in which gaps were left so that any necessary coordinating action can be considered. Such detailed examination of programmes has hitherto been impossible because we have been supplied with no detailed programmes on the French side, while our own programmes, which were reasonably complete so far as Government development schemes were concerned, did not adequately cover developments in the field of private business. Both these difficulties are now being remedied and an effective comparison of development programmes on each side will be possible in the future.

4. What is the most important achievement and the most satisfactory feature of these and other conversations with the French is the establishment of really friendly relations. We believe these to be of much greater importance than the establishment of any kind of formal organ of liaison, and that we are on the way to establishing, in this field at any rate, the same kind of informalised but close arrangements for consultation and discussion as His Majesty's Government has with Dominion Governments.

By common consent no move was made towards the establishment of any formal Anglo-French Colonial Committee or similar body, either as an independent organ or as some organ of the Anglo-French Economic Committee. Some of the difficulties in the way of the creation of any such formal body are:—

(a) Unless it included a number of African representatives, in which case it would cease to be administratively workable, it would arouse suspicions and criticisms of African opinion, which would suspect it of being a new mechanism of exploitation. Such suspicions exist on the French as much as on the British side, and have indeed recently been voiced in the Assembly of the French Union.
(b) As already suggested, it is important that cooperation in these three spheres should not be exclusively Anglo-French, but should extend to other Colonial powers, e.g., the Portuguese and the Belgians. At present, however, it seems likely that better results will be obtained by informalised bi-lateral discussions than by the formation of any joint organisation between all four powers, which would not only excite to an even greater degree the suspicions of African opinion, but would almost certainly lead to requests for participation from other powers, including immediately the Union of South Africa and possibly the United States and even Soviet Russia.
(c) In so far as practical cooperation and coordination of activities is needed between the Colonial powers in relation to supplies of equipment under the European Recovery Programme it seems preferable that cooperation should be organised under the aegis of the continuing organisation now envisaged between the Western European countries participating in the European Recovery Programme.

178 FO 371/73038, no 5159 June 1948

'Notes on international colonial co-operation': CO Information Dept memorandum no. 20. *Annex*: programme of conferences

(1) *Africa*

1. Soon after the close of the war in Europe Great Britain took steps to resume and extend the Anglo-French collaboration on technical matters of common concern to their respective territories in Africa which had begun in March 1940 and been interrupted by the war. In November 1945 there were conversations between officials of the two Colonial Offices, designed principally to ascertain which particular technical questions required a common approach, and how those questions could best be made the subject of co-operation between the two countries. Similar talks with the Belgians were held in June 1946, and in January 1947 the French and Belgians held discussions with one another on similar lines to those which both had previously held with Great Britain.

2. These various bilateral conversations culminated in tripartite *Anglo-French-Belgian discussions* held in Paris in May 1947, where a programme of technical conferences was agreed upon designed to take us up to 1950. A copy of this programme is annexed. Although the initiative in drawing up the programme was taken by the United Kingdom, France and Belgium, the Conferences are in no way exclusive. Thus in December 1947 discussions were held in London with representatives of the Portuguese Colonial Office to discuss the participation of Portugal in the series of technical Conferences in Africa and at the same time to establish liaison between the two Colonial Offices. Most of the Conferences will be attended by representatives from South Africa, Southern Rhodesia and the Portuguese Colonies, whilst some may be attended also by representatives of other countries.

3. Prior to the drawing up of this programme, however, three International Colonial Conferences had been held in Africa as a result of the bilateral Anglo-French discussions. These were:—

(a) *A Medical Conference* held at Accra in 1946, attended by representatives from the British and French Colonies in West Africa, Portuguese Guinea, the Belgian Congo and Liberia. At this Conference a common service was initiated for the joint use of anatomopathological laboratories. Information was exchanged on the creation of medical schools for Africans, the training of African nurses, and a comparison of the status of British and French African doctors. The Lagos Agreement of 1943 for the control of infectious diseases was extended. Joint action by medical teams along international frontiers was decided upon, and arrangements were made for the joint preparation and distribution of vaccines.

(b) *A Veterinary Conference* held at Dakar in May, 1946, attended by representatives of the Veterinary Departments in British and French West Africa. A study was made of plans for a joint effort in combating animal diseases, and as a result there now exists close liaison between the British and French Veterinary Departments.

(c) *A Communications Conference* held at Dakar in May, 1947, attended by representatives from the United Kingdom and France as well as from their West African Colonies. The Conference drew up a list of inter-territorial projects for improving communications between the British and French Colonies in West

Africa. Work has begun on some of these schemes and closer telecommunication links have also been established as a result of this conference.

4. The first five Conferences foreseen in the attached programme of Conferences have already been held, namely:—

(a) A preliminary meeting of United Kingdom, French and Belgian *educational* experts in London in June, 1947. There was a general exchange of views and information on African education problems, and in particular on the problems of mass education, preparatory to the UNESCO conference at Mexico City.
(b) A tripartite Conference of *Nutrition* experts in Paris in December 1947. There was an exchange of information on the results of research into nutritional problems in Africa, and agreement was reached on measures to raise the physical wellbeing of the African. Some preparatory work for a nutrition Conference to be held in Africa in 1949 was also done.
(c) A meeting in Brussels in December 1947 of United Kingdom, French, Belgian, South African and Portuguese experts. The Conference discussed steps to control plant diseases in Africa, forestry nomenclature and the introduction of a unified system of trade names so as to facilitate the marketing of African forest products, and plans for a Conference on soil usage to be held in Africa in 1948.
(d) In February, 1948, a *Trypanosomiasis* Conference took place at Brazzaville, French Equatorial Africa, attended by United Kingdom, French, Belgian, South African, Southern Rhodesian and Portuguese representatives from almost every territory in Africa south of the Sahara. The evidence for effective control of the disease by the different methods employed in the various countries was analysed and recorded. Arrangements were made for the mapping of Africa to show the incidence of the disease and of the tsetse fly (the principal vector); for the rapid exchange of information between workers in the field by means of a Bureau established at Brazzaville-Leopoldville; and for co-ordination and guidance of future entomological and protozoological research by an International Scientific Committee.
(e) *A Labour Conference*, attended by some 40 delegates and observers, African and European, from all the British, French and Belgian Colonies in Africa as well as from the respective Metropolitan countries, was held in Nigeria at the end of February. The discussions of the Conference showed that there was a similar trend in labour policy in all territories. In particular, the constructive role to be played by the African Trade Union movement when wholly representative of workers' interests was recognised. Amongst the recommendations adopted were those on the desirability of extending voluntary systems of collective bargaining, on general conditions of work and especially on wages, and the necessity of improving present systems of social security. A further Conference is to be held in 1950.

5. An Anglo-French meeting to discuss the possibilities of *Anglo-French economic co-operation* in the Colonial sphere (and particularly West Africa) was held in Paris from February 17th to 20th, 1948, when the following subjects were discussed:—

(a) Price and Marketing policy.
(b) Communications and Ports.
(c) Inter-Colonial trade.

(d) Co-ordination of production plans.

6. The primary and over-riding object of this co-operation has of course been throughout and remains the promotion of the interests of the Colonial territories themselves and of their inhabitants: it is in no sense a concerted effort on the part of the metropolitan countries to exploit Colonial territories in their own interests, or to use them as pawns in a game of power politics. Whilst this co-operation is not a new development arising out of the Brussels Treaty, it clearly fits into the picture of Western Union very readily.

In this context the interests of the Colonial territories and of the metropolitan countries are complementary to each other. If it is true that the development of Africa will strengthen the world position of the Western European countries, it is equally true that it is in the interest of the Colonial territories themselves that the Western European countries should regain their strength and maintain their independent existence. Nor do we doubt that the part which Colonial territories and peoples are themselves called upon to play in achieving this end and the opportunities that will occur in the course of its accomplishment will be to their lasting benefit.

It is thus a practical means of implementing the declaration embodied in Chapter XI of the United Nations Charter; in particular, this co-operation between members of the United Nations with colonial responsibilities is enjoined upon them by Article 73(d), as a means of promoting constructive measures of development.

(2) *Caribbean*

7. In the Caribbean a more formal system of collaboration has been established between the countries with responsibilities for non-self-governing territories in that area. Starting during the war as a purely Anglo-American arrangement it has since been expanded to include France and the Netherlands as well as the United Kingdom and the United States of America. The Caribbean Commission is an advisory body dealing largely with social and economic matters and research. It is in no sense a super-Government, the executive authority remaining with the Governments of the members of the Commission and the Colonial Governments concerned. Periodical conferences are arranged under the aegis of the Commission at which representatives from all the territorial Governments take part.

(3) *South Pacific*

8. A regional Commission similar to that for the Caribbean has also been drawn up for the South Pacific, the members being Australia, France, the Netherlands, New Zealand, the United Kingdom and the United States of America. The Commission held its first meeting in Sydney on the 11th May, 1948 when it gave consideration to a number of matters of fundamental importance in connection with the establishment of its organisation.

(4) *The Far East*

9. Collaboration between Governments in the Far East and South East Asia has perforce taken a different form from that evolved by the Colonial powers in Africa. The peoples of the Colonial territories in South East Asia are better able than those of Africa to take part themselves in the discussion of problems common to two or more

of their countries. Again, the number of Sovereign States in the area is large, and since the war there have been disturbed conditions, and at times rival governments, in Indo-China and the Netherlands East Indies.

10. At the conclusion of hostilities with Japan the Supreme Allied Commander, South East Asia exercised wide co-ordinating powers over much of the area. It was clear that with the restoration of civil government and the end of the Supreme Allied Command some co-ordinating authority should continue to operate in South East Asia. As part of the constitutional changes planned for the British territories His Majesty's Government had decided on the appointment of a Governor-General with wide co-ordinating functions whose area of authority would include the Malayan and Borneo territories, and Mr. Malcolm MacDonald was appointed Governor-General in May 1946. Earlier that year His Majesty's Government appointed a Special Commissioner in South East Asia (Lord Killearn) who, besides being responsible for advising His Majesty's Government on problems of foreign affairs in the area, and taking an active part in striving for a settlement of the hostilities in Indonesia, was charged with a special responsibility for the food supply in South East Asia and for certain allied matters. On the 1st of May 1948 the posts of Governor-General and Special Commissioner in South East Asia were amalgamated under Mr. MacDonald, with the title of Commissioner-General for the United Kingdom in South East Asia, but their previous functions have continued unchanged. The Commissioner-General will thus continue to co-ordinate policy and administration in the British territories in South East Asia (the Federation of Malaya, Singapore, North Borneo, Sarawak and Brunei). He has no direct executive functions, and his staff is small. In discharging these duties he will continue to be responsible to the Secretary of State for the Colonies.

11. In carrying on the duties of the Special Commissioner, the Commissioner-General will be responsible to the Secretary of State for Foreign Affairs. The main field for international collaboration with which he will be concerned covers economic affairs. The economic organisation which the Special Commissioner had built up consists of a monthly Liaison Officers' meeting, and of an Economic Department of Administrative and Advisory staff. At the monthly meetings the following territories are represented—Burma, Siam, Ceylon, Federation of Malaya, French Indo-China, Hong Kong, India, Netherlands East Indies, North Borneo, Sarawak and Singapore, while observers represent the Governments of China, the Philippines and the United States of America. They reach agreement on the break-down of the rice allocation made twice yearly at Washington by the International Emergency Food Council of the Food and Agriculture Organisation of the United Nations into monthly shipping programmes, by assessing the availability of rice from South East Asia sources, which is distributed among the claimant territories in proportion to their allocations.

12. In agreement with other agencies concerned, the Commissioner-General's Economic Organisation also undertakes the allocation of coal to deficit areas in South East Asia, and in the Liaison Officers' meeting makes recommendations on the allocation of edible oils.

13. As part of the campaign to produce more food in South East Asia and rationalise its distribution a series of Conferences have been sponsored by the Economic Organisation. A preliminary Food Conference was held from the 26th March to the 28th March 1946, followed by conferences on food (15th April to 17th April 1946), nutrition (13th May to 18th May 1946), fisheries (6th January to 8th

January 1947), social welfare (23rd August to 26th August 1947), and statistics (27th January to 30th January 1948). In addition specialist advisers have visited foreign countries in the area, at the invitation of their governments.

Annex to 178

Subjects

1. Preliminary meeting of educational experts (before the UNESCO Conference at Mexico) having among its objects the study of mass education.
2. Meeting of experts on (a) forestry nomenclature (b) phytosanitary legislation. Preparatory meeting on soil usage Conference (see 6 below).
3. Meeting of experts on Nutrition, preliminary to a Conference in Africa.
4. Conference of Labour Officers in Africa. Agenda to be determined by exchange of correspondence between advisers of the three Ministers.
5. Conference on Tsetse Fly and Trypanosomiasis, including Insecticides. Study of the problem from the preventive aspect.
6. Conference on Soil usage having for its object (a) study of soil conservation in relation to indigenous agriculture, with a view to putting into effect the scientific conclusions of the Yangambi Conference, (b) study of questions justifying other conferences of the same type (for example plant cultivation, grazing and savannah problems).
7. Meeting of experts preparatory to Conference in Africa to study indigenous rural economy.
8. Rinderpest.
9. Nutrition Conference in Africa.
10. Medical Conference as indicated by the Accra conclusions.
11. Conference in Africa on Indigenous Rural Economy.
12. Conference on African medical education.

179 FO 371/73038, no 5307 26 June 1948

'International study conference on overseas territories of Western Europe', Amsterdam, 9–12 June: despatch from B E F Gage (The Hague) to Mr Bevin. *Annex*: report by S Wright [Extract]

I have the honour to enclose a report on the International Study Conference on Overseas Territories of Western Europe, which took place in Amsterdam from July [sic] 9th to 12th, written by Mr. Wright, the Press Officer in Amsterdam, who attended the conference at my request.

2. In accordance with the instructions contained in Western Department's letter Z4091/39/72 of May 24th, every unofficial assistance was afforded to members of the British delegation, whom I also entertained informally (together with some members of the other delegations) while they were here in order that they might have some contact with Netherlands officials.

3. As is apparent from the enclosed report, no specific resolutions or recom-

mendations emerged from the conference, owing to its unofficial nature and to the preliminary character of its studies. It is however probable that more specific conclusions will be reached at the second meeting, which the Portuguese delegation took the initiative in suggesting should be held in Lisbon next year.

4. It was noteworthy that in all fields of general colonial policy, both short-term and long-term, there was a considerable measure of agreement between the delegations of the five powers represented at the conference. The trend towards self government, in which British colonial policy has distinctly played the leading part, although not accepted as the ultimate aim by all the other delegations, did not arouse the hostility which one might have anticipated in view of the serious difficulties being experienced in their colonies by some, notably the Netherlands and France. That there should be a steadily increasing measure of self government in colonial dependencies was common ground. The Conference did, however, reach the almost unanimous conclusion that no colonial territory should be allowed to secede from the form of union in which it had its place, if such secession would endanger the security of that union as a whole.

5. Where differences emerged was principally in relation to the future action to be taken by the conference itself. As so often in the case of meetings of unofficial representatives, there was a sharp distinction between those who wished to tackle forthwith every kind of colonial problem, and those who felt that the conference could successfully undertake the study of only a limited number of questions. The former school of thought urged that, between now and the meeting in Lisbon, there should be numerous and regular meetings of small bodies of experts who would seek to get action taken on a number of technical questions of common interest to colonial powers. It seems however probable that, due to administrative and financial considerations if to nothing else, no very ambitious programme will be possible. The two sponsoring organisations of the conference, namely the British Society for International Understanding and the Netherlands Allied Circle, have no funds with which to finance any extensive operations, nor the necessary personnel; nor, I believe have any of the existing bodies concerned with the relations between European countries and their colonial dependencies. The same difficulties seem likely to prevent the fulfilment of the proposal that "publicity machinery" should be created to spread enlightenment on colonial questions . . . .

Annex to 179

1. The Conference was held in the Indisch Instituut in Amsterdam between the 9th and 12th June. It was organised by The British Society for International Understanding in conjunction with the Allied Circle in the Netherlands, Amsterdam Branch. Belgium, France, the Netherlands, Portugal and the United Kingdom were represented by unofficial delegations (see Annex "A"). The 6 "official" United Kingdom delgates (including the Secretary Mr. Sebastian) were accompanied by about 35 "unofficial" British representatives . . . .

Colonial aims and policies

8. All delegates agreed that the general aim of their colonial policy was to improve and extend the economic and industrial life in the Overseas Territories and

so to raise the standard of living. There were, however, widely divergent views as to the ultimate aim.

9. The Portuguese delegation most emphatically stressed that their Government's policy was definitely opposed to granting any form of self-government to the Overseas Territories. Commodore Alves explained that for centuries they had worked for progressive assimilation of the natives. They wanted them to become, in religion, language and habits, Portuguese citizens with equal rights, and with equal duties. The British and French delegates suggested in discussion that the results of this policy had not been as successful as Commodore Alves would like his audience to believe, but Mr. Tracy Philips praised Portuguese colonial policy, and it was evident that other delegates did not want to antagonise Portugal by going too deeply into details.

10. Professor Marzorati, the Belgian delegate, made it clear that the Belgian Government does not intend to grant self-government to the Congo for some time to come: only when people had learned to direct their material affairs would they be able to govern themselves, and "this does not present an immediate problem for it is likely to take a very long time before they reach that stage." But the Belgians were not in favour of absorbing the natives of the Congo in the Belgian state, since a great deal of work would be necessary "to create amongst the natives a class of men able to fill responsible posts in the administration".

11. The French, Dutch and British, although varying in degree, saw it as the task of the European powers to prepare and educate the native peoples towards shouldering their own responsibilities.

12. The French explained that in their present Union various methods of government and of education are being applied. Some territories belong to the Metropolitan area. Methods of assimilation have been applied in the West Indies, Equatorial Africa and Madagascar. In the protectorates and other areas the French had made no attempts to change either the habits or the religion of the indigenous peoples.

13. The Dutch delegation explained that the Netherlands Government was trying to find a formula whereby all the peoples of the Kingdom would maintain a close relationship with each other. While prepared to accept Western democratic forms of Government the Dutch did not intend to change the religion or the cultural character of the peoples under their care.

14. Sir Angus Gillan stated that His Majesty's Government were educating the native peoples for self-government by giving them a sense of responsibility while at the same time taking measures for establishing economic stability in the territory. "It is obviously a contradiction in terms to grant independence without self-sufficiency." He also argued that it was impossible to stop half-way, once the educational process had started; in the process of granting self-government it was safer to move a little too fast than to move a little too slowly.

15. This statement was contested by other delegates, especially by the Dutch delegate, M. Meijer Ranneft, and by Captain Gammans. But there were also French and British delegates who considered that Burma would still be within the Empire if Britain had moved fast enough.

The future of colonial empires

16. All delegates agreed that the links between Europe and the Overseas

Territories should not be severed, although the necessity for reforms was apparent to many. All agreed that economic disaster would follow the complete loosening of the ties between Europe and the European dependencies. This was clearly expressed by Captain Gammans when he discussed Dutch Colonial policy in Indonesia in private session. "The Dutch are in a dilemma. They realise that without the Netherlands East Indies the economy of the mother country would suffer, or worse, would collapse. But it is clearly true without the Dutch in Indonesia the economies in Java and Sumatra would soon collapse." The necessity for continued European influence and capital in the Overseas territories was not challenged, but widely different views were held on the future form of the Empires.

17. On this question there were two schools of thought: (a) those who regretted the nationalist trends because they came too early, but were prepared to face realities, and (b) those inclined to brake the nationalist impetus, to maintain the links of dependency, but to allow a greater measure of home rule.

18. Sir Angus Gillan made himself the spokesman of the first school: "It is perhaps unfortunate that nationalist trends under the stress of war have been expedited to the detriment of economic development under Western tutelage. But we have to take things as they are. It is impossible to put the clock back. If we educate people we have to go forward. We cannot stop, for if we stop, those elements whom we have prepared for administrative responsibilities will develop into unemployed intellectuals. They will most likely become self-appointed politicians, liable to create grave trouble."

19. Mr. Meijer Ranneft, on the other hand, firmly believed that by granting independence Britain would virtually liquidate her Empire. He furthermore doubted whether the nationalist governments would look after the welfare of the natives as adequately as the British administration. He argued that Western democracy would not work in Asia, and warned delegates that "although you grant freedom to the Asiatic peoples, the hatred against you will become stronger"; Asiatics would invariably follow the stronger power, and would see in the loosening of ties signs of weakness . . . .

23. Captain Gammans did not believe that any European nation could retain its empire if it had lost the will to keep its Empire; maintaining colonial power was impossible when the mother country was politically weak and economically unbalanced.

24. Mr. Ivor Thomas failed to see how the European powers could retain the colonies against their will. He felt convinced that attempts to oppress the national desire would lead to disaster. He wanted to propose Ceylon as the model of what ought to be European action. The United Kingdom had not waited until trouble had broken out before taking the initiative. The European powers should be one step ahead of, rather than behind, events. He agreed that those areas necessary for imperial defence should be retained in the Empire, but with the greatest measure of home rule . . . .

ANNEX A

Portugal

M. Lopes Alves, formerly Governor of Angola.

M.J. Bacellar Bebiano—G.B.E. Engl. A.R.S.M., formerly Minister of Colonies,

Chairman of the "Junta das Missoes Geograficas e de Investigacoes Coloniasis" in the Ministry for Colonies.
M. Sales Lane—Eng. A.R.S.M., Director of Colonial Enterprises.
M.A. Quintela Saldanha—Vice-Governor of the Bank of Angola.

Netherlands
M.A.G. Aukes—Secretary of the Africa Institute; Head of the Netherlands Goodwill Mission to Ethiopia; Member of the Royal Central-Asian Society.
Dr. J.W. Meijer Ranneft—formerly Vice-President of the Council of India and Chairman of People's Council; Member of the Privy Council.
Dr. Bernard H.M. Vlekke—Head of the Scientific Department of the Netherlands Institute for International Affairs.
Prof. Dr. E. de Vries—Head of the Economic Department of the Ministry of Overseas Territories and Professor at the Agricultural University, Wageningen.

France
M. Deschamps—Gouverneur des Colonies, Sécretaire du Comité de l'Empire Français, Ex-Gouverneur du Senegal et de la Côte d'Ivoire.
M.P.M. Henri—Administrateur des Colonies, Chargé à la Direction Politique de la mise en oeuvre de la Collaboration Coloniale Interafricaine.

Belgium
Prof. A. Marzorati—Member of the Belgian Colonial Council; formerly Governor of the Ruanda-Urundi.

United Kingdom
Captain David Gammans, M.P.—formerly Member of the Malayan Civil Service.
Sir Angus Gillan, K.B.E., C.M.G.,—Controller of the Empire Division of the British Council, formerly Civil Secretary of the Sudan Government.
Mr. Tracy Philips—Member of the Institut Colonial International.
Sir Thomas Southorn, K.C.M.G., K.B.E.,—Chairman of the British Delegation Colonial Service Liaison Officer during the war; formerly Member of the Executive Council of Ceylon and Colonial Secretary of Hong Kong; Governor of the Gambia 1936–42.
Mr. Ivor Thomas, M.P.—Under Secretary of State for the Colonies 1946–47.

180 FO 371/73039, no 5989 [9 Aug 1948]
[Collaboration with the French in Africa]: despatch from Mr Creech Jones to all West African governors (draft) [Extract]

I have etc. to address you on the future work of Anglo-French co-operation in West Africa. The programme of collaboration with the French has made great progress during the past three years. Close contact both in London and Paris and in West Africa has been established in all the more important technical fields. This contact has now been extended to the economic field. Finally in discussions held in Paris during June agreement has been reached for the exchange of information in the

political and constitutional fields. I forward herewith a copy[1] of the agreed conclusions of the Paris talks, which were attended on the British side by Mr. A.H. Poynton, Mr. A.B. Cohen and Mr. W.B.L. Monson, the Chief Secretary of the West African Council, who had during the previous week discussed the whole subject with the West African Governors at Lagos and was able to present their views. It is the political aspect of Anglo-French co-operation which forms the subject of this despatch and it may be useful if I start by stating briefly the reasons why this co-operation in the political field is regarded as important by the French and British Governments. I do so not because I believe that its importance needs any emphasis with Governors, but because I am anxious to put my views on record for the information of the Service generally.

2. As was recognised in the recent talks in Paris, the British and French West African Territories have many common characteristics and the links between them are increasing. These natural links, as well as the increasingly close ties binding the two countries in Europe, make it certain that the British and French territories in West Africa will not be able to develop in isolation from each other; indeed as political evolution proceeds the contacts between them are bound to become increasingly numerous. Developments in French or British territory, as the case may be, and the actions of the British or French administrations will have an increasing influence on the course of events on the other side of the frontier. Both Governments aim at the ultimate self-government of the West African Territories in close association with Western Europe. It is important, therefore, that the political and human problems of West Africa should be viewed as a whole.

3. Although the ultimate objective both of French and British policy is broadly the same, both Governments recognise that the methods of approach in constitutional development are at present different. The two Governments are not seeking, at any rate at the present stage, to arrive at a common policy in the political and constitutional sphere. Both Governments believe, however, that there is everything to be gained from a much fuller exchange of information in these matters leading to a closer understanding by both Governments and by French and British officers working on West African affairs of the problems in each set of territories and the actions being taken by the two governments to deal with them. By close and continuous association over the past three years a feeling of confidence and understanding has been built up between the Colonial Office and the Ministère de la France d'Outre Mer. The same process has begun in West Africa itself and if it can be carried forward in the spirit in which it has been started, and above all if it is based on an increasing knowledge of the state of affairs on the other side of the frontier, we can hope to achieve not only sympathy with each other's ideas, but a practical system of co-operation which cannot fail to be of lasting value to the people of West Africa. We are not aiming at an arrangement under which the two Governments would be under any obligation to consult each other in advance about measures in the political and constitutional field. Since, however, we do recognise that the actions of each Government are likely to have their effect across the frontier, this effect should be one of the factors to be considered in the formation of policy. In other words what is required is something less than consultation and something more than the mere exchange of information. This mutual understanding can only be achieved on the

[1] Not printed.

basis of real knowledge of the problems facing each Government; it follows therefore that steps must be taken to make this knowledge available. The policy of close co-operation which the two Governments envisage is fully in accordance with the spirit of the Treaties of Dunkirk and Brussels; but it is important that all officers working in West Africa should regard the establishment and maintenance of Anglo-French contacts not as something imposed upon them by the home Governments for wider political reasons, but as an indispensable part of their own work without which the administration of West Africa cannot in the long run be completely successful.

4. I have already referred briefly to the progress made in the last three years in Anglo-French co-operation. In West Africa successful conferences have been held in the fields of health, communications, veterinary services, tsetse and trypanosomiasis, and labour. Following on the meeting in London last November between certain of the present West African Governors and the Direction des Affaires Politiques of the Ministère de la France d'Outre Mer, personal contacts have already been made by the Governors of Nigeria, the Gold Coast, and the Gambia with their French colleagues. The Standing Consultative Commission for Togoland Affairs has been established under the chairmanship of the Governor of the Gold Coast and the Commissaire de la Republique of Togoland under French administration, and the first meeting has been successfully held at Lomé. All these steps are of much value and I take the opportunity of expressing my appreciation of them.

5. It is generally agreed by Governors that if the policy of co-operation is to be fully successful, much closer contacts must be established between individual officers, both administrative and technical and both officers at headquarters and in the field. Friendly contacts are already maintained between frontier districts. I am anxious that steps should be taken to extend these contacts and to provide for frequent visits between British and French officers as opportunities permit and for the full exchange of information on the problems and policies of the British or French authorities as the case may be. As soon as staff conditions make this possible I believe that there will be much to be gained by the exchange of visits for rather longer periods extending to several weeks in the course of which individual officers specialising in particular subjects can study the methods of the other administration; such longer visits are recommended in paragraph VIII of the paper agreed in the Paris talks on methods of execution. I am also fully in agreement with the recommendation made in Paris in paragraph VI of the same paper that meetings between officers of neighbouring territories should not be regarded simply as courtesy visits, but as forming part of the general programme of co-operation. I do not want in any way to minimise the value of social contacts; but I hope that as many opportunities as possible can be taken for the exchange of information and ideas.

6. The Paris meeting laid special emphasis on the importance of associating representative Africans with the programme of Anglo-French co-operation. Governors will certainly agree with my view that unless means of bringing Africans closely into the programme can be found, the whole policy is bound to fail. Africans have already played a part in some of the international conferences held in West Africa; they undoubtedly have an increasing part to play. I am anxious that Governments should consider how best the association of Africans with the programme can be arranged, either by participation in international meetings or, as recommended in paragraph VIII of the Paris paper, by exchanges of visits between

members of territorial and municipal assemblies or other public bodies. I suggest also that Public Relations Departments should be asked to give attention to the best means of bringing home to the general public the importance of close contact and co-operation between the British and French territories. There may be a tendency in quarters critical of Government policy to represent the programme as designed primarily to safeguard the interests of France and the United Kingdom. It is essential to make the West African public realise that they themselves have much to gain by closer understanding both by the administrations and the people in British and French territories . . . .

181 CAB 129/32/2, CP(49)24 7 Feb 1949

'United Nations: non-self-governing territories and trusteeship': Cabinet memorandum by Mr Creech Jones

I annex,[1] for the information of my colleagues, a report on the work of the first part of the United Nations Third General Assembly in respect of:—

(a) Information on Non-Self-Governing Territories (Chapter XI of the Charter).
(b) Trusteeship (Chapters XII and XIII of the Charter).

2. Regarding (a), the United Nations has now realised that the United Kingdom is not to be shaken from its refusal to agree to a widening of the Charter so as to permit that body either to exercise supervision over the administration of the Colonial territories or to discuss the political and constitutional affairs of the Colonies. There was considerably less pressure in this direction than at either of the two previous sessions of the General Assembly.

3. As regards trusteeship the situation is less satisfactory. As the report shows, there was a serious deterioration in the atmosphere of the Trusteeship Council at its Third Session following on the decision of the U.S.S.R. to take up their seat on the Council. Thus, in the Report of the Trusteeship Council to the General Assembly, prejudice and ignorance of conditions in trust territories combined to produce a series of superficial, largely platitudinous and for the most part impracticable recommendations. The conduct of the Council's discussions was such as to damage its reputation as a serious organ of the United Nations, and to transform it into a forum for largely ignorant and often malicious criticism of the Administering Authorities, serving ends of political propaganda rather than the interests of the inhabitants of trust territories. The bitterness of the debates in the Trusteeship Council was also reflected in the discussions on trusteeship matters in the Fourth Committee of the United Nations, where the atmosphere during the debates on information on Non-Self-Governing Territories had been, on the whole, friendly and composed.

4. The Trusteeship Council has wider powers than those possessed by the Permanent Mandates Commission of the League of Nations, and if it continues to act as it did at its Third Session it can hardly fail, through the effect of its debates and recommendations on sections of the local populations, to become a source of

[1] Not printed.

embarrassment to the Administering Authorities in their task of governing and developing their trust territories. I am much concerned therefore that our policy towards the Trusteeship Council and the United Nations on trusteeship matters should be such as to minimise these injurious effects.

5. We must obviously continue to carry out to the best of our ability our obligations towards the Trusteeship Council under the Charter of the Trusteeship Agreements, and to co-operate with the Trusteeship Council to the full in the discharge of its legitimate functions. But this will not prevent some of the non-Administering Members from regarding the United Kingdom as an obstacle to Colonial progress. As the principal Administering Authority of trust territories, we have consistently refused to agree to any extension of the powers of the Trusteeship Council inconsistent with the terms of the Charter and the Trusteeship Agreements and our own duties and responsibilities as an Administering Authority. We cannot, for instance, agree to the principle of prior consultation with the Trusteeship Council without making the task of administration an impossible one, and prejudicing our plans for the future development of our trust territories, and particularly for the future organisation of East Africa.

6. It seems necessary to isolate the Soviet representative in the Trusteeship Council and to expose the real motives behind the Soviet Government, the absurdities and inaccuracies of their attacks, and the conditions in the Soviet Union and satellite countries. The Americans should also assist in this. There are other non-Administering Members whose doctrinaire and ill-informed criticism is sometimes as harmful as the malicious Soviet propaganda. We should maintain as patient and conciliatory an attitude towards them as possible, but at the same time refuse to accept compromises that are unreal or result in dangerous conclusions. So far as possible our spokesmen should move forward from the defensive and seize the opportunity to proclaim and stress before world opinion those positive achievements in the advancement of dependent peoples, particularly in recent years, of which we have good reason to be proud.

7. As regards the Administering Authorities, there is nearly always identity of views between the United Kingdom, France, Belgium and Australia. Our collaboration with the French and Belgians has been useful and a number of exchanges of views have taken place with fruitful results. The attitude of New Zealand is less helpful and I have recently discussed our policy with Mr. Fraser[2], who now understands our position. So far as other members of the Commonwealth are concerned, we are also often at variance with India and, to a lesser degree, Pakistan in the Fourth Committee and General Assembly.

8. The attitude of the United States is of importance, as experience in the Trusteeship Council and the Fourth Committee has shown that, when the United Kingdom and the United States are agreed on a line of action and are determined to see it through, their combined influence can usually prevent any other solution from obtaining a two-thirds majority. The United States do not always see eye to eye with us, though recently there has been a steady adjustment of their views to ours. We must continue our efforts to secure United States collaboration or at least to prevent them from seeking compromise solutions on questions of principle which could prejudice our position in our trust territories.

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[2] P Fraser, prime minister of New Zealand and minister for external affairs, 1940–1949.

9. The United Kingdom has been well served by Sir Alan Burns[3] on the Trusteeship Council and the appointment of Mr. Grantley Adams[5] of Barbados to the United Nations Delegation was a successful experiment. The Fourth Session of the Trusteeship Council opened on 24th January and promises to be a stormy session. I am convinced that the principal Administering Authorities should continue to maintain a firm line, for only in this way will they be able to make the Trusteeship Council a more workable body, or at least prevent it from prejudicing the administration and development of the trust territories.

[3] Permanent UK representative on UN Trusteeship Council, 1947–1956; formerly gov of Gold Coast, 1941–1947.

[4] G H Adams, member of Executive Council, Barbados; subsequently premier of Barbados, 1954–1958, and prime minister of the West Indies, 1958–1962.

182 CO 537/4611 2 Mar 1949

[Africa]: Closer co-ordination of Anglo-French policies in Africa: minute by A B Cohen

[This paper by Cohen was welcomed by Martin as a more positive approach to Anglo-French co-operation, and it was initialled by Sir H Poynton (3 Mar 1949). Sir T Lloyd agreed that political co-ordination should be made more effective—for foreign policy as well as colonial reasons (minute, 12 May 1949). A N Galsworthy reported that the secretary of state agreed they should talk to the French about this, but not allow the French to feel Britain was out to make them fall into line. In Galsworthy's opinion any co-ordination would probably bring France closer to British conceptions than vice versa.]

I am sure that we ought to be taking stock of our policy of Anglo-French-Belgian, etc. co-operation in Africa and of the machinery for carrying out this policy. I am particularly sorry to raise this matter at a time when Mr. Galsworthy is on leave, but I did have an opportunity of discussing some aspects of it briefly with him and in what I say have taken his views into account. I think that he is generally in sympathy with my comments on the machinery side.

We have opposite in these files a series of expressions of view from the French side that a much closer co-ordination between ourselves and the French is required in the political sphere. M. Laurentie[1] said so in No. 1 on the 1948 file. M. Henri[2] said so in No. 2 on this file. Now both M. Laurentie and M. Garreau[3] have said so (Nos. 3 and 4 on this file). This has again been said at Dakar (see extract from my West African report which I am about to submit at No. 5).

We thus have the French representations at Lake Success, a representative of French opinion in Paris and the authorities in Dakar all pressing for closer co-ordination—so far we have no official expression of opinion from the Ministère de la France d'Outre Mer. The reason for this expression of view is quite easy to see—the French are insecure about their future in West Africa. They are frightened that international criticism and pressure will drive a wedge between us and them and they

[1] See 173, note 2. [2] See Annex to 179, annex A.

[3] R Garreau, permanent member of French delegation to UN, 1947; president of Trusteeship Council, 1949–1950.

know that they with their centralising policy have more to lose from such pressure than we with our decentralising policy.

I am myself becoming more and more convinced that we cannot go on in West Africa with programmes of constitutional development which ignore the great differences between ourselves and the French. It is not, of course, possible to leave international pressure out of account, but, quite apart from this, internally the territories have reached a stage when contacts between them are going to become increasingly important. While the official element in a territory was the most powerful one it was possible to work in watertight compartments. Now that unofficial opinion is becoming more powerful we cannot in my view go on doing so. We must therefore in my view recognise that in the long term there will probably be some form of association between the British and French West African territories and that being the case, we must work to eliminate the differences between our policies as far as this may be possible. The Governors at the West African Council meeting in Accra in November strongly supported our view that there could be no question of changing our own policy in the constitutional sphere. We now know from our conversations in Dakar that the French know that they will have to change theirs.

There are three very strong arguments for attempting a policy of closer co-ordination:—

(1) The policy of Western Union demands parallel action in Africa. We shall be under increasing pressure to show results in this respect and if we are not able to do so by direct discussion with the French Colonial Office, attempts will be made to work out a policy of closer African union through the machinery set up for Western Union. There is already pressure from both the French and Belgians to include this within the scope of the European Assembly. There is a serious danger that if the matter is handled in this way it will be handled far too much from the point of view of Europe and too little from the point of view of Africa, thus making the general policy much less palatable to African opinion.

(2) Force of circumstance has compelled us to adopt a largely negative approach in our international colonial policy. The criticism with which we are faced in the United Nations places us always in the position of having to resist pressure rather than to take the initiative. The best counterweight to this would be a constructive policy of closer co-operation between our colonial territories, particularly in Africa.

(3) Marshall Aid demands closer economic co-ordination in Africa.

It may be said that all this is very obvious and not very new and that we are already committed to a policy of closer co-ordination between the colonial powers in Africa. That I admit, but I do not think that we are yet equipped to carry this policy very far. It is worth examining the various fields involved.

In the field of *technical* collaboration we have made considerable progress and have held a series of conferences in the educational, medical, agricultural, veterinary, tsetse and communications spheres. These conferences have provided opportunity for valuable exchanges of information; they have enabled British and foreign workers in these fields to get to know each other; and they have led in most cases to the setting up of more permanent machinery for co-ordination. It cannot, however, be said that they have yet achieved very important or striking practical results in the various fields concerned. While not in any way attempting to minimise the

importance of these conferences, I do not think that they in any sense provide the answer to the need for closer political and economic co-ordination.

In the *economic* field we had during 1948 conferences in Europe on closer co-ordination in Africa. I attended the French conference and, while it was extremely cordial, it cannot be said that it has led to important practical results. This, I think, was due partly to the doubts felt by the principals on both sides as to the possibilities of such co-operation, partly to the fact that those who took part in the conferences for the most part had no detailed knowledge of West Africa, but mainly to the fact that there is no effective machinery for following up the recommendations of the conference at the West African end. In my view the real possibilities of economic co-operation in West Africa (limited as they admittedly are by the parallel economies of the West African territories) have not yet been effectively examined.

In the *political* sphere we had our conference with the French last June and are to have one with the Belgians in the fairly near future. Again the discussions were most cordial and the recommendations quite useful. But although exchanges of information are beginning in West Africa in a small way, no real practical progress has been made towards the aim which we have set ourselves of getting to understand each others' policies and problems. Nor, in my view, will this be possible in the absence of special machinery in West Africa.

In the *defence* sphere as far as I know very little has been done in a systematic manner to co-ordinate plans in Africa as between ourselves, the French and the Belgians.

What I think is required is something on the following lines:

(a) A decision between the British and French Governments at the highest level that we must aim in the long run at a much closer co-ordination in the political field in West Africa followed by instructions to this effect to the British and French authorities in West Africa.

(b) The establishment of machinery in West Africa in the shape of an Anglo-French secretariat, preferably at Accra, with the functions described in my note opposite.[4]

(c) As regards Anglo-Belgian co-operation, the case is much less compelling and I think that adequate arrangements for the exchange of information will probably meet the requirements at the present time. If anything is to be done, some staff will have to be provided for the purpose by the Belgians and the East Africa High Commission, but we shall be going into this in our forthcoming talks at Brussels.

(d) I am not in favour of the establishment in Europe of any formal machinery for securing closer co-ordination. I am extremely doubtful of the utility of attempting any form of Anglo-French-Belgian committee for this purpose. This would immediately involve the inclusion of the Portuguese, whose whole government system is not adapted to the kind of closer co-ordination which I have in mind. (Any co-operation with them can best be effected by machinery in Central Africa). It would also raise the difficult problem of the relationship of the South Africans to any such body, which could only lead to embarrassment. Machinery for the co-ordination of programmes on the economic side is already provided for to some extent under O.E.E.C. and I think that we have got to leave this side of the problem to be handled in that way.

[4] Not printed.

The machinery for dealing with Anglo-French-Belgian co-operation in Africa in the Colonial Office also requires review. I have had some discussion with Mr. Galsworthy on this subject and we are both agreed that the machinery at present is not adequate for the tasks which face us. The International Relations Department, he tells me, has had to devote by far the greater part of its energies to dealing with current and highly urgent problems in the United Nations. He has not been able to give as much attention as he would like to collaboration in Africa, nor have I or any of the Assistant Secretaries in the African Division. I have some ideas on this subject which I should prefer to mention orally.

I must apologise for this rather disjointed minute. When it has passed round could we have a discussion?

183 CO 537/4589, no 19 [Oct 1949]

'The attitude of the United Nations towards dependent territories': note by Mr Creech Jones for Mr Bevin, brief for Commonwealth meeting on foreign affairs. *Annexes* I–IV

The problem

The United Nations Charter gives the United Nations a right of supervision over trust territories, but *not*[1] over other dependent territories.

2. Large majorities in the United Nations have been trying:—

(a) to establish control and supervision over *all* dependent territories;

(b) to reduce the position of the Administering Authorities of trust territories to that of mere local agents of the United Nations, required to carry out policies decided upon at Lake Success.

3. We have throughout rejected these attempts. We must continue to resist United Nations interference. Background and reasons are given in Annex I.

4. The last Assembly passed a spate of Resolutions seeking to establish powers for the United Nations over Colonies and to extend their right of supervision over trust territories. As the principal Colonial Power we bore the burnt of the attack, sometimes in a minority of one. Things have reached such a pitch that we want to rally as much support for our general point of view as we can.

Attitude of Commonwealth governments

5. In the past some Commonwealth Governments have been in the opposite camp (India and Pakistan). Others have not given us as much support and understanding as we could reasonably have expected. Their individual attitudes are described in Annex II.

Recommendations

6. We intend to communicate later with Commonwealth Governments on questions of tactics and the detailed application of our policy of resisting United Nations interference.

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[1] Emphasis throughout in original.

7. We hope that at Colombo[2] the ground can be prepared in a general way with *Australia*, *New Zealand* and *Canada*. Suggested lines of approach are given in Annex III.

8. It would be unwise to raise this question in any way *formally* at Colombo. The problem is one on which we should avoid discussion round the table in conference: it would probably drive India and Pakistan to extreme positions on "colonialism" which would spoil the whole atmosphere of the Conference. South Africa would also come out in open support of our point of view: this would exacerbate Indian and Pakistani feelings and embarrass Australia, New Zealand and Canada as well as ourselves.

9. The best course would be to raise the matter *separately*, in a private and informal way, with the Australian, New Zealand and Canadian Ministers.

10. *India* and *Pakistan* are deeply committed to the policy of trying to subject the Colonial Powers to rigorous United Nations supervision and control. It is unlikely that they could be persuaded to desist. It is doubtful therefore whether there would be any advantage in raising the matter with their delegates at Colombo unless they seemed in a particularly receptive mood. If so, or if they raised it themselves, a suggested line of approach is in Annex IV.

11. *Ceylon* is not as yet directly concerned, as she is not a member of the United Nations. But it would nonetheless be desirable to let her know briefly what has been going on in the United Nations, and our attitude, and the reasons for it, towards these developments.

12. It is not necessary, and might be undesirable for the reasons indicated in Annex II, to say anything on this subject to *South Africa*. But if the South African Minister himself raises the issue, he might be told that we view recent developments in the United Nations with grave disquiet; our policy is to resist interference; and we contemplate approaching other Commonwealth Governments in the matter as soon as we have specific proposals to put forward.

Annex I to 183

A. *Background to United Nations attempts to establish supervision and control of colonies*

Note: Trust territories are in a different category and are dealt with in Section C below.

Chapter XI of the Charter contains a declaration on non-self-governing territories. It affirms the principles which inspired British colonial policy long before the United Nations came into existence. The only new obligation it contains for the Colonial Powers is that of supplying the United Nations, "for information purposes", with certain technical information about their Colonies. Political and constitutional information was specifically excluded at San Francisco.

2. This in no way gives the United Nations any right of control or supervision. But they persistently seek to oblige us to furnish political and constitutional information as well and to assume the right to supervise our colonial administration and to recommend courses of action. There can be little doubt that they aim ultimately to dictate the policies we are to pursue.

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[2] For the Colombo Conference, see 96.

B. *Reasons for our refusal to accept United Nations supervision and control of the colonies*

There is no basis for it in the Charter. The Assembly cannot amend the Charter just by passing Resolutions.

2. It would be harmful. The United Nations have done nothing to suggest that they could make a better job than we do of guiding colonial peoples to self-government. There is nothing at Lake Success like the old Permanent Mandates Commission of the League of Nations, which was composed not of representatives of Governments but of individual experts. At Lake Success most delegations voice the prejudices of their Governments on colonies. Resolutions on colonies are the result of votes cast by an overwhelming majority of States without colonial responsibilities. They are thus not themselves in any way affected, and often cast their votes with little regard to the merits of the case under discussion. In the General Assembly on 1st December, Mr. McNeil[3] said the Fourth Committee has become a byword for irresponsible criticism.

3. It would be putting the clock back. Peoples of the colonies are rapidly assuming ever increasing responsibility for their own affairs. In many colonies they already have a greater share in these matters than the peoples of some States in the United Nations. To commit our colonial people to policies worked out at Lake Success in which they would have no say and which are often misguided and impractical, would be a backward step. The Colonies themselves would be the first to resent it. *None* have asked for it.

4. Strong opposition could be expected in Parliament and the country if we yielded to the United Nations on this question.

5. Economic and social problems in Colonies are not something peculiar there. They are the same problems exactly as those which confront sovereign States placed in comparable circumstances. Therefore the only proper way to study these problems is on a regional or world-wide basis, and in expert technical bodies such as U.N.E.S.C.O., I.L.O., F.A.C., and not a purely political body like the Fourth Committee. We have always said we wish to work with the Specialised Agencies in seeking solutions to these technical problems. But it is absurd that colonies should be singled out for special treatment. Disease knows no political frontier.

6. On the particular question of our refusal to add political and constitutional information to the technical information we send to the United Nations our reasons are

(1) that it is not called for in the Charter and was deliberately excluded at San Francisco;
(2) outside interference in this field would be exceedingly dangerous.

The aim of the anti-colonial countries is the immediate liquidation of colonies, with scant regard to their fitness for self-government. We are just as concerned to see our colonial peoples achieve self-government, but in conditions in which they really can stand on their own, without the risk of subsequently falling under foreign political or economic domination, or under the control of an undemocratic minority seeking power for its own selfish ends. As a colony assumes greater responsibility for its own

[3] Hector McNeil, MP (Labour) for Greenock Burgh since 1941; parliamentary under-secretary of state, FO, 1945–1946, and minister of state, 1946–1950; vice-president, UN Assembly, 1947.

affairs, so, inevitably, the local political leaders became impatient to have complete self-government, at a rate which would not necessarily be in the true interests of the people of the territory as a whole. It is at this stage that United Nations interference would be most dangerous. The United Nations would have no responsibility in the matter, but could be expected to support the demands of the less responsible local political leaders. Our task at this critical stage would be made correspondingly more difficult. It would, for example, be extremely dangerous if the United Nations had a right to intervene in the Gold Coast, where we have recently accepted measures for constitutional advance which will confer a very great measure of responsibility on Africans, but do not at this stage go as far as some of the local political leaders wished.

C. *Position of trust territories*

We accept the right of the United Nations to supervise the administration of our trust territories. But we, as the Administering Authority, have full powers and sole responsibility for order and good government. The Trusteeship Council and the General Assembly have the right to review, to criticise and to make recommendations. But they have no power to enforce on us policies we consider to be unrealistic and ill-advised, and no power to take any part in the actual administration. We cannot accept the role of mere agent of the United Nations to which they are seeking to reduce us.

Annex II to 183: Attitude of Commonwealth governments

Canada has no dependent territories of her own, but tends to share with the United States a vague 'liberal' attitude based on the feeling that the possession of colonies is inherently wrong. It may not be easy to win full support from Canada, where the point of view of the United States will inevitably have much influence. But she is likely to be responsive and may be expected to take up a responsible attitude. It is well worth trying to win her round.

2. Both *Australia* and *New Zealand* administer dependent territories, and are members of the Trusteeship Council. In the past they have often been torn between, on the one hand, their realisation of their responsibilities for good government in their territories and the dangers of permitting United Nations interference and, on the other, a predisposition to regard international supervision of dependent territories as desirable in principle. They have therefore been slow to recognise the dangers of the latest developments in the Assembly. There were, however, indications that their views were changing in the later stages of the Assembly's last session. The new Governments in both Australia and New Zealand are likely to lay greater emphasis on resisting interference.

3. *The Union of South Africa* has, at the recent session of the United Nations as at previous sessions, suffered attacks on its own policy in South West Africa. The Union Government, in its own interests, will therefore be only too anxious to support us in any proposals we may have for resisting the encroachments of the United Nations. Our difficulty will be that we do not wish to be too closely associated with a Union Government whose native policy is severely criticised throughout the world, and who have made plain their desire to press for the transfer of the High Commission Territories. Moreover, we must not encourage the Union Government to feel that we

are in any way in the same boat as they are vis-à-vis the United Nations and that they can look to us for help and support in any difficulties into which their policies may lead them.

4. *India and Pakistan* are in the van of the "anti-colonial" powers at the United Nations, and have consistently supported all the resolutions to which we see strong objection.

5. *Ceylon* was not of course involved in the recent activities of the United Nations. She might well have found it difficult to oppose India and Pakistan on these issues in public. But Ceylon Ministers have in the past privately indicated that they would have bitterly resented United Nations interference at the time when they were in process of emerging to Dominion status.

Annex III to 183: Suggested line of approach to Australia, New Zealand and Canada
(See paragraph 7 of main brief)

Australia and New Zealand

When the United Nations think of Colonies, they think mainly of colonial Africa. Consequently the effects of submitting to United Nations control and supervision would be felt far more in Africa than anywhere else, and we should be the principal target amongst the Commonwealth. But any weakening of our position as the foremost African Colonial Power would be detrimental to the whole Commonwealth. We have no doubt that to permit United Nations interference in our colonial territories would gravely prejudice the attainment of the objective of our colonial policy, i.e. the promotion of self-government within the Commonwealth in conditions which will guarantee to our Colonies economic and political stability and freedom from domination from any quarter. Could it possibly be said, for instance, that the achievement of Dominion status by Ceylon or of internal self-government by Malta could have been brought about as smoothly and successfully as it was if we had been subjected in the process to the control and criticisms of the United Nations? We are gravely disturbed by recent developments in the Assembly. We shall soon be communicating our detailed views to the Commonwealth Governments. Meanwhile we hope that Australia and New Zealand, as fellow members of the Commonwealth with colonial responsibilities and as fellow members of the Trusteeship Council, will give us their full support in resisting attempts at interference by the United Nations which go far beyond the provisions of the Charter.

Canada

This line of approach would also be suitable for *Canada*, although she has no dependent territories. She might also be urged to do what she can to rally moderate and "neutral" opinion in the United Nations to a more sympathetic understanding of our problems and our position.

A talking point with Canada is: they will understand from their experience in governing their Northern Territories how impossible it would be to run a successful show there if they were subjected to the criticisms and control of 58 backseat drivers without responsibility.

Annex IV to 183: Suggested line of approach to India and Pakistan
(See paragraph 10 of main brief)
We understand the sincerity of their motives in seeking to bring all dependent territories under United Nations supervision and control. We hope they will understand that we are equally sincere in our refusal to agree to this.

We are determined to press ahead with our policy of bringing our colonial peoples to full self-government within the Commonwealth in conditions which will guarantee them economic and political stability and freedom from domination from any quarter. There is thus no difference between us as to the ultimate objective: the difference is purely one of opinion as to the best method.

We are prepared to co-operate to the full with the Specialised Agencies of the United Nations in seeking solutions to the technical problems facing our colonial governments and peoples, provided this is done on a regional or worldwide basis: that is to say, that these problems are studied on a functional basis irrespective of whether they occur in sovereign states or colonies, and colonies as such are not singled out for special and exclusive treatment.

It would not be in the interests of our colonial peoples that they should be subjected to the control of 59 [sic] nations at Lake Success, most of whom have no knowledge or understanding of their problems. Our colonial peoples are rapidly assuming increasing responsibility for their affairs, and would be the last to wish their affairs to be decided over their heads by remote political bodies bearing no responsibility in the matter.

We are gravely disturbed by the recent action of the Assembly in passing resolutions regarding colonies and trust territories which go far beyond the provisions of the Charter. We would regard it as a betrayal of the true interests of our colonial peoples to accept any further degree of United Nations supervision than is provided for in the Charter, (and that is only in relation to trust territories), and we are resolved not to do so. We shall be communicating our detailed views on these matters in due course to all Commonwealth Governments. Meanwhile we hope India and Pakistan may understand our motives and our position, and therefore that at least it will be possible for both states to agree to avoid bitterness over this issue at Lake Success.

184 CO 537/4589, no 8 10 Dec 1949

[The colonial question at the fourth regular session of the UN General Assembly, 1949]: memorandum by J Fletcher-Cooke[1] (UK delegation to UN)

A. *Deterioration of the position since 1948*
As a measure of the deterioration of the position of the administering authorities in 1949 as compared with 1948, it is only necessary to recall the voting on resolutions relating to Colonial questions passed by the General Assembly in 1948 as compared with the voting in 1949. In 1948 the Fourth Committee proposed to the General

[1] Counsellor (colonial affairs), permanent UK delegation and alternate UK representative on Trusteeship Council.

Assembly four resolutions relating to the trust territories and five relating to information from Non-Self-Governing Territories. The four trusteeship resolutions were not even put to the vote in the General Assembly but were adopted without any opposition, while as regards the five "Non-Self-Governing Territories" resolutions, the United Kingdom voted for four of them and abstained in respect of one.

2. In 1949 the picture was a very different one. The Fourth Committee submitted seven resolutions relating to the trust territories and the United Kingdom voted against four of these, abstained on two (in one case only after two objectionable paragraphs had failed to get the necessary two-thirds majority) and voted in favour of only one resolution. The position as regards "Non-Self-Governing Territory" resolutions was even worse. Here the Fourth Committee submitted ten resolutions and the United Kingdom found it necessary to vote against eight of them and to abstain from voting on the other two.

3. The failure of the United Kingdom Delegation to re-insert the "Colonial Application Clause" in the Prostitution Convention and the difficulties relating to Colonial questions with which the United Kingdom representative in the Sixth Committee was faced, provide additional evidence of this serious deterioration.

B. *Main influences at work*

4. *Attitude of the Slav bloc*

One remarkable feature of this year's work was the comparative quiescence of the Slav bloc. In the Special Committee on information from Non-Self-Governing Territories (which met at Lake Success just before the General Assembly convened) the representative of the U.S.S.R. was remarkably moderate, and his interventions were much shorter and much less violent than those of his predecessor on the 1948 Special Committee. Similarly, in the Fourth Committee, the Slav representatives were remarkably hushed and apart from brief interventions in the Plenary by the representatives of Czechoslovakia and Poland, which were quite short and much less violent than usual, the Slav bloc did not participate in the debates in the Plenary sessions.

5. It would therefore be a great mistake to assume that the "Anti-Colonial drive" has been led by the U.S.S.R. and its satellites. No doubt the Slav bloc are quite content to see others make the running in this matter and to derive what advantages they can from the embarrassment of the administering authorities.

6. *The attitude of the U.S.A.*

This has been most disappointing and, as will be indicated, of the greatest importance. An analysis of the voting in the General Assembly on the seventeen resolutions covering affairs in the Trust and Non-Self-Governing Territories discloses the remarkable fact that on only two occasions did the United Kingdom and the United States vote in the same sense. Both Delegations found it possible to vote in favour of Resolution V (dealing with educational advancement in trust territories) and both Delegations voted against the first resolution relating to the Non-Self-Governing Territories which called for the voluntary transmission of political information. On no fewer than ten occasions (out of the seventeen) the United States Delegation voted in favour of a resolution against which the United Kingdom found it necessary to vote. On four occasions the United States voted in favour of a resolution where the United Kingdom abstained, and on one occasion the United States abstained where the United Kingdom voted against.

7. This analysis of the votes discloses quite clearly a wide divergence of views in this matter which it is most important to bridge if we are not to find ourselves in open conflict with the United States in these matters.

8. It must also be borne in mind that the United States took the initiative in proposing certain resolutions against which the United Kingdom found itself compelled to vote after criticising the proposals in very strong terms. I refer, of course, to the original suggestion for the perpetuation of the Special Committee on a three-year basis which was first put forward by the United States Delegation in the Special Committee, and also to the proposal made in the Fourth Committee by the United States and Mexico jointly, to the effect that the Special Committee should make a special study of educational problems in the Non-Self-Governing Territories.

9. I indicated earlier that the attitude of the United States is of vital importance in these matters. This was shown quite clearly in 1948 when, working in agreement with the United States we were able to secure the deletion from the resolution relating to administrative unions of certain objectionable paragraphs which enabled us to refrain from opposing in the 1948 General Assembly the resolution thus amended. A similar instance occurred this year. Resolution I relating to the political advancement of trust territories contained two paragraphs (paragraphs 2 and 4) which the United States found objectionable; and with their assistance, we were able to muster sufficient votes against these paragraphs to ensure that they did not receive the necessary two-thirds majority. The two objectionable paragraphs were therefore deleted in the Assembly.

10. As has already been indicated by U.K. representatives speaking in the Fourth Committee and in the General Assembly during the past session, His Majesty's Government will have to decline to comply with certain of these resolutions and no doubt they will have to ignore others which will be passed in the future. But I do not think that it can be emphasised too strongly that our only hope of ever getting resolutions passed by the Assembly in a form satisfactory to us, is with the agreement of the United States. Last year I came to the conclusion that together we could prevent any objectionable resolution being passed by the General Assembly. And I was of the same opinion this year—until the Assembly passed the Jerusalem resolution in the face of Anglo-American opposition. But it certainly remains true that *without* the United States we can do nothing to moderate the excessive claims of the "Anti-Colonial bloc".

11. I am not, however, very hopeful of being able to persuade the United States of the validity of our point of view. The reason for this will be found expressed in an article by James Reston in the New York Times of the 23rd November, 1949 (copy annexed).[2] Speaking of the General Assembly's decision on the former Italian Colonies, he wrote: "The United States was arguing at the end that almost any settlement was necessary to 'protect the prestige of the United Nations'. In the opinion of responsible officials here, however, that is precisely what this debate has not done. It has undoubtedly prevented the Russians from achieving the base they originally wanted in Tripolitania and it rejected the Bevin-Sforza plan.[3] Otherwise, though it has not 'protected the prestige of the United Nations' ". In other words, the United States takes a very short-sighted view of what will maintain the prestige of the United Nations. They appear to think that high minded resolutions passed by

[2] Not printed.

[3] See part 3 of this volume, 311.

overwhelming majorities without any attention either to the limitations of the Charter or to the realities of the situation in the Non-Self-Governing Territories themselves, will in some mystical way bolster up the prestige of the United Nations. The opposite of this point of view was explained by the Minister of State in his speech in the Plenary on the ten Resolutions relating to Non-Self-Governing Territories, when he concluded with the words "I find no pleasure in having to make a statement of this kind. I have to make it because my Delegation must be as jealous for the character and reputation of this Organisation as for its own responsibilities . . .".

12. In short, the United States have failed to appreciate that by associating themselves with, and indeed in some cases instigating, this "anti-Colonial drive" in the Fourth Committee, not only are they making "the Fourth Committee . . . a by-word for irresponsible criticism" and thus weakening the United Nations, but they are also causing considerable embarrassment to their co-signatories to the North Atlantic Pact, and thus playing straight into the hands of the U.S.S.R.

13. *Lack of support from the moderates*

Another remarkable feature of the discussions this year has been the unsatisfactory attitude adopted by the "moderate" group, in particular the Scandinavian powers. Last year these Delegations appeared to approach these problems more or less objectively and refrained from associating themselves with resolutions which embodied principles or obligations going far beyond what is contained in Chapter XI of the Charter. This year, the "moderates" have failed us completely and in many cases they have voted in favour of resolutions which do in fact go far beyond the provisions of the Charter. Even where they have not voted in favour of these resolutions and thus joined the pack of anti-Colonial hounds, they have weakly abstained and have thus precluded any chance of our securing a rejection of objectionable resolutions or parts of resolutions in the General Assembly. These remarks apply not only to the Scandinavian countries (and in particular to Denmark, which as an administering authority, ought to give a lead to Norway, Sweden and Iceland in these matters) but also to a number of "floaters" such as Afghanistan and Thailand who were much readier to appreciate our difficulties last year than they are this. The only exception to this general criticism of the "moderates" is to be found in the case of the representative of Greece, who not only in the Plenary but also in the Fourth Committee helped the administering authorities with his voice as well as with his vote.

14. *Administering authorities*

Another disquieting feature this year was that quite apart from the blatant defection of the U.S.A., a number of the other administering authorities were of no assistance at all and were frequently to be found voting with the "anti-Colonial bloc". I have already referred to Denmark whose vote on almost all occasions was most unsatisfactory, and I might also add here that the Chairman of the Fourth Committee, (Dr. Lannung) proved to be a most unhappy choice. I do not think that any other Chairman could have been so unsatisfactory from our point of view, and he went out of his way to encourage criticism and unfortunate proposals from the "anti-Colonial bloc". The Netherlands Delegation was also a great disappointment. They were of no assistance either in the Special Committee or in the Fourth Committee, and while appreciating their particular difficulties owing to contemporary developments in the Indonesian question, it is, I think, fair to say that one might have expected at least abstentions on many of the resolutions which were dealt with.

In fact, however, the Netherlands frequently voted with the majority.

15. Although the Delegations of Australia and New Zealand appeared to be anxious to help us, they were on many occasions bound by rigid instructions from their Governments (possibly not unconnected with the elections in their respective countries) and it was disappointing to have so little support from them.

16. Even the hard core of Belgium, France and the United Kingdom appeared to be on the point of disintegration on a number of occasions; for example, in the resolutions relating to the Trusteeship Council, France only voted with the United Kingdom on three out of seven occasions, and one of these was in respect of the resolution on educational advancement in the trust territories, in favour of which both Delegations voted. In fact, only twice did France vote with the United Kingdom against a resolution relating to the trust territories.

17. As regards the ten "Non-Self-Governing Territory" resolutions, France voted with the United Kingdom in opposition on five occasions, but left the United Kingdom voting against without her support on two other occasions. Despite this vacillation, it is only fair to record that the French representative spoke strongly against the increase in the life of the Special Committee and against its enhanced functions, and he also declined to participate in the elections to the Special Committee.

18. The Belgian Delegation was our most reliable ally, but we could not be certain of complete support even from Belgium. As regards the seven trusteeship resolutions, the United Kingdom found itself separated from Belgium on three out of the seven resolutions, and similarly as regards the ten "Non-Self-Governing Territory" resolutions, Belgium deserted us on two occasions. Generally speaking, however, the Belgian line was thoroughly sound, although occasionally the Delegation appeared to lose the courage of its convictions when it came to a vote.

19. *The position of the Arab bloc*

The proceedings were throughout complicated by the struggle which is going on between the Arab bloc and France in relation to the French North African territories. Many of the resolutions directed against the administering authorities and vigorously sponsored or supported by Arab representatives were, in fact, aimed at France rather than the United Kingdom. A number of Arab Delegations made no secret of this fact and the Egyptian representative enlarged on this point at some length to me. He explained quite frankly that the Arab bloc wished to change the state of affairs prevailing in French North Africa, and that in order to do this they could only proceed by way of resolutions directed against all administering authorities. He assured me, however, that in his view, Egypt's interests and those of the United Kingdom ran along parallel lines, and that he did not wish to do anything to embarrass us. He even went so far as to suggest that we should omit from the reports and information that we send in certain unsatisfactory features so as not to provide the opportunity for criticism in the Fourth Committee. In particular, as regards the question of defining a "Non-Self-Governing Territory" (with which the Egyptian Delegation was primarily concerned) he made no secret of the fact that he did not wish to embarrass us over Malta but that the intention of his Delegation and of his fellow Arabs was to bring the whole question of French North African Colonies into the open at the United Nations.

20. *Effect of discussions relating to former Italian colonies*

The point I have referred to in the immediately preceding paragraph is undoubtedly

linked up with a movement in which the Arabs have taken the lead which aims at increasing the functions of the United Nations as a "state-maker" particularly in the Mediterranean and Middle East. It is very easy for those who favour this development of the United Nations functions to overlook the fact that the disposition of the former Italian Colonies was a special case arising out of decisions taken by the four Foreign Ministers who agreed in advance that if they failed to settle the question among themselves, it would be referred to the United Nations and that they would accept the latter's decisions. Deliberately or unwittingly the Arabs and those who think like them, have overlooked the particular circumstances surrounding the submission of the Italian Colonies question to the United Nations and have evolved and encouraged the theory that it is a proper task for the United Nations to create independent states out of non-self-governing territories as frequently and as quickly as they can, particularly in those cases where there is a large Arab population. I have no doubt that sooner or later the Arabs will find ways and means of bringing the whole question of the French North African non-self-governing territories before the United Nations; that is indeed the purpose of the Egyptian resolution which has entrusted to the Special Committee the task of deciding whether any territory is or is not a territory whose people have not yet attained a full measure of self-government. James Reston's article on the Assembly's decision on the former Italian Colonies to which I have already referred and of which a copy is attached [is] of significance in this respect.

21. *Other members of the "anti-colonial bloc"*

There is nothing new to record as regards the line taken by the other two component parts of the "anti-Colonial bloc". The Latin Americans led by Cuba, Guatemala and Mexico, who were particularly objectionable throughout the proceedings, followed their usual line, although it was refreshing to find that from time to time the representatives of Chile, Peru and Uruguay made some common sense interventions. The representative of Brazil, although he went out of his way to commend H.M.G. for many aspects of its Colonial policy, (and in particular for the firm line they were taking vis-à-vis the Government of the Union of South Africa in respect of the three protectorates) was nevertheless "anti-Colonial" in outlook, and appeared to be particularly disturbed by the effects which the economic development of Africa would have on the economies of Latin America. The Far Eastern members were led by India and the Philippines. As anticipated last year, the Indian Delegation took an even stronger line in all the questions with which the Fourth Committee dealt. One of his arguments, which it might be possible to rebut (and which was to a certain extent rebutted by the Minister of State in his speech in the Plenary), was to the effect that any reduction in the activities of the Special Committee, any stopping up of the flow of "anti-Colonial sentiment" as exhibited in the Fourth Committee, would have widespread repercussions in the Non-Self-Governing Territories themselves. It would be useful, if it were possible, to produce evidence to show quite emphatically that the peoples of these territories do not seek or desire this interest in their welfare which members of the Fourth Committee regard as their self-appointed task. The representatives of China and Pakistan were also Far Eastern members of the pack, and the only moderating influence in this quarter of the globe came from the representative of Thailand, who, although he almost inevitably voted with the majority, did put a common sense point of view forward on a number of occasions.

C. *Conclusions*

22. I fully appreciate that any decision which may be taken to modify the attitude hitherto adopted by H.M.G. as regards participation in the work of the Special Committee will be a decision of the greatest importance and will have to be taken at the highest level. Nevertheless, I am firmly convinced that only by not participating in the work of the Special Committee can we hope to bring the United Nations to a sense of its responsibilities (and its limitations) in this crucial question. It has been argued in the past that if we do not participate in the work of the Special Committee, we shall *in absentia* be subjected to most virulent criticism and that we shall find that completely unacceptable resolutions emerge from the Special Committee for the consideration of the Fourth Committee and ultimately of the General Assembly. I think that the events of this year will have shown clearly that this argument is no longer valid, since we are quite unable by our presence either to restrain this criticism or to prevent the Committee from adopting "unreasonable" resolutions.

23. I appreciate that if it is decided that we shall not attend the Special Committee, a second question of necessity presents itself; namely, shall we attend the Fourth Committee when the report of the Special Committee is considered? I realise that it would be a much more serious step to absent ourselves from the Fourth Committee when information from the Non-Self-Governing Territories is discussed than it would be not to participate in the work of the Special Committee, but I feel, nevertheless, that we should do this because it seems to me perfectly logical to argue as we have argued, that the Fourth Committee was never intended to discuss this information. The very name of the Fourth Committee (i.e. the Trusteeship Committee) shows clearly that its proper function is to discuss the report of the Trusteeship Council. It is obvious, of course, that we should attend the Fourth Committee when that item is being considered.

24. But as we have argued time and time again that in our view this information should be canalised by the Secretariat to the specialised agencies and should be considered there in a non political atmosphere by experts as parts of various world or regional problems which will ultimately come up for consideration in the Economic and Social Council and in the Second or Third Committees, it seems to me that it would be quite logical to lend weight to that contention by declining to participate in any further discussion of this information by the Fourth Committee.

25. As I have already said, I appreciate that this is a most important question, and that any decision which may be taken will require the most careful consideration, and consultation with other administering authorities. Moreover, there may well be other and wider considerations which would render it undesirable to take such a step, but looking at it from a purely "Fourth Committee" point of view, I have no doubt whatever that the logical projection of all that we have said and done during the past three years is to absent ourselves from the Special Committee next year and also from the subsequent discussion of the Committee's report in the Fourth Committee.

185 CO 537/4735, no 21 15 Dec 1949

[Territorial claims against British possessions]: minute by Sir H Poynton, commenting on a CRO paper

[These reflections were prompted by a memo by I M R Maclennan of the CRO (CO 537/4735, no 20, 3 Dec 1949), attempting to suggest some common principles of policy. Two in particular seemed to emerge: (i) that the wishes of the inhabitants should be ascertained in accordance with the right of people to choose their own future, 'as in India, Pakistan and Ceylon', and (ii) that a solution by force—on either side—must be excluded. It also seemed important to the CRO that nothing should be done in any one case which would prejudice the position in other disputes. The two principal claims were identified as those concerning Hong Kong (from China) and the High Commission Territories (from South Africa); in both the British position should be sustained. Of lesser significance were various Central and Latin American claims, notably those of Guatemala to British Honduras and Argentina to the Falklands (the latter in 1949 somewhat dormant). Reaction in the CO was to accept the necessity of treating particular claims within the general context of territorial claims (some eighteen or so in number), but to reject the two CRO general principles. Existing Cyprus policy contradicted (i), and 'ascertaining opinion' would not be expedient there or elsewhere, while Hong Kong contradicted (ii) because they were prepared to use force in its defence. The CO approach was rather that (i) force should be excluded except to preserve the British right of self-determination against aggression, and (ii) a territory should remain British unless disproved legally in the International Court (*ibid*, no 22, letter, W I J Wallace to I M R Maclennan, 17 Jan 1950).]

I have been looking at the memorandum by the Commonwealth Relations Office about territorial claims in respect of overseas territories, which we are to discuss at a meeting on Monday afternoon. In anticipation of the meeting, I have jotted down one or two ideas which I hope may prove helpful.

I agree generally with the basic principle of the memorandum, namely that all Departments concerned ought to look at all these cases together so that there is no danger that our action in one case may prejudice our interests in another case. I may be unduly suspicious, but I think the Foreign Office and, to a lesser extent, the Commonwealth Relations Office, are both much more likely to go and do something prejudicial to the Colonial Office than *vice versa*, and it is therefore to our advantage that we should try and get some interdepartmental coordination on these matters.

On the other hand, there are passages in Mr. Maclennan's memorandum which rather alarm me. I think he has spoilt his presentation of the case by introducing, under the text of "self-determination", the examples of India, Pakistan and Ceylon. I cannot see that the evolution of a non-self-governing territory into a self-governing Dominion is in the least relevant to the problem of territorial claims by other countries against us. In any case, I do not think we have ever accepted the doctrine of self-determination in respect of the Colonies as an absolute criterion of their future. Is it really our policy that if at any time Cyprus says it wants to go to Greece we are calmly to let it go? We have an interest and a legitimate right to concern ourselves with their future. I remember that when we were discussing the draft of the United Nations Charter at San Francisco, Lord Cranborne, (now the Marquis of Salisbury) strongly opposed this doctrine, and you will find that in Article 76(b) which deals with the ultimate political destiny of the Trust territories, we have carefully avoided using the phrase "self-determination", though the Russians pressed very hard to get it in, and we do not even say that their future will necessarily be in accordance with the wishes of the inhabitants. I also remember very clearly the United States

representative, Governor Stassen, getting up and saying that if California or Texas asked to secede from the United States and set up in business on their own, they would certainly not be allowed to do so. However, if it is generally agreed that this question of Colonial evolution is quite irrelevant to the problem of territorial claims by a foreign country, then I think we probably need not argue at great length about whether we accept the principle of self determination in our Colonial policy.

When we come to claims made by other countries, I should like to draw a clear distinction between foreign countries and Commonwealth countries. The transfer of a territory from, e.g. H.M.G. in the U.K. to H.M.G. in New Zealand does not alter the British status of the territory. A transfer of Cyprus to Greece, or British Honduras to Guatemala, does. If one of our islands in the Pacific expressed a desire to be governed in future by New Zealand, and New Zealand was willing to do it, I do not know that I should greatly mind—but then the New Zealanders are stoutly British and can be trusted. If South African policy towards Africans were on the same lines as New Zealand policy towards the Maoris I do not think anyone would object to handing over the South African High Commission Territories to the Union Government, which, on economic and administrative grounds, and probably on defence grounds as well, is the obvious thing to do. Politically, however, it is obviously out of the question.

Then again, I would draw a distinction between the kind of case where another country claims that a certain territory belongs to it in international law, and that we are wrongfully in occupation of it. That is the essence of the Guatemala—British Honduras dispute, however weak on legal grounds we think the Guatemala case to be. That kind of case, however, does admit of reference to the International Court of Justice, and that is the proper way of dealing with such a case, and that is what we have offered to do about British Honduras, though Guatemala has never accepted.

Lastly, there is the kind of case which is not supported by any legal claim, but is simply due to political pressure, and there I think one has to consider whether the pressure comes from the foreign country wanting to annex our territory, or whether it comes from within the Colony anxious to go to another country. China and Hong Kong is an example of the first, Cyprus and Greece an example of the latter. In such cases there could be no question of reference to the International Court, and, while it might be feasible to take the matter to the United Nations if the initiative came from a foreign country, it would be a very tricky thing to do in the present anti-Colonial atmosphere of the United Nations, and would obviously be a most dangerous thing to do in a case like that of Cyprus and Greece.

Finally, I should like to get it clearly recognised that mere territorial continguity is quite irrelevant; the classical example of this is, of course, the Egyptian claim to the Sudan. This is an example of my old friend the salt water fallacy.[1]

I think we want to get the problem clearly analysed, but I am very doubtful whether it will be possible to evolve any standard policy or set of principles. I believe that when we have done all this paperwork we shall end up where we started, namely that each case has to be considered on its merits.

[1] At a speech to the UN on 3 Oct 1947 Poynton identified 'five fallacies' about colonial systems, one of which was that there were no land-based expanding empires (CO 847/36/4, no 27).

186 CO 537/4589, no 24A 22 Dec 1949

[United States attitude towards colonial and trusteeship matters at the UN]: inward telegram no 5896 from Sir O Franks (Washington) to FO

Your telegram No. 11550: United States attitude towards colonial and trusteeship matters at the United Nations.

Your telegram reached me just when I was about to inform you by despatch of my increasing concern on this subject. Already, before the recent meetings at the United Nations, I had been concerned at the general atmosphere of malaise and misunderstanding which seemed to surround our dealings with the United States administration on matters concerning the non-self-governing territories. This state of affairs was largely due to the growing influence exercised by the bureau of United Nations Affairs (and in particular by its Dependent Areas Division) in the State Department. This section of the State Department is not as realistic or understanding of our difficulties as the geographical departments concerned and, in their dealings with the Embassy, were frequently inclined to treat British representations with considerable reserve and mistrust.

2. This already unsatisfactory situation has, of course been aggravated by the recent events at the United Nations. There is now a real risk that, in addition to having misunderstandings [? words omitted] the colonial problem with the United States administration, we shall find ourselves at odds with American opinion as well. Although, as reported in my telegram No. 516 Saving, the debates at the United Nations did not arouse a very great deal of interest here, such comment as there was on the United Kingdom attitude was almost uniformly critical and markedly unreceptive to the arguments in support of the United Kingdom case. The feeling of anti-colonialism is, of course, always latent in American opinion and there must be a real risk of serious trouble in the Anglo-American public relations field if there is a repetition of recent events at the United Nations.

3. Quite apart, however, from the public relations aspect of this problem, it is highly desirable that early steps should be taken not only to dispel the present misunderstandings between our two Governments on this matter, but to try to reach a common policy between them. If the present state of affairs is allowed to continue, it can only do harm to the general relations between our two countries. It will provide a useful opportunity for Soviet propaganda to try to drive a wedge between the two Governments, and must, I imagine have a disturbing effect in the overseas territories themselves. It is, too, manifestly undesirable that the misunderstanding should be allowed to continue since, despite the anti-colonial inheritance on the American side, there is no real difference of principle in the policies which both Governments wish to see pursued in respect of the areas in question. Both Governments are anxious that the native populations should be enabled to achieve self-government as soon as possible and in an orderly and sensible fashion. Both Governments are anxious that the economies of the territories should be developed in such a way as not only to raise the standard of living of the inhabitants but to contribute to the overall increase of world trade. Both Governments are anxious that in their political and economic development the territories should continue to look to the West and not to Moscow for inspiration and that they should present a firm front against Soviet infiltration.

4. Certain sections in the State Department are known to be worried over the matter and concerned lest if something is not done soon to remove the present misunderstanding real damage may be done to Anglo-American relations before much longer. Mr. George Kennan,[1] for example, recently spoke to Sir Roger Makins of his anxiety on this score. He agreed that it was not to the advantage of the United States Government to make difficulties for His Majesty's Government in their overseas territories and said that he felt that the time had come for the State Department to re-examine their whole attitude in the matter with a view to reaching some common policy with His Majesty's Government. In this connexion it is, perhaps, significant that, although Kennan is now to take one or two years Sabbatical leave from the State Department beginning next summer, he is to visit Africa before doing so. Furthermore only yesterday some other senior members of the State Department, when discussing with His Majesty's Minister possible sources of Anglo-American trouble at the present time, spontaneously brought up the colonial issue. Inspired, no doubt, by their own United States experts, they were inclined to emphasise their fears lest the United Kingdom in its anxiety to preserve its own position, might deal a series of damaging blows to the United Nations. They did not, however, deny the suggestion that there was no real fundamental difference between our two countries over the colonial issue. They fully agreed that it was very desirable to prevent, if possible any repetition of the recent situation at the United Nations where we and the Americans found ourselves on different sides, and that something ought therefore to be done soon to bring about a "meeting of minds" between the two Governments on the whole matter.

5. I hope you will agree that it is desirable that we should try to reach such a "meeting of minds" with the Americans. But if we are to achieve success in this, a real effort of self-interpretation and imaginative understanding of the other view will be involved. As in so many other discussions with the Americans where we on the whole think they want to go too fast and they think we are too slow, a thorough quasiphilosophical examination of principle and policy is necessary before the Americans can really see and believe that administrative difficulties and the like are not excuses for inaction and evidence of an ill will. We shall have to remember that, apart from their tradition of anti-colonialism and the suspicions which some Americans still have that we are not sincere in our professions about encouraging self-government or that we wish to keep American capital out of the overseas territories, the United Nations Administration [sic] are genuinely concerned to maintain and strengthen the prestige of the United Nations. We may, perhaps, feel that the Americans attach too much importance to this point. They, on the other hand, feel that we lay too much emphasis on legal issues or on administrative problems, that we oppose resolutions – admittedly on good theoretical grounds – when we might on practical grounds equally well have simply abstained, that we are too prone to resist any suggestion of outside interest in the affairs of the colonies and that, even when we have accepted some degree of international collaboration in such matters e.g. the Caribbean Commission, we do not pursue the policy of collaboration as energetically as we might.

6. Hitherto, our approach to the State Department in the attempt to get United States spokesmen at the United Nations to adopt a more cooperative attitude has

[1] G F Kennan, US foreign policy theorist; diplomat in Moscow, 1945–1956 and 1952–1953.

been based primarily on the necessity of taking a common Anglo-American line in order to combat Soviet propaganda. We are not however, I think likely to achieve much with the State Department if we merely stick to this line of attack. A discussion of the sort I have in mind would give a great opportunity of expounding our whole approach to the problems of undeveloped peoples and of eliciting from the Americans a heightened interest and understanding of our role in the common approach to the world issues of the Point 4 Programmes.[2] Such an understanding would, in my view, have a highly beneficial effect on Anglo-American relations in general.

7. I shall be reporting more fully by despatch. In the meantime you may care to consult Sabben-Clare[3] (who has just relinquished his post as Colonial Attaché here) and Allen[4], both of whom are due to arrive in the United Kingdom in a few days time.

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[2] A reference to President Truman's inaugural address of 20 Jan 1949, in which he declared as his Fourth Point: 'We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas'. Subsequently, Truman asked Congress for 45 million dollars as a first year's appropriation for technical assistance to underdeveloped countries, to be given partly under bilateral arrangements and partly through the UN programme of technical assistance.

[3] E E Saben-Clare, seconded to CO, 1940–1947; colonial attaché, British Embassy, Washington, and commissioner, Caribbean Commission, 1947–1949; subsequently headmaster of Leeds Grammar School, 1963–1970.

[4] R Allen, head of UN (Political) Dept, FO, 1949 (see also 188, note 1).

187 CO 537/5698 9 Feb–14 Apr 1950

[Relations with the United States and the UN]: minutes by A B Cohen, Sir H Poynton, and A N Galsworthy

I suggest that it would be very useful to have an internal discussion under Sir T. Lloyd's chairmanship, in view of the major importance of this subject, before all this is discussed with the Foreign Office. I should be much interested to attend such a discussion but this may not be possible if it has to be held next week.

Perhaps I may record some rather general comments:–

(1) I am sure that in the light of what the Ambassador says we must agree to and indeed welcome an early and high level discussion with the State Department. I believe that this ought to take place in London rather than Washington. It is true that if it took place in Washington it would be easier to put across our case to a relatively large number of people in the State Department. On the other hand, if it took place in London we should, I believe, be able to make quite an impressive showing to the United States delegation. Quite apart from any discussions on particular United Nations or other issues, we could arrange for a whole series of people to meet the United States delegation and give them an account of what we are doing in the particular fields which interest them. From what I have heard from visitors to Washington this is the kind of meeting which the Americans themselves very much like and I believe that if a sufficiently high level American delegation came here we could do a lot of good by such a process of exposition.

(2) If this procedure were to be adopted it would, I think, be necessary to give the Americans in advance an agenda of the subjects which we were intending to cover. I should want to give a good deal of thought to the African subjects which I should

suggest in such circumstances; but prima facie I believe that the following should be included:–

(a) Our constitutional policy in West Africa. What we are doing and planning in Nigeria, the Gold Coast and Sierra Leone can be fully and frankly explained to the Americans in a good deal of detail and I do not see how it could possibly fail to impress them. The only danger would arise if the American delegation included, as it well might, a member with direct experience of the British West African Territories. Such people tend to be more royalist than the King about British policy.
(b) Our regional East and Central African policy and problems. Here we should seek to show the Americans that we are determined to safeguard African interests and opportunities for African political advancement in the two regions, while at the same time securing as much as we can of the benefits of economic development on a regional basis.
(c) Our policy in local government. Here there is a great deal to be said which would be new to most Americans in spite of the documentation which we send to the State Department. We could make an impressive showing of our plans and the progress now being made in many areas.
(d) Our community development policy. This needs no comment.
(e) Our policy in higher education. No doubt we should cover the whole Colonial Empire in this.
(f) Education questions generally, including technical education.
(g) Our plans for the improvement of African agricultural technique and organisation. Here the Americans will have obtained a good deal of recent information from such travellers in Africa as the E.C.A. Agricultural Mission and Dr. Lowdermilk. We shall be on more difficult ground on this subject but could still, I think, make a pretty impressive showing.
(h) Our plans and programme in trypanosomiasis research and the fight against tsetse.
(i) Our successful measures against locust infestation.
(j) Regional planning for research generally in Africa.

The list is not intended to be exclusive.

(3) It is important, as the Ambassador says, to be able to continue to keep the State Department informed of developments. In fact we already send them a great deal of information through the officer in the Embassy in London who deals with colonial questions. This channel would, I feel, be a good deal more effective if they would appoint a higher-powered officer. While we had Mr. Stratton Anderson[1] the arrangements probably worked fairly well, although I doubt whether he cut much ice in Washington. Now we have a woman who is, I imagine, of lower status. They ought, I feel, to send somebody first-class to fill this post. My impression is that in view of the vast amount of reading matter current in the United States it is unlikely that from written reports the higher people in the State Department can get a very up-to-date impression of our policy and problems. Periodical discussions by means of visits to London or Washington would be much more effective in keeping the Americans informed.

[1] Walter Stratton Anderson, second secretary and counsellor, US Embassy in London, 1946–1949.

(4) If it is as important as the Ambassador suggests to put across our point of view publicly in the United States – and no doubt he is right in this respect – then H.M.G. obviously ought to make more dollars available for this purpose. I understand that the British Information Services in the United States are hampered by a shortage of dollars. Very few lecturers can go to the United States at the present time. It is equally necessary that the Colonial Attaché in Washington should be both raised in status and provided with a more adequate staff. I am well aware of the difficulties which have prevented this in the past. But if the job is to be done on a scale which its importance deserves the means must obviously be provided.

(5) The point raised in paragraph 9 of the Ambassador's despatch is a difficult one. We cannot afford to cut adrift from the French in our relations with the United States over colonial questions. If the French felt that we were concerting a policy with the Americans without consulting them the effect on our relations with them would be deplorable. I have no doubt that it will be felt that in relation to the United Nations questions which will have to be discussed with the State Department (para. 6(f) of the Ambassador's despatch) we shall have to discuss our line with the French and Belgian Governments in advance. No doubt the actual discussions would take place separately in the respective capitals. (This is another argument for having the discussions in Europe rather than Washington). Possibly Sir O. Franks's point might be made by confining the concerting of our line to the United Nations questions alone and having quite separate discussions with representatives of the State Department, as suggested above, on the main lines of British colonial policy.

I have sent a copy of this minute to Sir T. Lloyd.

A.B.C.
9.2.50

Sir T. Lloyd

As arranged in your absence, I saw Sir Oliver Franks this morning to discuss with him Anglo-American relations arising out of the particular subject of our attitude towards the United Nations on the Colonial question. It was just a tête-à-tête between the two of us. Sir O. Franks started by making a number of cautionary reservations about what he was going to say, the main gist of which was that he had not himself taken any first-hand part in the proceedings at Lake Success and that his information was second-hand information derived mainly from two sources, namely (a) individuals in the State Department, some of them fairly highly placed; and (b) the Press and individual journalists and commentators. He was, therefore, quite prepared to be told that he had only got a one-sided view of the picture. He emphasised that he was not concerned and did not wish to intervene in the substance of our policy as such, but he was legitimately concerned with its effect upon relations with the United States. The position seemed to have been deteriorating in this respect during the last year and he felt that if we followed substantially the same tactics at the next assembly as we had followed at the 1949 assembly this would lead to a further deterioration in our relations with the Americans which might spread from the Colonial to wider fields of collaboration. His main point seemed to be that in our presentation of our case at the United Nations we tended to be far too much legalistic and far too much on the defensive. We handled our case as able administrators but without proper regard to the political issues. There was insufficient rhetoric and we should do far better to make more of our positive achievements instead of niggling over the terms

of inconvenient resolutions. He suggested too that we might make more use of the technique of introducing counter resolutions to regain lost initiative. He referred briefly to the general American attitude towards the Colonial question, but did not say much more than in his despatch of the 14th January and certainly nothing that was new to us.

2. I had not enough time to develop the Colonial Office case as fully as I should have wished, as Sir O. Franks had another engagement afterwards and is leaving England to-day, but I made time to say a good deal. I explained that I was not now directly involved in United Nations affairs, but reminded him that from 1945 to 1947 I had probably had greater experience than anyone of this subject as I had attended all the United Nations meetings from San Francisco up to the 1947 Assembly. I found it frankly a most frustrating task, but, before coming to details and tactics, I thought it well to make clear that there were certain points of principle which I regarded as being absolutely sacrosanct, and from which I did not think the Colonial Office would ever agree to be moved. The two points which I made were, first, that we were not going to recognise the principle of accountability to the United Nations for territories not placed under the international trusteeship system, and, secondly, that we were not going to consent to supply to the Secretary General information on political and constitutional developments, having regard to the history of Article 73(e), of which I reminded him. I am glad to say that Sir O. Franks entirely agreed with both these principles and said that he would certainly not wish to do anything that would embarrass us in standing firm upon them. (I ought perhaps to have added as a third major principle the necessity of preventing the Trusteeship Council intervening in the administration of the Trust territories, rather than exercising their role of supervision, but I am afraid I forgot this one. But I don't think it matters.) I pointed out to Sir O. Franks that if the two principles I had mentioned were accepted that did not leave much room for manoeuvre, since almost every resolution introduced by the non-Colonial powers would be found to offend against one or other of them. In particular, I did not see how we could avail ourselves of the device of introducing counter resolutions to regain the initiative when the whole point of principle was that resolutions on these themes were contrary to the Charter in the first place. Sir O. Franks admitted this difficulty.

3. I said that while obviously he was properly concerned with the effect of our policy and tactics upon the American public and upon Anglo-American relations, the Colonial Office had to consider what would be the effect of any different policy upon the public opinion in Great Britain and in the Colonies themselves. I referred to the very outspoken remarks that had been made to us by Mr. Grantley Adams on this subject in 1948, and also to the recent motion in the Singapore Legislative Council. Sir O. Franks admitted that this was a fair point.

4. I said that in my view the whole of this difficulty arose from the attempt to consider Colonial problems in isolation from the similar problems of sovereign states, and developed the well-worn theme which I need not repeat here. This did, however, give me a cue to say that I felt the Colonial Office had legitimate grounds for complaint that they got so very little help, and indeed a good deal of hindrance, from the permanent officials of the Foreign Office. This showed itself in two ways. During the sessions of the United Nations, it was extremely difficult for the Colonial Office representative ever to get any sympathy or constructive support at our own delegation meetings because, quite frankly, the Foreign Office officials were not

interested in the Fourth Committee and regarded the Colonial question as being rather a nuisance. The Foreign Office view seemed to be that we could well afford to make gestures with the Colonial Empire in order to make their task in other committees easier. They seemed to think that this was "taking a broad international view", whereas the Colonial Office thought that it was a standpoint based on short-term expediency which ignored fundamental points of principle. At the same time, on the other side, when we did get the Minister of State to speak in the General Assembly he did so admirably, though, of course, still without affecting the voting because by the time that matters reached the final plenary session of the General Assembly the other delegations' minds were already made up. I referred particularly to the difficulty of getting the Foreign Office to collaborate with us in preparing comparable information about some of the more critical sovereign states. They only seem to be interested in counter-attacking the Soviet group. Although we did manage to get quite a lot of information from the Foreign Office Research Department, the Foreign Office itself was very luke-warm about giving us any help in this direction and were very reluctant to allow us to use any such information because it would hurt the feelings of Cuba or whoever it might be. Sir O. Franks said that this was new to him and he thought the Colonial Office certainly ought to be entitled to rely upon the help of the Foreign Office in safeguarding the essential principles which I had outlined at the beginning.

I said that I had studied Sir O. Franks's despatch of the 14th January, and that we should be preparing a general commentary upon it for the Foreign Office. I thought that he had under-estimated the amount of publicity work that we were doing and I gave him some particulars of the close liaison which exists between us and the Americans both in London and in Washington. I referred to the presence of American officials at some of our summer schools, and to the good impressions gained by almost every American official that had visited parts of the Colonial Empire, e.g. the "three wise men".

We did not get down to details about American investment, though I did have time to say quite briefly that we had gone into all this in an interdepartmental committee under the Treasury and that in our view the real difficulty was due partly to the fact that the Colonial field was unattractive to the private American investor, and partly to restrictions imposed by the Americans themselves ("tied loans").

All this was new to Sir O. Franks, and he admitted, as I left the room, that his despatch of the 14th January was not based on his personal knowledge, but that, while of course he took full responsibility for everything that was said in it, it had been "drafted by the chaps". I did not think it proper to ask him whether he meant his chaps in Washington or whether he meant the chaps in the Foreign Office, but I should not be at all surprised if the material had not been sent out to him from the Foreign Office privately with a request that he might send in a despatch on these lines in order to help the Foreign Office in their battle against the Colonial Office. It is, incidentally, odd that a despatch of this kind should be sent from the British Embassy in Washington just during an interregnum between Colonial attachés. I cannot imagine that Mr. Sabben-Clare can ever have seen the draft or been consulted about its terms. On the whole, however, the discussion was extremely friendly, and I think I succeeded in showing Sir O. Franks that a more forthcoming attitude by the Colonial Office was not so easy as might appear at first sight. It is, I think, satisfactory that he admitted to me that our basic principles were sound and that we

were entitled to the full support of the Foreign Office in safeguarding them.

I am sending four copies of this minute to Mr. Martin for distribution within the Office as he thinks fit.

A.H.P.
14.2.50

. . . I have had a good deal of discussion with the F.O. about the Colonial side of the talks with Mr. Dean Acheson.[2] The F.O. are still engaged in a rapid exchange of telegrams with Washington on the subject of the talks generally. But the present position, so far as we in the Colonial Office are concerned, is as follows:

(a) The Americans have proposed that the object and scope of the discussions as a whole should be "to clarify our fundamental common objectives in such a manner as to bring our separate and collective abilities most effectively to the solution of key specific problems". Colonial issues will, of course, be only one part of the talks; but this quotation gives us the general setting in which they will be discussed.
(b) The idea is that the talks will begin on an Anglo-American basis. At this stage there will be a brief discussion with Mr. Dean Acheson of general policy on Colonial questions in the United Nations for the guidance of later bilateral talks (see (d) below).
(c) After a day or two of bilateral talks, the French will come in. So far as Colonial issues are concerned, the item in the tripartite Anglo-French-American talks will be the same as for the bilateral Anglo-American talks – i.e. a brief discussion of general policy on Colonial questions in the United Nations.
(d) In the bilateral Anglo-American talks under (b) above, the idea is that U.K. Ministers should press Mr. Acheson to agree to the subsequent bilateral Anglo-American talks on Colonial affairs on the official level being held in London. At present the Americans are thinking in terms of such talks being held in Washington; but the F.O. fully agree with us that it would be far better for the talks to be held in London. This will, of course, be our real field-day; and the object of the Ministerial talks with Mr. Acheson which, so far as Colonial matters are concerned, will obviously be confined to broad matters of principle only (and, as indicated above, will largely centre on policy towards the U.N.) will largely be to ensure that the American officials who come to London for the subsequent bilateral Colonial talks come with a readier understanding of our difficulties in the U.N. and under a general directive from Mr. Dean Acheson as favourable as possible to our point of view.
(e) The F.O. are now preparing a short draft paper for the consideration of Ministers on the question of tactics on Colonial issues in the U.N. This paper will be based on the conclusions reached in the discussion with Sir W. Strang. They hope to send us over the draft on Monday. As the time-table is so very tight, I have suggested to the F.O. that it may not be necessary to have a full Cabinet paper, but simply a submission to the Ministers directly concerned. The F.O. themselves favour this idea, but feel that the Prime Minister should also be consulted on the paper. I imagine this is right.
(f) Once this paper has been approved by Ministers, the idea is that we should

[2] Dean G Acheson, US under-secretary of state, 1945–1947; secretary of state, 1949–1953.

have discussions with the French and Belgians on the question of tactics in the U.N., prior to the Ministerial talks with Mr. Dean Acheson.

3. For the purpose of the Ministerial talks with Mr. Dean Acheson, we must prepare a brief for Ministers. I have . . . discussed this with Mr. Blackburne and Mr. Evans,[3] and Information Department and I.R.D. are collaborating in producing a memorandum which will set out

(a) what we are aiming at in the Colonial Empire, in the fields of political, economic, social etc. development; and
(b) what we have achieved so far, and what difficulties we are encountering.[4]

Under (b) we will, of course, set out the difficulties caused by anti-colonialism in the U.N., and the dangers it represents for the attainment of the objectives of British colonial policy. We will endeavour to show that the Colonial Empire is at present passing through perhaps the most critical phase in its history and that the next few years are likely to be decisive for the success or otherwise of our colonial policy. We will emphasise that at this time more than any other outside interference of the type we could expect from Lake Success would be harmful and prejudicial, and explain why accountability to the U.N. (save in the limited field of the trust territories) would be retrograde and quite impracticable. We will then stress the tremendous importance of the United States supporting us as a Colonial Power in the U.N., instead of hunting with the anti-colonial pack as they did at the last Assembly. In this connection we will also set out how far we are prepared to go in the direction of adopting more flexible tactics in the U.N. in the hope that Mr. Acheson will be able to indicate that, if we adopt these tactics, the United States will give us their full support in resisting any further U.N. encroachment upon our position and responsibilities as a Colonial Power.

4. We hope to have the draft of this paper ready by the middle of next week, so that the F.O. can add their own contribution to it. This will largely take the form of rubbing into the Americans how essential it is from the American point of view that nothing should be done to weaken us as a Colonial and Commonwealth Power, and indeed that it is in the Americans' own interest to lend us their full support in maintaining our position as the centre of the Commonwealth, and in pressing on with the full implementation of our Colonial policy free from harmful outside interference. We are drafting the memorandum in such a form that U.K. Ministers could, if they so wished, hand it to Mr. Acheson. Any purely domestic matters can then take the form of a separate short covering brief for Ministers. . . .

A.N.G.
14.4.50

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[3] K W Blackburne and S H Evans, director and deputy director respectively of CO Information Service.
[4] See part 1 of this volume, 72.

188 CO 537/5698, no 66 3 May 1950

'London Conferences: Anglo-American talks on colonial problems': note of a meeting in the FO of British and United States officials on major colonial issues[1]

Agenda

(a) Basic objectives of British Colonial policy.
(b) Difficulties in the United Nations on Colonial Matters.
(c) The future of Africa.
(d) Economic development.

1. *Mr. Wright* explained that the object of the sub-Committee should be to produce a paper which would be eventually considered by Mr. Bevin and Mr. Acheson identifying (a) the extent of Anglo-American agreement on the subject under discussion and (b) the points of disagreement. The sub-Committee should attempt to bridge any disagreements, but if it failed it should direct its efforts to minimising the effect of this disagreement on general policy.

Mr. Wright observed that it was generally agreed that the United States and the United Kingdom have the same general objectives of policy, namely, to build up the strength and common unity of the free world. Both countries had common interests all over the world and thus our relationship had a very important bearing and in fact was a crucial factor in the stability of the free peoples of the world. We must therefore examine those areas in the world in which our views diverge and where, as a result of this disagreement, our unity of purpose is weakened. The Colonial field is one in which serious differences exist between our two countries. Yet the relations between Britain and her Colonies is a great factor in Britain's position in the world as a whole, and the United States also had certain "Colonial" responsibilities.

Mr. Wright therefore suggested that the Committee should examine firstly, any major differences of approach on long-range objectives between the two countries; and secondly, the handling of Colonial matters in the United Nations by the Delegations of the two countries. The representatives of the two countries had elsewhere agreed that as a matter of principle it is undesirable that the United Kingdom and the United States should be at cross purposes in the United Nations. Discussion of Colonial matters in the United Nations has in the past given rise to serious differences between the two countries. Mr. Wright explained, however, that while the Committee should try to identify problems dividing the two countries so that the Committee could make its contribution to the discussions at Ministerial level, the details of these Colonial problems should be discussed in a future series of

[1] Present: *FO* M R Wright, assistant under-secretary of state (chairman), R Allen, head of African Dept (from Feb 1950), C C Parrott, head of UN (Political) Dept, D H T Hildyard, grade 8 officer, UN (Political) Dept; *US State Dept* R A Hare, deputy assistant secretary of state for Near Eastern, South Asian and African affairs, W Sanders, special assistant to the assistant secretary for UN affairs, L D Stinebower, director, Office of Financial and Development Policy; *US Embassy, London* J Palmer, first secretary and counsellor, M J Tibbitts, attaché; *CO* J M Martin, A B Cohen, A N Galsworthy, W A C Mathieson, counsellor for colonial affairs, UK delegation, New York, P A Carter, principal, Mediterranean Dept, A G Wilson, principal, International Relations Dept 'A'. In the original CO document, Sanders and Miss Tibbitts are named as Saunders and Tebbitts. These errors have been corrected in the text reproduced here.

talks concerned only with Colonial matters. These talks should preferably be held well before the 1950 General Assembly, and the British for their part hoped very much that they would be held in London so that individual experts on very many branches of British Colonial policy and administration would be available to contribute to them.

2. *Mr. Hare* said that he hoped the sub-Committee would devote particular attention to Africa. The United States Government had been examining its attitude to Africa and attempting to work out a long-range policy which could be fitted into the general scheme of United States thinking on world affairs. They felt that this examination could only be satisfactorily concluded by an examination of African problems on the very widest basis and that it was essential to deal with much deeper and more fundamental problems than that of economic development. He agreed that the Committee should discuss United Nations problems and suggested that it should direct its attention principally to that point and to the future of Africa in all its aspects.

3. *Mr. Wright* agreed with this programme and arrangements were made to secure Mr. Cohen's attendance at the meeting for the African discussions later in the meeting. Meanwhile, Mr. Wright felt, it could be useful if the Committee could study the question of the respective approaches of the United Kingdom and the United States to the basic aims of Colonial policy.

4. *Mr. Martin* outlined the object of British Colonial policy as the development of self-government within the Commonwealth in conditions which would ensure to the peoples a fair standard of living and freedom from oppression from any quarter. He emphasised that this ideal did not imply self-government without qualification. If self-government were the aim without qualification it could be granted to every Colony tomorrow, but the result would simply be political chaos in the territories concerned. Very many urgent problems had to be solved, among them the establishment of satisfactory standards of health, education and production. It was not generally realised that the British had only been at work in most of the African territories for about half a century. At the time of our arrival there, the inhabitants of most of the territories which were now British Colonies were in a state much less advanced than that of the inhabitants of Britain at the time of the Roman invasion. Yet within 50 years some of these peoples had been brought to the verge of self-government and, in West Africa especially, the establishment of responsible self-government was very near. This rapid progress from pre-history to the 20th century inevitably placed many stresses and strains on African society and social outlook. The next five or ten years was therefore a very delicate period in the history of the territories concerned, and it was important both for ourselves, the African peoples and the world as a whole that Britain should not withdraw from its responsibilities in Africa too quickly, leaving a vacuum which would be filled by warring political factions and irresponsible extremist leaders. Our aim should be to leave behind us stable societies.

5. *Mr. Hare* wished to make it quite clear that the United States Government does appreciate the serious responsibilities of the Colonial Powers in the territories dependent upon them. The "revolutionary" tradition in the United States still existed and, on occasions, tended to express itself, perhaps unfortunately. On the other hand, it was unlikely that the United States would be prepared to go to the opposite extreme and be completely uncritical of the activities of Colonial Powers. Their

balanced view was that the record of the Colonial Powers was one to be proud of.

At the Conference of American representatives in Africa, which had recently been held at Lourenço Marques, a tentative conclusion had been reached as to the American view of the basic aim to be followed in relation to dependent peoples. This aim could be expressed as the progressive development of all dependent peoples to the goal of self-government and where suitable, independence. In certain backward areas, some sort of orderly and guided development to political maturity would be needed for a considerable time. In social and economic matters there was probably basic agreement as to aims between the United Kingdom and United States Governments. *Mr. Stinebower* said that the United States had been disappointed about the failure of negotiations between the International Bank and the Colonial Development Corporation, and had hoped that the International Bank would have been able to help in the economic development of the Colonies. *Mr. Sanders* confirmed that there was probably no difference in the United States and United Kingdom objectives for dependent peoples but that there might be some divergence as to timing and methods, especially in the United Nations where the two Governments were subject to pressure. The question of timing was very acute in that body, and the test there is not so much our objectives but how quickly we move towards them.

6. *Mr. Hare* suggested that before the subsequent talks referred to by Mr. Wright were begun, it might be useful to identify the differences between the two countries on United Nations issues so that we should approach the later talks with a common Agenda. *Mr. Wright* agreed with this suggestion and suggested that the Committee should now consider whether, in fact, there was any difference between the two countries on the basic objectives of Colonial policy. *Mr. Martin* explained that the aim he had already stated did not imply that there would be any coercion of dependent peoples to remain within the Commonwealth once they achieved self-government. It was in fact the hope of His Majesty's Government that such peoples would remain within the Commonwealth since a widening nucleus for a stable world society was thereby being gradually established. He hoped that the United States would understand that it was entirely up to the peoples concerned to decide whether or not they remained within the Commonwealth, and although, as he had said, H.M.G. hoped that they would, he realised that the United States could not be expected unreservedly to endorse this hope. He felt, however, that the United States might appreciate the value of maintaining and extending the strength of the Commonwealth and he hoped to that end that the use of the term "independence" in the American policy described by Mr. Hare was not interpreted by the United States as implying independence outside the Commonwealth. *Mr. Sanders* said that the United States certainly favoured some relationship between a metropolitan Power and its dependent territories which achieved self-government. It was the case, however, that some sections of opinion in the United States and in many other countries interpreted the word "independence" as meaning self-government outside the British Commonwealth. He did not think it was universally realised that fully self-governing members of the British Commonwealth were in fact completely independent. *Mr. Wright* observed that the United Kingdom would be glad if, when in talking on these matters the United States representatives would avoid a categorical and unqualified use of the word "independence" where it could be construed as meaning separation from the Commonwealth. *Mr. Hare* felt quite sure

that there was no material difference between the United Kingdom and the United States' view of the future of dependent peoples. The difference between our respective formulae was simply one of words and not of meaning, and difficulty arose not from any divergence of view between the United States and the United Kingdom on the interpretation of those formulas, but from the fact that other people tended to assume that the word "independence" meant in fact separation from the Commonwealth.

7. *Difficulties in the United Nations on colonial matters*

Mr. Martin explained that the chief difficulty in the United Nations from the British point of view was that very many members of the General Assembly were attempting to establish a right of the Assembly to supervise the Colonial Powers in the administration of their dependent territories. He could understand that the advocates of Colonial accountability took their stand on the moral view that one people or country should not be in a position to determine without supervision the destinies of any other people. Nevertheless the United Kingdom felt that in present world conditions such a view was unrealistic and was not prepared to compromise in its opposition to the idea of accountability as a matter of principle. Mr. Martin then went on to consider the question of accountability for those territories to which Chapter XI of the United Nations applies (non-self-governing territories other than trust territories). The United Kingdom acknowledged the desire of the advocates of accountability to bring discussion of Colonial affairs into the open and the United Kingdom was in fact quite prepared to accept that its conduct of Colonial affairs should be exposed to world opinion. But in fact, the anti-Colonial Powers in the United Nations wished to discuss and pronounce upon the information submitted under Article 73(e) and to this end they had attempted to establish a Special Committee to carry out this supervision and act as a permanent parallel to the Trusteeship Council.

The United Kingdom felt that it would be a backward step to submit Colonies to international supervision at a time when devolution of authority to the peoples of those territories from London had progressed so far. An example of the incongruity of attempting to establish accountability to the United Nations arose in connection with the Colonial Application articles of the International Convention. The anti-Colonial Powers alleged that we are trying to keep the benefits of international agreements away from our Colonial territories. This was untrue. The fact was that the United Kingdom Government was not in a position to apply International Agreements involving legislation to Colonial territories without the consent of the Legislatures of those territories, and this was especially true where unofficial majorities existed in those Legislatures. In short, the Colonial territories themselves and not His Majesty's Government had the right to decide whether or not International Agreements should be applied to those territories. It was true that the United Kingdom had reserved powers vested in the Governor and in His Majesty's Government itself, but in practice those powers are never used except in certain restricted cases. This state of affairs was a particular example of the fact that control from London over the whole range of Colonial affairs is now non-existent and impracticable. Control from Lake Success would be even less practicable. Furthermore, he said, only eight of the Members of the United Nations had any experience of the administration of dependent peoples. This meant that the vast majority—51—of members of the United Nations, if they exercise supervision over Colonial affairs,

would be invested with power with no concomitant responsibility. It was also unfortunately the case that very many members of the United Nations were strongly prejudiced against the United Kingdom and did not appreciate what we had and were achieving in the Colonies. We must accept the fact that this prejudice arose from historical or emotional sources, but it meant in practice that if our Colonial policies were subjected to supervision in the United Nations we should be in the position of a defendant before a prejudiced and ignorant jury. Again, unfortunately, decisions at Lake Success were not always reached on the merits of the case under review but in accordance with the dictates of political expediency and lobbying at Lake Success. For these reasons the United Kingdom could not consider accountability to a body which had shown itself to be irresponsible and unqualified to act as a judge on Colonial matters.

8. *Mr. Sanders* agreed with Mr. Martin's identification of the problem. In practice the move to establish Colonial accountability was exemplified in the United Nations in three ways and there was a difference of opinion between the United Kingdom and the United States on each of these three points. They were:

(a) The responsibility of the General Assembly for Colonial affairs: the United States had been instrumental in establishing the Special Committee for a period of three years;
(b) The question of submission of political information under Article 73(e): the United States did in fact submit political information in respect of its dependent territories;
(c) The question of who was to decide whether a people is or is not self-governing.

Mr. Martin agreed that Mr. Sanders had defined the practical aspect of the main problems. Aspects (b) and (c) were largely interlocked. The legitimate and natural development of nationalism in Colonial territories inevitably lead to the emergence of extremist political leaders. If stability was to be maintained in the territories during the delicate period of transition to responsible self-government it was essential that the metropolitan Powers should keep a firm grip on the political situation and prevent the perversion of nationalist sentiments by these extremist leaders. But if the political affairs of Colonies were to be discussed in the General Assembly in an atmosphere of ignorance and prejudice it was inevitable that subversive elements in the territories would be encouraged. On occasions in the past, the British had formed the impression that there had been a deliberate United States policy of appearing as the champion of dependent peoples in order to attract these peoples away from leaning towards the Soviet Union. In the British view such implicit encouragement of extremist forces was very dangerous and, in fact, futile since the Soviet Bloc could always outbid the western democracies by reason of the fact that it had no responsibility for administration in the territories concerned and that its ends were best served by political confusion. Mr. Martin agreed that the establishment of the Special Committee was a practical example of attempts to implement the idea of accountability. It may well be that the Special Committee was a better forum for the discussion of Colonial Affairs than the Fourth Committee, but the fact remains that it and its deliberations provided a continuing focus for the activities of anti-Colonial Powers. The United Kingdom had been especially disturbed by the fact that, on United States initiative, the functions of the Special Committee had been extended to include studies of the three functional fields covered by Article

73(e). In the British view, the Special Committee was quite the wrong body to give advice on technical matters such as education: the proper forum for the discussion of such matters was in the relevant Specialised Agencies.

Mr. Wright said that for the present the sub-Committee might confine itself to the definition of the differences between the two countries and that those differences could be discussed in detail at the later talks.

9. *Mr. Sanders* said that the United States felt that if the General Assembly was given more information on Colonial matters the position of the Administering Powers would be considerably eased. The difference between the United Kingdom and the United States in the United Nations lay mainly in the difference of their respective approaches to the Assembly. He felt that we must face the fact that of the 59 Members of the General Assembly, only 8 were administering powers and that therefore 51 members of the Assembly were ignorant of Colonial problems. Our aim should be to acknowledge this fact and attempt to take control of and direct the majority of those 51 members to a more responsible outlook. So far as the submission of political information is concerned, Mr. Sanders agreed that legally the Administering Authorities were not required to submit such information. But the United States felt that no harm could be done in submitting it and that in fact its submission would be positively helpful in the educative process he had suggested. He admitted that there may be other methods of approach than this of the United States—that of the United Kingdom, for instance, was to oppose any attempt to discuss the political affairs of non-self-governing territories. But he felt that the source of the difference between the two countries lay in their judgement of how to handle the Assembly. The United States believed that if it had voted against the establishment of the Special Committee, Administering Powers would have been faced with a permanent Committee. As it was, the United States accepted the establishment of a Committee for three years in the belief that we could gradually guide the Assembly onto the right lines, and that part of this educative process could be carried out by discussion of Colonial issues in the Special Committee.

Mr. Hare explained that Mr. Sanders had outlined what had hitherto been United States thinking on these subjects. But he wished to stress that now the United States had a perfectly open mind on these problems and wished particularly to have a good look round the problems at later talks so as to arrive at a solution of as many of them as possible. Mr. Wright and Mr. Martin both agreed that this was precisely what the United Kingdom hoped to get out of the subsequent talks. *Mr. Martin* explained that although the United Kingdom was not prepared to compromise on the principle of accountability to the United Nations for Colonial affairs, he felt that discussion of the tactics employed by our respective countries in the United Nations would serve a most useful purpose.

10. Summing up, *Mr. Wright* said that the Paper which the sub-Committee would put forward for the consideration of Ministers should make the point that our two countries were basically agreed on the objectives of Colonial policy though the wording in which each expressed this aim may differ; and that Ministers should be informed that it was intended to hold subsequent talks at which the following subjects would be discussed:

(a) Problems arising from Chapter XI of the United Nations Charter (Non-Self-Governing Territories).
(b) Accountability to the United Nations on Colonial issues.
(c) Submission of Political Information under Article 73(e).
(d) Who decides whether a people is non-self governing or otherwise.

Mr. Wright also suggested that Ministers be advised that later talks should be held as soon as possible.

11. Turning to the question of Trusteeship, *Mr. Martin* observed that the atmosphere in the Trusteeship Council had recently improved and he expressed the thanks of the United Kingdom to the United States for their sympathetic attitude at the Sixth Session of the Council. It was the case, however, that difficulties still existed between our two countries when trusteeship matters were discussed in the General Assembly. The core of these difficulties lay in the need for a definition of the respective duties of the General Assembly and the Trusteeship Council towards Trust Territories. The United Nations' proper function in this respect was to supervise the development of Trust Territories, but it had shown an increasing tendency to try to interfere in the actual administration of the territories and especially to establish the principle of prior consultation, i.e. to require that administering authorities, before putting into practice any particular policy in a trust territory, should seek the prior approval of the General Assembly to that intention. It was impossible for Administering Authorities to administer Trust Territories under such conditions and the General Assembly must trust the Authorities to carry out their task conscientiously in accordance with the terms of the Trusteeship Agreement. A particular example of this tendency arose in connection with the General Assembly's flag resolution. The flying of the United Nations flag alongside the flag of the Administering Authority in a Trust Territory would imply that the United Nations shared with the Administering Authority responsibility for the administration of the territory. This was not, in fact, the case and the flying of the two flags could only lead to confusion in the minds of the local people. Conversations he had had with Colonial Service officers from Tanganyika confirmed that this belief, which was the fundamental reason behind the United Kingdom objection to the flag resolution, was well founded. *Mr. Galsworthy* observed that a further problem arising from the existence of Trusteeship was that of the relation between the functions of the General Assembly and the Trusteeship Council in respect of Trust Territories. In correspondence between the United Kingdom and the State Department on the flag resolution it became clear that there was a fundamental difference of viewpoint on these relative functions. The United Kingdom was convinced that the Trusteeship Council was free to record its opinion independently of any expressed by the General Assembly. The State Department on the other hand, thought that the Trusteeship Council was obliged to follow the instructions of the General Assembly on any matter affecting Trust Territories. *Mr. Parrott* observed that it was implicit in this attitude that the idea of parity between Administering Powers and non-Administering Powers upon which the membership of the Trusteeship Council was based would be invalidated since any decision arrived at in the Council could be overborne in the General Assembly, and similarly, any measure passed against the wishes of the Administering Authorities in the General Assembly would also be endorsed in the Trusteeship Council since if the State Department's attitude were to be accepted the Administering members of the

Council would be unable to record their disapproval of this measure.

Mr. Sanders agreed that the points of difference had been well defined and could be discussed in detail at the subsequent talks. He did not wish to comment upon them at present and felt that they could be stated as follows:—

(a) The problem of distinguishing between supervision and administration of Trust Territories.
(b) The division of power between the Trusteeship Council and the General Assembly.

Mr. Allen said that it might be useful to consider the situation arising from the fact that Italy, though not a member of the United Nations, was now an Administering Authority. Italy had a certain amount of influence with the Latin American States and it may be that the United States and the United Kingdom by enlisting Italy's support could thereby attempt to influence the attitude of the Latin American States to Colonial and Trusteeship matters.

Africa

(Mr. Cohen joined the sub-Committee for discussion of this item of the Agenda).

12. *Mr. Hare* explained that the American object in placing this item on the Agenda was to put before the United Kingdom recent United States thinking on Africa. In the past the United States had tended to base its policy on expediency, that is, its actions had not conformed to any long term plan of policy, but had been the product of pressures applied on the State Department at any given moment, for example, in connection with problems in the Near East. It was only recently that the United States had begun to develop its long term thinking on South East Asia. Africa also is one of the areas with a future in which the United States wished to develop a continuing interest. The United States therefore felt that it would be most helpful if United States and United Kingdom thinking on Africa could be lined up. Over the past year, the United States had given a good deal of thought to the problem of Africa and he offered the following very tentative ideas which had been worked out over that period and set out for the first time at the Conference of American officials at Lourenço Marques:—

(a) While the United States had always realised to some extent the problems facing the Metropolitan Powers in Africa he could say that now there was positive appreciation on the part of the United States of the great difficulties to be dealt with in Africa and the achievements of the Metropolitan Powers in solving those difficulties.
(b) It is the common interest of the western powers to have in Africa conditions of political, economic and social stability sufficient to resist domination by unfriendly movements or powers either through aggression or subversion. Long-range as well as short-range stability should be the object.
(c) The United States believes that the advancement of the social, political, economic and educational condition of the African peoples and of harmonious relations between the Africans themselves and between the Africans and the Governments with which they are associated is to be desired.
(d) The United States believes in the advancement of the economic and, where suitable, the strategic advantages to France and the United Kingdom of their

Colonies and Trust Territories. The United States expects that equal economic treatment will be given to American capital and American nationals who engage in trade in the African Colonial areas.

(e) The United States favours the progressive development of all dependent peoples towards the goal of self-government and the development of dependent territories, where conditions are suitable, towards independence. The United States is sympathetic to the efforts which the French and British Governments have taken towards the development of such conditions.

(f) The United States favours the strengthening of the relationship between the Metropolitan Powers and the Colonial territories so long as the people within the territories desire such development.

(g) The United States believes that an increase in total African production and trade and greater participation of Africa in world trade will be beneficial not only to Europe and the United States but to the African peoples. In so far as possible the United States is prepared to assist the United Kingdom and France in their efforts towards this goal.

(h) The United States wishes to develop its trade, transportation and investment interests whenever and wherever possible and practicable. The United States desires to have access to raw materials, air and sea facilities, air routes and communications points and to guaranteed right of equal economic treatment in the African Colonial territories.

(i) The United States believes that the possibilities of European immigration to Africa should be carefully studied with due regard to the serious social, political, economic problems which such immigration may create.[2]

(j) With regard to United Nations activities affecting Africa, the United States will give careful consideration to the views of the Metropolitan Powers in determining what position the United States may adopt on specific issues. At present this matter is being carefully studied.

(k) The United States desires the fullest possible mutual co-operation and understanding with the United Kingdom and France on African matters and their understanding of the United States. The United States assures France and the United Kingdom that whatever may be United States interests with regard to Africa, it is the United States desire that they be co-ordinated with France and the United Kingdom.

Mr. Hare wished especially to emphasise the duality of the United States approach to African problems—their desire to further and assist the interests of the indigenous peoples and the Metropolitan Powers alike—and also the fact that the United States had no national aspirations in Africa: they sought only to increase Africa's contribution to the stability of the world.

13. *Mr. Cohen* said that his first impression was that the United Kingdom would be in general agreement with every one of the points made by Mr. Hare and felt certain that when those points were examined in detail, complete identity would be found to exist between the two countries. But, he felt, much more than a general alignment of policy on African problems was required. It was essential that a careful examination of detailed policies and their application should be made and this could

[2] Galsworthy noted against (i) in the margin: 'The American delegation also made it clear that they did *not* regard Africa as a convenient dumping-ground for surplus Italian (or other European) manpower! A.N.G.'

only be done in lengthy discussions which, he felt, were now very much overdue. At such talks the United Kingdom would explain in detail what it proposed to do in Africa. For the moment he did not wish to enter into details on these issues, though later he would want particularly to show what our long term objects in political and economic spheres in Africa involved. He emphasised particularly the danger of short term expediency. In the political sphere in West Africa the United Kingdom was often criticised for pursuing short term ends. But this was not true, our policy there was the only one likely to keep British West Africa inside the western world and to maintain tranquil relations with the territories at a time when self-government was very near, but when technical assistance was still badly needed by the emerging peoples. It should not be overlooked also that when self-government has been achieved by these peoples they would wish to unite with other peoples, for example, under French control. We ourselves hoped that the West African peoples would stay within the Commonwealth but it was entirely for them to decide how they would approach the question of union with adjoining territories. Sooner or later some sort of rapprochement between French and British territories on this question would be needed. Mr. Cohen said that the United Kingdom would particularly like to discuss in detail our political policy in Africa which we believed was the only possible policy to secure the future stability of the territories and the prevention of the spread of communism. In carrying out such a policy, only strength in the Metropolitan Powers would secure the support of moderate peoples and prevent the usurpation of political power by extremist oligarchy. World opinion, and above all United States opinion, can exercise a great influence on this process and assist especially in restraining and eventually defeating extremist and subversive elements. In East Africa problems were rather different. Though the territories themselves may in some cases be more developed industrially and economically than in West Africa, the Africans themselves were more backward. Although European immigration had been to some extent encouraged in the past, it seemed clear that a limit to this immigration was now being reached unless we were prepared to grant self-government to the territories at a time when the Africans were not in a position to take their full share in local administration. Our main problem was to narrow the gap between Africans and the non-Africans and this would probably prove to be a lengthy process. We shall be in future under constant pressure from Europeans for more political progress and since the African policies of the United Kingdom and South Africa inevitably clash it was possible that Europeans in East Africa may look to South Africa for support. At present our policy in Africa must be to safeguard the Africans, but in future it may be that we would have to secure the place of the Europeans and Asians in East Africa in the face of developing African participation in political and economic institutions. Although our aim in East Africa was the same as in West Africa, namely, the development of the territories towards responsible government inside the Commonwealth, the steps by which that aim could be achieved were not so clear. The presence of the stratified racial communities presented us with an almost insoluble problem since unless we could assure security to the various communities within the self-governing territories the result would be mutual racial suspicion and disintegration of political institutions.

Mr. Hare said that United States officials would welcome full and detailed talks on African problems outside the sub-Committee and also outside the present formal London Conferences.

It was agreed that Mr. Cohen and representatives of the United States should hold an informal talk on African problems on the 10th May.[3]

Economic development

14. *Mr. Mathieson* considered that since the sub-Committee was primarily concerned with identifying points for special consideration by Ministers, it was only necessary at this stage to review briefly the aspects of Colonial economic development which were of Anglo-American interest. In most cases it would be found that consultative machinery was already in existence and operating. He pointed out that such problems (which were to a considerable extent linked with the Western Hemisphere/Sterling Area problem) were receiving consideration in the Tripartite Continuing Committee in Washington and were, moreover, under discussion with the Economic Co-operation Administration in London and Paris. Among the European Colonial powers themselves there had been considerable consultations on these same problems, commencing soon after the end of the war and continuing both without and within the machinery set up by the Organisation for European Economic Co-operation.

It was the view of His Majesty's Government that the principal way in which the United States could help in the economic development of Colonial territories was by taking all governmental action possible to provide a stable and remunerative market for Colonial primary products. By far the most important of these were tin and rubber. The prosperity of these industries was vital to the economic position of Malaya, and their dollar earnings were of the greatest importance to the sterling area's balance of payments. Support for these industries was a natural and effective way of strengthening the economy of the Colonial Empire and was of greater value to us than short-term assistance in the form of dollar grants or other temporary expedients.

Mr. Mathieson outlined the difficulties which the United Kingdom had experienced in making use of the forms of assistance made available by E.C.A. for the purpose of accelerating Colonial development, remarking that he hoped this experience might prove useful in relation to the Fourth Point programme. The failure to make extensive use of E.C.A. technical assistance for the Colonies had not been due to lack of appreciation of a generous offer but to the problems inherent in any effort to apply American technical skill to underdeveloped countries. In the first place, neither the United Kingdom nor E.C.A. have considered it appropriate to ask American experts to fill routine vacancies in the normal technical establishments; for these posts men were required who would serve for long periods and would therefore get to know both the Government machine with which they worked and the people for whom they worked. Recruitment for these posts of British subjects was steadily improving as training establishments in the United Kingdom filled the gap caused by the suspension of training during the war years. It was generally agreed that the right way to use American experts was to engage them for a limited time to attack special problems, where the intensive application of special skills over relatively short periods was required. There was no doubt that such problems existed in very large numbers in the Colonial territories. It was not enough, however, to find the American expert and have his basic dollar salary paid by the United States. Under

[3] Galsworthy noted in the margin: 'The Americans were subsequently obliged to call this off. A.N.G.'

E.C.A. procedures, and no doubt also under the Fourth Point programme, quite substantial sterling sums have to be found in addition for transport, local allowances, facilities in the form of housing and laboratory accommodation, and ancillary technicians to work with the expert and apply the results of the work when he has gone. All this has meant that the experts could not be employed unless there were sufficient supporting resources of men, money and materials, in the territories concerned, and here questions of priority have arisen for Colonial administrations. In all territories careful plans have been made to use the resources which exist to the best advantage; it has been only in exceptional cases that Colonial Governments have been in a position to reorganise their programmes to fit in American experts. Nor has experience shown that these experts exist in unlimited numbers, of the high qualifications required to perform the special assignments for which they were sought. The problem was more complex than one of simply finding an American technologist and paying his basic salary.

As regards the second form of current E.C.A. assistance, that of providing equipment for development projects, the United Kingdom's efforts to use the funds earmarked for this purpose were being defeated by the very success of the European Recovery Programme. E.C.A. was prepared to find dollars for equipment required from the U.S.A. but had to be satisfied that the equipment could not be obtained elsewhere than in the U.S.A. United Kingdom production (not to mention other European production) was now reaching a level at which there was very little equipment which could not be obtained here for Colonial development projects. An analysis of a range of economic projects which at first sight appeared to have a large dollar element has revealed that that part of the cost which must be met in dollars was at the most about 8%. An examination of the whole field of Colonial development would probably reveal that the dollar element over-all was as low as 2%. It was therefore apparent that little use could be made of a form of assistance limited exclusively to the purchase of essential requirements from the dollar area.

Finally, *Mr. Mathieson* mentioned the problem of bringing U.S. external investment, both institutional and private, to bear on economic development in the Colonies, with particular reference to some earlier remarks by Mr. Stinebower concerning the disappointment felt in U.S. Government circles on the failure of the loan negotiations between the Colonial Development Corporation and the International Bank. The problem inherent in accelerated Colonial development was not now primarily a monetary problem, as he had attempted to indicate in his comments on E.C.A. assistance. The difficulties that arose in the case of E.C.A. assistance applied similarly to loans from the Export—Import Bank which were tied to purchases in the U.S.A., and to loans from the International Bank which was inhibited by its articles from permitting the expenditure of its loans for purchases in the currency of the borrower. It was the U.K's experience that even the potential U.S. private investor, who was in any case not attracted by the low and often deferred return on the basic development which is the primary requirement in most Colonial territories, usually made it a condition that a part or the whole of the capital provided by him should be spent on the importation of equipment from the U.S., even though such equipment could very often be obtained no less advantageously from the sterling area or from soft currency sources. What was required was assistance made available in the form of funds which could be used anywhere in the world.

In reply *Mr. Stinebower* expressed his appreciation of the difficulties occasioned by

"tied" loans, and remarked that the Export—Import Bank had in fact made a few loans which could be regarded in some measure as "untied", although the relaxation was relatively slight. He referred generally to the studies on the development of under-developed territories at present being pursued by the Economic and Social Council as evidence of world-wide interest in this problem and stated that the U.S. Government was also giving considerable attention to it. He noted that the question of tin would be discussed separately and expressed the view that adequate machinery existed for Anglo-United States discussion of the other issues raised.

In discussion the Sub-Committee were of the opinion that in the case of two issues on which further consultation was desirable—the support of the market in tin and the mobilisation of U.S. external investment—the former was covered by special arrangements for consultation outside the field of the present Conference and the latter could be left to the Tripartite Continuing Committee.

It was agreed that the sub-Committee should confine itself to noting the existence of these problems and drawing the attention of Ministers to them.

Future talks

15. *Mr. Wright* said the United Kingdom hoped that the subsequent talks to be held between the two countries on Colonial affairs would cover the whole field of Colonial problems, including Africa and economic problems and would not be confined simply to problems arising from the United Nations' interest in the Colonies. *Mr. Hare* said that the United States had hitherto thought that the later talks would be confined to the United Nations point only and he would like to refer back to Washington to discover whether the other subjects mentioned by Mr. Wright should be included. He emphasised that the United States would not wish to delay talks on the United Nations questions if it were not found practicable to include other subjects at the same time. After United Kingdom representatives had emphasised that it would be difficult to consider United Nations problems satisfactorily except against the background of our other and especially African Colonial problems, Mr. Hare agreed to seek instructions from Washington as to the scope of the subsequent talks. As to the timing of the talks, the United Kingdom representatives suggested the period 10th to the 20th June in London and the United States representatives agreed to refer this question to Washington also. *Mr. Hare* pointed out that hitherto the United States had felt that the talks should be held in Washington but in view of the United Kingdom request that they be held in London so that experts on every aspect of Colonial affairs would be able to contribute, he would ask the State Department to give consideration also to the place at which the talks were to be held. On the question of the form of the later talks, in reply to a request from Mr. Martin for information as to whether the talks would be bipartite or quadripartite, *Miss Tibbitts* said that the United States had been thinking of bipartite talks between the United States and France, Belgium and the United Kingdom, the talks being held consecutively with each Metropolitan Power.

At the end of the meeting the American representatives were handed a paper prepared by the United Kingdom officials setting forth United Kingdom views on the subjects discussed by the sub-Committee.[4]

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[4] See part I of this volume, 72.

189 CO 537/5701, no 25 7 June 1950

'The United Kingdom and the UN': FO memorandum for Permanent Under-Secretary's Committee [Extract]

The United Nations and British objectives

The purpose of this paper is to try to assess the profit and loss accruing to the United Kingdom from her membership of the United Nations.

2. The high hopes placed on the United Nations in 1945 have not been fulfilled. At that time His Majesty's Government officially regarded the United Nations as the cornerstone of their foreign policy. Now it is clear that many of the objectives of British foreign policy are being pursued independently of the United Nations and some indeed, perhaps in spite of it.

3. The major objectives in the medium term of British foreign policy at present may be said to be:

(a) Maintenance of peace, provided always in the last resort that British vital interests are not put in jeopardy.
(b) Maintenance of the United Kingdom's position as a world power and as the leading partner in the Commonwealth.
(c) Specially close relations with the United States of America.
(d) Resistance to the expansion of Kremlin-inspired Communism, leading to
(e) Consolidation of the free, non-Communist world.
(f) Political and economic stability in the Middle East.
(g) A stable and prosperous Asia friendly to the West.

4. Pursuit of these objectives does not preclude ultimate attainment of an effective world security system based on the United Nations. Clearly this goal is still very far distant and His Majesty's Government cannot yet rely on the United Nations to this extent. But this conclusion does not answer the question whether, on balance, in the British view the United Nations in its present form plays a useful contributory rôle or is merely a tiresome encumbrance of the international stage, and whether, again on balance, it may be said to assist the attainment of the objectives of British foreign policy . . . .

Conclusions

57. (a) On balance the existence of the United Nations is an asset to United Kingdom policy because:—

(i) it aims at encouraging the growth of international cooperation for many purposes but, above all, for the maintenance of peace;
(ii) it encourages United States and Commonwealth interest in world affairs and assists the United States Government in pursuing a forward foreign policy;
(iii) it provides a way of presenting to the peoples of Asia and the Middle East schemes which, if presented outside the United Nations, might be suspect as an attempt to impose Western supervision;
(iv) it has forced the Western Powers to meet the Soviet propaganda challenge, on the whole with advantage to themselves, and it has thereby enabled them to expose Soviet aims and policy before a world-wide audience.
(v) it is a forum in which political and economic matters of world-wide

importance can be discussed and is often the best place for reaching a solution of international problems.

(b) The advantages of the United Nations to United Kingdom policy are limited by the following main factors:—

(i) ideological disputes between the Soviet *bloc* and other nations not only hamper effective practical action, but also to some extent discourage those who hope to see the Organisation lead to effective cooperation between really united nations;

(ii) the possibility, under the system of "one State, one vote", for small nations to exert an undue influence may endanger the ability of the United Kingdom and Commonwealth to preserve their essential interests from United Nations interference, particularly when, as is so often the case, many countries cast their votes, not on the merits of the case at issue, but as a result of a bargain behind the scenes;

(iii) the hopes placed by the United States opinion on the United Nations sometimes lead the United States Government to regard the theoretical claims of the United Nations more highly than the practical interests of the Western Powers. (Such an attitude would be particularly dangerous if it led the United States Government in an emergency to put their obligations to the Security Council higher than their obligations to their Atlantic allies).

(c) The following action should help to limit these adverse factors:—

(i) The United Nations should be encouraged to concentrate on work likely to produce concrete results, particularly in the social and economic sphere.

(ii) Constant consideration should be given to the possibility of securing useful and practical results in any given discussion in the United Nations, and these possibilities should as a general rule take priority over the prosecution of the ideological conflict.

(iii) The United Kingdom should consult constantly with all other like-minded Powers to frame their policy at the United Nations so that the organisation will contribute to Western consolidation (including the under-developed non-Communist countries).

(iv) Efforts should be made to avoid being driven onto the defensive on colonial questions. For this purpose it may be necessary to adopt a less uncompromising attitude and to avoid raising unnecessarily matters which invite attack.

(v) Representation on delegations should wherever possible include Ministerial spokesmen and, on colonial questions, representatives of the Colonial Empire.

(vi) A thorough reform should be instituted to reduce the number of subordinate bodies (particularly under the Economic and Social Council) which do not produce effective action.

(vii) Efforts should be made to improve the quality of the Secretariat and to reduce its total numbers.

(viii) The United Kingdom representatives should maintain constant vigilance to ensure that the expenses of the United Nations are kept as low as is consistent with efficiently achieving its aims.

(d) While every effort should be made on these lines to further the general objectives of the Western Powers (including the Atlantic Powers and Common-

wealth countries) this policy should not be pushed to such a point that the Soviet Union and its satellites are forced out of the United Nations.

190 CO 537/5699, no 89A 16 June 1950

[Colonial questions in the UN]: minutes of a CO meeting with Mr Younger (FO)[1]

Mr. Griffiths opened the Meeting by suggesting that Mr. Younger's letters of the 31st May should form the basis of discussion. He asked Mr. Younger to open the discussion.

Mr. Younger said that it was essential that we should gain the support of the moderate members of the United Nations, especially the United States and the Commonwealth countries, for our attitude on Colonial questions. We should, therefore, go to Washington with a positive policy, and be as forthcoming as possible in our talks with the Americans.

Mr. Griffiths said that he was in general agreement with the Foreign Office point of view. The United Kingdom was undoubtedly the most progressive of the Colonial Powers, but had been depicted as the most reactionary. We had to face an ideological battle in the world, especially in the Colonies. The Communist Party worked by getting other bodies to pass resolutions on the lines they desired, and remaining in the background themselves. If they could get the United Nations to pass resolutions helpful to them, this would be a great triumph for them. He agreed that so far we had been far too much on the defensive, and that in future we ought to put our case across positively. The next ten years would be very difficult ones for us as a Colonial Power, and indeed in many places it might be touch and go. All over Africa tension was rising. It was therefore essential that we should put our case across well in the United States [sic], and that we should secure the maximum support from the more reasonable and moderate members.

Mr. Griffiths then turned to the points raised by Mr. Younger in his letter of the 31st May:

1. *Accountability to the United Nations in respect of non-self-governing territories other than trust territories*

Mr. Griffiths and *Mr. Younger* agreed there could be no question of accepting the principle of accountability to the United Nations, and the question was therefore one of presentation.

Mr. Martin said that the best line seemed to be to stress that accountability would be a backward step, since control of their own affairs was being rapidly devolved upon the Colonies themselves.

Mr. Younger said that it was important to avoid giving the impression of lecturing to other members of the United Nations, or of concentrating all the time on our experience and their inexperience.

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[1] Present: *CO* Mr Griffiths, Mr Dugdale, J M Martin, A N Galsworthy: *FO* Mr Younger (minister of state), M R Wright, C C Parrott, D H T Hildyard.

2. *The Special Committee on information transmitted under Article (73(e)*
Mr. Younger said that the Soviet Union had walked out of all United Nations bodies when defeated on the question of Chinese Representation, and that all the other members of the United Nations, and the United Kingdom in particular had stated that this was an intolerable way to behave. It would, therefore, be very embarrassing for us to walk out of any United Nations body ourselves because we did not agree with the line the majority were taking.

Mr. Griffiths agreed that withdrawal, although it might be desirable for many reasons, would put us in a very embarrassing and difficult position. He was not sure, however, that he agreed with Mr. Younger's suggestion that we should be represented by a very junior official, since in that case we might well have the worst of both worlds. Nor would it be desirable for our representative to be much junior to the United States representative.

Mr. Martin said that it would probably be better to remain in the Committee, but our representative should be some one capable of meeting criticism; if he remained silent, the effect both at home and in the Colonies would be very bad. He suggested that Mr. Fletcher-Cooke from the United Kingdom Delegation in New York should be our main representative, and that he should be assisted by Mr. Ward of the Educational Branch, who would be very good at putting over our positive achievements and plans. Their role, of course, would not be an easy one. Mr. Martin suggested that, if we did continue to participate in spite of the embarrassment it would cause us, this would be a concession to the United States, and therefore possibly could be used as a bargaining counter.

It was agreed that the United Kingdom should continue to participate in the Special Committee, and should adopt as positive an attitude as possible. Since this would to some extent be a concession to the United States, we should ask in return that they should give us as much support as they could.

3. *The submission of political and constitutional information*
Mr. Younger said that we should not miss opportunities of putting ourselves in the most favourable light. It was just in the political field that we had most to show, and we had a very good case to put over. The information was available anyway in the United Nations Library.

Mr. Martin said that if information was transmitted formally it would immediately become a subject of debate. As things were we could say that any discussion of political questions was ultra vires, but if political information had been specially tabled, we could not use this argument.

Mr. Galsworthy said that we could send political information to each member of the United Nations without any damage being done, as once we tabled it it would be debated. If we submitted short outlines as had been suggested, the Anti-Colonial Powers would not be satisfied, and would only think that we were weakening.

Mr. Martin said that although our record was very good, constitutional questions were our most vulnerable point, since whatever we did, there were bound to be groups who were never satisfied.

Mr. Griffiths said that he realised that we might be in a difficult position in our talks with the Americans, since the United States did, in fact, transmit political information.

Mr. Martin said that during the London Conferences the United States did not

press us to transmit political information but said that they thought it would be a good idea because it would help to educate the other members of the United Nations.

Mr. Galsworthy said that the Anti-Colonial Powers complained that they could not properly understand the information on educational, social and economic conditions without knowing the political background, but that this was merely a blind, as they could easily get the information.

Mr. Parrott said that reading through the Secretary General's Summaries and Analyses the absence of political information was very noticeable, and he thought there was some basis for the complaints.

After some discussion *Mr. Dugdale* said that he thought the crux of the matter was whether we could avoid a debate on constitutional matters or not. If we could not, it would be far better to transmit information so that the debate was as well informed and sensible as possible.

Mr. Galsworthy said that we had avoided debate for four years, and he thought that unless we actually transmitted political information members of the United Nations would be very loath to create a precedent which might be awkward for them later by discussing questions which had not been tabled, and which were in any case matters of domestic jurisdiction.

Mr. Younger said that he was impressed by the arguments against the transmission of political information. He hoped, however, that we could preserve an open mind for our talks with the Americans, in case they felt very strongly on this point, and appeared likely to make it a condition for their general support. He did not think, however, that this was likely, and if we were co-operative on other points it might be possible to persuade the United States to support us on this one.

It was agreed that we should, if possible, try to persuade the United States to support us in our refusal to transmit political information, but that we should keep an open mind, and if the United States attached great importance to our supplying this information, we should consider the matter further. It was agreed, however, that it would be much more difficult to make a concession on this question than on any other except accountability itself.

4. *Who decides when a people become self-governing?*

Mr. Griffiths said that Colonies which became self-governing for internal purposes might be considered to be creating a new class of nations who were neither non-self-governing, nor eligible for membership of the United Nations. Assembly resolution 222(III) regarding cessation of the transmission of information seemed a very reasonable request.

Mr. Martin said that certain safeguards in the sphere of defence and foreign policy etc. had to be maintained, even when a Colony became self-governing for internal purposes. Dissident groups who were dissatisfied with these arrangements would press any country they could find to support them to raise the question of the Colonies' status in the United Nations.

Mr. Younger said that the object of Chapter XI was to provide a safeguard where one nation had power over another, and that this could be entirely nullified, merely by stating that the territory in question was self-governing. He thought that the request containing the Assembly Resolution was reasonable.

Mr. Galsworthy said that if we complied with the Resolution we might risk upsetting everything at the eleventh hour after we had taken such care to keep

political and constitutional questions out of the United Nations until that moment. He pointed out that the resolution passed at the fourth session (334/IV) stating that it was within the responsibility of the General Assembly to express its opinion on the principles which might guide the members concerned, indicated that the Assembly meant to decide this question for itself. The words "subject to constitutional limitations" in Article 73(e) had been inserted on the proposal of the United Kingdom with cases such as that of Malta in mind. Whereas Parliament had the right to assure itself that the Secretary of State for the Colonies was no longer responsible for the internal affairs of the Colony, the United Nations had no such right.

Mr. Younger said that he thought we ought to comply as a matter of courtesy, and refusal would be unreasonable.

Mr. Wright said that if we did not comply on matters such as these we would certainly lose the support of the moderate and reasonable members of the United Nations.

Mr Galsworthy said that although the Americans had voted in favour of this resolution, they were worried about submitting constitutional details regarding Alaska.

Mr. Griffiths asked what would happen if a Colony raised the question itself in its own legislature, in which case its constitution would be debated openly. He said that he would like to discuss the whole question further with his advisers.

Mr. Younger said that he felt much more strongly that we should be forthcoming on this question than on the transmission of political information.

It was agreed that the Secretary of State for the Colonies should discuss this question further with his advisers, and the Colonial Office should then get into touch again with the Foreign Office. It was noted that the Foreign Office considered that a concession might well be made on this point.

[5.] *Memorandum on the proceedings at the last Assembly on trusteeship and colonial questions*

Mr. Griffiths said that he agreed that the memorandum should be a joint Foreign Office—Colonial Office publication, and should be published after the Washington talks.

Mr. Younger said that he thought it would be better if the memorandum instead of stating our past attitude reflected any modified line that we might agree with the Americans.

Mr. Dugdale said that the Colonial Office draft was being revised to make it much shorter.

Mr. Martin asked that if the Foreign Office had comments on particular sections, they should be sent to the Colonial Office to be included in the revised draft.

It was agreed that the memorandum should be a joint Foreign Office—Colonial Office publication, and should reflect any modified line that might be agreed with the United States at the Washington talks.

191 CO 537/5699, no 102 13 July 1950

[Anglo-American talks on colonial and trusteeship matters, Washington 5–7 July]: despatch from Sir O Franks (Washington) to Mr Bevin. *Annex*: record of first meeting [Extract]

I have the honour to enclose three copies of the United Kingdom record of the Anglo-American talks on colonial and trusteeship matters which took place in Washington on July 5th, 6th and 7th.

2. I have no hesitation in saying that the talks were successful. The United States Delegation made it clear from the outset that they had a genuine admiration for our colonial achievements and a keen desire to help us obtain full credit for those achievements in the eyes of world opinion. They were especially gratified to learn that we intended to adopt new voting tactics in the United Nations, that we were proposing to make greater use of the United Nations forum to publicise the developments we were encouraging in the colonies, and that we had decided to participate fully in the Special Committee. Mr. Hickerson, Assistant Secretary of State for United Nations Affairs, who presided at the talks, said at the final session that the United States Delegation was "more than delighted" with the attitude which the United Kingdom Delegation had taken. He hoped that, as a result, it would be possible for the United States, while not abandoning its anti-colonial traditions, to do a good deal more to help us in the United Nations, not only during the debates but by speaking in advance to a number of governments whose delegates had been unreasonably critical of us in the past.

3. It was not necessary to speak about conditions in the colonies and trust territories at very great length because, partly owing to the Lourenço Marques Conference, the United States delegates were to a considerable extent aware already of the progress achieved in the territories for which we are responsible. But the British Delegation's exposition of developments and difficulties in the field was none the less valuable because, as became apparent as the talks progressed, in the small number of cases where complete identity of view on future United Nations policy was not achieved, the difference was almost entirely due to the over-riding British concern about the effect of the proposed policy in the colonies themselves, while the United States placed more emphasis on the repercussions in the wider arena of world political opinion.

4. There were, in fact, only two points of importance on which complete agreement was not achieved. These concerned the submission of political information about non-self-governing territories, and the flying of the United Nations Flag in trust territories.

5. On the first question, the United States Delegation said that the United States had suffered no ill effects from submitting political information about their non-self-governing territories. The Americans seemed, however, to recognise that it did not necessarily follow that this would be the case if we were to transmit political and constitutional information about our territories and they did not press us to give this information against our better judgment. On the contrary, they affirmed repeatedly that it was for us to weigh the advantages and disadvantages, both inside and outside our territories, of the submission of political information. The British Delegation stated that, after a very careful examination of the arguments on both

sides, they remained convinced that the formal transmission of political and constitutional information in such a way that it would become the subject of debate and recommendation in the United Nations would be neither right nor expedient, having regard to the risk of dangerous repercussions in our Colonial territories arising from debates at Lake Success on political and constitutional questions. At the same time, the British Delegation indicated that they thought it would be perfectly feasible for the United Kingdom representatives in the Fourth Committee and the General Assembly to take suitable opportunities of drawing attention in their speeches to our achievements in the field of political and constitutional development, without running the risks that would be involved in the formal transmission of this information under Article 73(e) of the Charter which would have the effect of placing the examination of this information on the agenda. The American Delegation appeared gratified with this suggestion.

6. On the question of the United Nations Flag in the trust territories, the United States Delegation said that there would almost certainly be an acrimonious debate in the General Assembly now that the flag resolution had been blocked in the Trusteeship Council. They suggested that in order to forestall this, the administering authorities should arrange for the matter to be raised again at the current session of the Trusteeship Council and that instead of voting against the resolution (which in the view of at least some of the United States Delegation would leave the administering authorities with complete discretion to fly the flag where and when they chose) the United Kingdom representative should abstain on the vote, since if one of the five administering authorities who had voted against the resolution at the Sixth Session of the Trusteeship Council felt able to abstain, this would be sufficient for the resolution to be adopted. The United States Delegation suggested that, in abstaining on the vote, the United Kingdom representative should make a statement to the effect that we naturally assumed that the administering power would be left to decide the exact manner and locations at which the flag would be flown: we might then fly the flag, for example, on United Nations Day and on other specially suitable occasions such as the visit of a United Nations Mission. The United States Delegation considered that it would be better tactics to accept the resolution as it stood than to seek to amend it in the sense suggested by the New Zealand Delegation at the Sixth Session of the Trusteeship Council . . . .

8. But these differences were small by comparison with the great number of problems on which a common view was achieved. Apart from certain questions of tradition and definition, the two delegations found themselves in harmony on such important matters as the basic objectives of colonial policy, the degree to which a metropolitan power is accountable for its administration of colonial and trust territories respectively, voting and lobbying tactics to be adopted in the United Nations, the relationship of the General Assembly to the Trusteeship Council, and the necessity for a Colonial Application Clause in international conventions to which colonial powers are a party. It can reasonably be said, therefore, that the area of full Anglo-United States agreement has been greatly enlarged and that, beyond this, even where differences of approach and policy still remain, a real measure of mutual understanding now exists, and a respect for the considerations which give rise to those differences.

9. How permanent is this understanding? The United States must be expected, of course, to deviate somewhat from time to time from the course of cooperation

mapped out during the present talks. This is inevitable in a field where United States interests are indirect and are due mainly to factors connected with the well-being and preservation of the Western World in general and the Anglo-United States partnership in particular. But in the main I think we may reasonably expect an appreciable increase in United States understanding and helpfulness in these matters. In the foreseeable future the extent of this helpfulness may well depend on two things:—

(i) the extent to which we are able to maintain informal exchanges on general and particular issues in this field, especially before the attitude of both sides has crystallised. At the very least it should be possible by advance consultation to avoid those unexpected head-on collisions in the United Nations which are embarrassing and damaging to us both;
(ii) the extent to which we are able to live up to United States expectations that our new policy at the United Nations will avoid unnecessary criticism, will deal effectively with criticism that cannot be avoided, and will not fail to ensure that the triumphs of British colonial policy are publicised as much as its shortcomings.

I earnestly recommend that constant attention be paid to these two points. If this is done (and continuing United States assistance is assured) our difficulties in the United Nations should be appreciably reduced, though they will of course be far from ended. In particular I would emphasise the importance of encouraging a continuing exchange of views on colonial topics between ourselves and the Americans, whether by the periodical visits of United Kingdom officials to Washington or of occasional tours of the British colonies by United States officials.

10. I hope to report later on the results of the talks which the Americans are holding with the French and Belgians. With the full agreement of the State Department, we have informed the French and Belgian Embassies frankly of the tenor and content of our own discussions with the Americans. The United States Delegation consider that the satisfactory outcome of their talks with us has improved the chances of their reaching a reasonable measure of understanding with the French and Belgians. But they are not by any means over-optimistic that they will find the latter equally amenable.

11. A detailed oral account of the course of our own talks with the Americans has already been given to representatives of the Canadian, Australian, New Zealand and South African Embassies here, who were informed that the Commonwealth Relations Office would probably be able to make a written account available to their governments at a later date. No action has been taken here with respect to India, Pakistan and Ceylon. The case of India especially is, however, immensely important. The Americans considered that India was by far the most influential of the anti-colonial powers. They were inclined to believe, as I am myself, that a direct approach by us to Pandit Nehru might be well worth making, even though it could not be completely successful.

12. I should like to express my appreciation of the imaginative understanding displayed by the Colonial Office members of the United Kingdom Delegation who came from London. They may justifiably feel, I think, that, as a result of their efforts in this somewhat newly developed field of endeavour, the chances of obtaining a fair hearing for their achievements elsewhere have been enhanced. At all events, I am glad to report that the situation from the point of view of Anglo-American relations

seems a great deal brighter now than it did when my despatch No. 32 of January 14th was written . . . .

Annex to 191

The United Kingdom Delegation consisted of:—
British Embassy, Washington—Sir Oliver Franks, Sir Derick Hoyer Millar, Mr. J. K. Thompson, Mr. Gerald Meade, Mr. Donald Tebbit; *Colonial Office*—Mr. John M. Martin, Mr. A. B. Cohen, Mr. Arthur Galsworthy; *Foreign Office*—Mr. J. R. Cotton [Africa Dept]; *U.K. Delegation to the United Nations*—Mr. Dennis Laskey.

First meeting, 11 a.m.—1 p.m. July 5th
Mr. Hickerson welcomed the British Delegation. He then suggested the following arrangements for the Conference:—

(1) There should be no agreed minutes, since it was the purpose of the talks to exchange views and not to draw up a Convention. Each side should keep whatever record it desired.
(2) It was desirable, so far as possible, to avoid publicity without, however, going to extremes to achieve this. He tabled a draft which he suggested might be used as a basis on which to reply to any press enquiries. This read as follows:—
"The Department of State announces that beginning on July 5 discussions will take place in Washington with representatives of the United Kingdom on general problems in dependent areas. These discussions will be held on the working level. This informal exchange of views constitutes an example of the consultation on problems of common interest which it was agreed at the recent ministerial meetings in London should be held frequently between officials of the two Governments".
(3) He suggested that two meetings should be held each day for three days and that an endeavour should be made to keep strictly to this time-table.
(4) The draft agenda should be used merely as a general guide and need not be adhered to rigidly. Either side should feel free to raise matters which did not appear on the agenda.

The British Delegation indicated that all these arrangements were acceptable on their side.

Mr. Hickerson said that the present talks arose from the uneven voting in the Fourth Committee of the General Assembly. This uneven voting had occurred in spite of close contacts between the British and United States Delegations. Since the last session of the Fourth Committee there had been a number of useful interchanges of view on this problem, especially during the London talks. There were, however, still a number of important problems remaining. Mr. Hickerson thought that hitherto our interchanges in this field had not been as frank as in others. He hoped that, as a result of the present talks, our relations in Colonial and Trusteeship matters could be made just as frank as in other fields.

Mr. Hickerson went on to say that he suspected that the feeling on the United Kingdom side was that the United States identified itself too closely with the forces marching towards independence. The true United States position was certainly not

that she wished to see the British Empire liquidated: the British Empire was a great force for stability. Moreover, especially in the last six years or so, the United Kingdom had achieved a magnificent record in Colonial matters for which it had received no credit at all. The United States wanted to help break this vicious circle.

For historical reasons there was an understandable feeling in the United States against Colonialism. The United States attitude had been well summed up by Mr. Cordell Hull,[1] when he said—"Every people is entitled to self government and independence when it is ready to assume the responsibilities as well as the privileges of the same". If this criterion had been adopted, the foolish decision of the United Nations to give independence to Italian Somaliland after ten years would never have been adopted. "It would not", Mr. Hickerson remarked, "be possible to get the Somalis down from the trees in ten years".

The forces of independence could not be stopped. We therefore had to endeavour to give wise direction to these forces so that communism did not take control of them.

If the present talks were successful the United Kingdom might perhaps be able to change its tactics in the United Nations while the United States might be able to use its influence to stop the "free wheeling" in the United Nations which allowed delegates of certain countries to take an unreasonable attitude without check from their governments.

Sir Oliver Franks said that United Kingdom history had been the opposite of that of the United States in Colonial matters. Both our attitudes necessarily reflected our ancestral history.

Sir Oliver Franks suggested:—

(1) That an attempt should be made to devise means of handling Colonial matters in the United Nations more to the mutual satisfaction of the United States and the United Kingdom. The United Kingdom, for its part, was not bound to its previous tactics. He was glad to understand from what Mr. Hickerson had said that the United States was similarly free to revise its tactics.

(2) The United Kingdom Delegation would like to have some general talk on what the United Kingdom was doing in the Colonies and the problems which had to be faced. They hoped to demonstrate the practical conditions existing in the Colonies on which their consideration of the policy to be adopted in the United Nations was based. The examination of these practical problems would show where areas of flexibility existed for tactical purposes.

(3) The British aim was to work for the self-government of dependent peoples. In leading peoples towards self-government or independence, the economic and educational factors were relatively easy to gauge. There was, however, a further element which was much more bothersome. The contrast between the cases of India and Ceylon, on the one hand, and Burma, on the other, was striking. One of the reasons why India and Ceylon had fared so much better than Burma since they had achieved independence was that at the time when power was handed over, roughly nine-tenths of the people holding responsible positions in India and Ceylon were locally recruited. This was unfortunately not the case in Burma. In building up a local administration the time factor was important. The process had

[1] US secretary of state, 1933–1944.

to be thought of in terms of decades at least. If the time factor were disregarded, all the educational and economic advancement would be in vain. Only an experienced administration composed of the peoples of a territory could ensure stability throughout the period of transition and so ensure that political evolution did not end in chaos.

Sir Oliver Franks went on to say that one of the subjects on which there was bound to be a good deal of discussion during the talks, was the important question of accountability. The United Kingdom recognised that it was, in a broad sense, accountable for its Colonial policy at the bar of world public opinion. But it was not accountable in the sense of being subject to outside supervision and direction. It was a matter of principle that a Colonial Power could not divest itself of, or share the responsibility which it had. But apart from this point of principle, there were also practical reasons why the United Kingdom could not share or shed its responsibility. In many of the British Colonies the real power had already passed to local governments. These local governments, having ceased to be accountable to the metropolitan government over a wide field, were not willing to accept accountability to the United Nations. Furthermore, the discussions in the United Nations so far had been such as to make the process of transferring power to local governments more difficult. We were taking a real calculated risk in the rate at which we were turning over to the inhabitants of the territories real political responsibility. Our chances of success depended on the ability of the Colonial Power, during the transitional period, to give advice to the local governments in an atmosphere in which that advice stood a good chance of being accepted. During the transitional period there was bound to be a fluid situation in which guidance was needed. If the atmosphere became charged with ill feeling, owing to intemperate statements made at the United Nations, our guidance was less likely to be heeded.

Sir Oliver Franks also pointed out that our Colonies were in many different stages of development. At one extreme, there was the case of British Somaliland, where we still maintain fairly direct control. At the other end of the scale were the West African Colonies which had already a very large measure of self-government and in which there were legislative assemblies with elected majorities. The attitudes which we took up at the United Nations were conditioned by the practical considerations of the varying conditions existing in the Colonies. If, therefore, the two delegations were to begin by talking around the problems as they existed in the territories, it would be possible to locate areas of tactical flexibility.

Mr. Rusk[2] said that it was important to remember that the subjects about which we were talking affected not only Anglo-U.S. relations but also the relations between us both and a great part, perhaps three-quarters, of the rest of the world. In view of the achievements of the United Kingdom it was anomalous to have the General Assembly so often taking the United Kingdom to task at a table surrounded by nations who owed their freedom to the United Kingdom. If the United Kingdom attitude at the Assembly could be closer to the standard of her peformance in the Colonies, this would be of great benefit to our relations with a large part of the rest of the world.

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[2] Dean Rusk, US assistant under-secretary of state for UN affairs, 1949; deputy under secretary of state, 1949–1950.

Mr. Hare pointed out that the time factor (which Sir O. Franks had mentioned) and the public relations sense (which Mr. Rusk had said was needed) went together. It was necessary to create a consciousness that progress was being achieved within the time available.

Sir Oliver Franks said that the British Delegation were very much aware that a large number of the peoples of the world had a Colonial history. They agreed that the wider relationship, to which Mr. Rusk had referred, was very important. The broad unity of Anglo-U.S. policy had not only to exist but had to be demonstrated. The harm which was done by our appearing on opposite sides of the fence in a particular field was not limited to that field alone.

Mr. Rusk pointed out that the United States also had responsibilities to dependent peoples. The United States Delegation were conscious that whenever one pointed one's fore-finger at somebody else three fingers were pointing at ones-self.

Mr. Cohen said he proposed to use Africa as an illustration of the kind of problems with which we were faced. The Colonial Office warmly welcomed the increased interest which the United States had been taking in Africa, and had been encouraged by the statement which Mr. Hare had made in London regarding the outcome of the Lourenço Marques Conference.

The United Kingdom had two basic objectives: the first was to help Colonial peoples to build up self-governing communities; the second was to ensure that those communities would have real economic and political viability. It was extremely difficult to keep these two objectives in proper relationship to each other because the second objective demanded time, while the first entailed a show of progress. An indispensable need was to build up local government beginning with the smallest units.

Economic and technical development, which was so much in evidence in current United States thought, was also in the forefront of United Kingdom thinking. A great deal of United Kingdom money, and money from the Colonial territories themselves, had in recent years been devoted to the development of basic services, research institutions in the field, and above all to agriculture. A great deal of money had also been devoted to education. A large number of trained personnel from the United Kingdom had gone out to the Colonies and four new university colleges had been set up since the war. In the past, too little attention had been given to technical education, but now three new polytechnic institutes were being started. In addition, more attention was being paid to the education of women and girls. It was one of our major objectives to get people working on small development schemes.

In the political field there were a very large number of territories which were no longer under the close direction of the metropolitan power. In East Africa there were complications owing to the existence of plural communities. In Kenya, for example, the transfer of power to the European residents could not go forward without prejudicing the future of the Africans. In these circumstances, control from the Colonial Office had to be maintained. But even here, actual direction was limited as a rule to major policy, defence and direct United Kingdom services to the territories. In West Africa, much greater political progress had been possible. In the Gold Coast, Nigeria and Sierra Leone it was hoped in the next year or so to establish a system of government in which African Ministers would be directly responsible to elected legislatures. The Governors would retain ultimate responsibility and would have reserve powers, only to be used in exceptional circumstances; and there would be

only a minority of European officials on the Executive Councils (three in the case of the Gold Coast). Mr. Cohen went on to say that the question was sometimes asked whether we were not perhaps going too fast in giving political responsibility to territories in West Africa which were under-developed from an economic, educational, administrative and social point of view. The answer to these doubts was that we had to establish a political system which could be expected to continue smoothly for the comparatively long period of time during which we were helping the territories towards full self-government, which we hoped would be within the British Commonwealth. For this purpose, an official, bureaucratic system was impossible. It was necessary to put new arrangements into effect now because the sooner we took action the more influence we were likely to have for a longer period. The policy of full participation in government was already paying dividends. The people were being given a chance to contribute to the working out of their own Constitutions. Another example of the success of the policy of full participation was the West African Marketing Boards.

Mr. Foot[3] reminded the meeting of the tremendous progress which had been made in the West Indies. The West Indies Conference had unanimously recommended that a Federated Dominion should be established. The plan of the West Indies Conference had now been referred back to the local legislatures. If they approved it, he thought it likely that the plan would go into effect within about two years. The West Indies might well achieve full Dominion status in about five years.[4] When one remembered that the representatives of the individual territories first met together to discuss all this only three years ago, the progress which had been achieved was remarkable.

Similarly, in Nigeria, it was only four years ago that representatives of the different parts of the territory first agreed to sit together in the same body. Now they had already agreed on a scheme of government for the entire colony. It was, therefore, fantastic that anybody should call the pace slow. The pace was terrific. But the method worked and the local people had risen to the responsibility given them. The case of Mr. Bustamente[5] in Jamaica was a good illustration, for only a few years ago he was nothing more than a mob leader. It was certainly the case that the bureaucratic method of government, if applied in Nigeria, would bring chaos within ten years. The policy of direct participation, though involving tremendous difficulties, really would work. For example, when placed in positions of responsibility, the Africans often decided that it was necessary for the good of the country to employ foreign experts at high wages. It would have been quite impossible for British officials to take decisions of this sort.

Mr. Hickerson said that the United States Delegation was glad to hear of the good job which was being done in the Colonies. He admitted that there had been some feeling on the United States side that self-government was being given too rapidly. But they had to remember that self-government was a hysterical subject among the ex-colonial countries. For example, when he had suggested to the Indian Delegate at Lake Success that it was foolish to reduce the term of preparation for Libyan

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[3] H M Foot, chief secretary, Nigeria, who attended this session only.

[4] Galsworthy noted in the margin: 'Mr Foot made it clear that in this he was expressing a purely *personal* opinion. It was in response to a specific question put to him by the U.S. delegation. A.N.G.'

[5] W A Bustamante, minister for communications; subsequently (as Sir Alexander) prime minister of Jamaica, 1962–1967.

self-government from ten years to two, the Indian Delegate had replied that of course the Libyans could be ready in two years. In the case of the Philippines, there had been a 40 or 50 year period of preparation and, while he did not admit that independence had been given too soon, the new country still faced formidable difficulties.

Mr. Bourgerie[6] asked how political progress in East and Central Africa compared with that in West Africa. Mr. Cohen replied that in West Africa political advance had preceded economic and social advance; the economic and social factors could catch up later. In East Africa, political advance had been hampered by the existence of plural communities. The Africans who had begun to participate in government had not yet caught up to the standard of the Europeans and Indians. It would be a long time before the Africans would be able to play a full and equal part. It was impossible, therefore, to proceed to a further stage of self-government until the Africans could come in and pull their full weight. There were really three problems:—

(a) How could an Executive be developed without prejudicing the future of the Africans as opposed to the Europeans and the Indians?
(b) What was the correct method of representation (he thought that communal representation could not be avoided at present)?
(c) How could a sense of security be given to the different racial communities?

Up to the present, the Europeans had been willing to vote money for the advancement of the Africans. It was to be hoped that they would continue to take this enlightened view.

Mr. Hare asked to what extent a sense of nationhood was being achieved. Was there, for example, a feeling of being a Nigerian? Mr. Foot replied that in Nigeria, the great political problem certainly was the difference between the Moslem North and the Christian and Pagan South. Internally it could not be said that the different peoples yet regarded themselves as Nigerians to any great extent. When they left Nigeria, however, representatives of the different sections certainly did have a sense of regarding Nigeria as a whole. This applied both to the Nigerians who attended the recent African Conference in London and to the Nigerian football team.

Mr. Cohen said that in East Africa the Europeans and Moslem Indians by and large regarded themselves as belonging to Africa. There was a tendency on the part of the Hindus to look back to India as their native land. Trade Unions were being developed as a means of helping the Africans to achieve equal status with the Europeans and the Indians . . . .

[6] E H Bourgerie, US assistant director, Office of African and Near Eastern Affairs.

192 CO 537/7137, no 17 9 Mar–5 Apr 1951

[Colonial questions at the UN]: minutes by J M Martin and Mr Griffiths on future plans for Anglo-American talks. *Annex*: proposed agenda

At the conclusion of our talks with the State Department last July about Colonial questions at the United Nations we felt that it would be useful to arrange similar Anglo-American talks from time to time in the future. We are now examining with the Foreign Office a proposal that the next such talks should be held in London in May. Our idea is that they should not last more than one week at most, should be at

the official level (up to Assistant Under-Secretary of State), and should primarily relate to specific subjects likely to come up in the United Nations this year. Starting with discussion of the general approach of the two Governments to the various United Nations bodies concerned, the talks would go on to deal with tactics in these bodies and the preparatory work to be done before their sessions. I attach a copy of the agenda as at present envisaged by us.[1]

Advantage could, if thought desirable, be taken of the presence of the American officials to discuss with them any other Colonial questions (outside the United Nations) of common concern and indeed the Americans themselves may wish to raise some matters of the kind (e.g. certain aspects of the Caribbean Commission). Any such extension of the scope of the talks, however, involves the difficulty that the Americans would probably find it difficult to discuss any special subjects without adding the appropriate experts to their delegation. I think, therefore, that it would be best to confine the talks very largely to United Nations matters—with, if time permits, a few informal discussions on general topics (e.g. education, health, political development) in which advisers could take part, designed to educate the Americans on our Colonial policy.[2] . . .

J.M.M.
9.3.51

I approve & hope I shall be kept informed of how the talks go. Last year we had a *good* press for our attitude at *UNO*—Cyprus may this year be the most difficult problem.

J.G.
5.4.51

Annex to 192

I *The United Kingdom representatives would propose to begin the talks by giving a brief informal review* of the general trends of our policies with regard to the political, economic and social development of the Colonial Empire, of the present position with regard to the implementation of those plans, and of the principal problems now being tackled. This would afford a general background to the discussion of specific issues that will arise in the United Nations this year.
Note: The Colonial Office would be very glad to arrange for the United States representatives to have informal discussions with experts on any individual subjects in which the United States representatives would be particularly interested e.g. education, health, economic policy etc.

II *Review of tactics in dealing with colonial and trusteeship questions in the United Nations in 1951.*

(a) The extent to which United Nations bodies can be used by the Administering

[1] Not in fact attached. The copy annexed here is taken from CO 537/7137, no 21, as forwarded to FO on 6 Apr 1951.
[2] Cohen minuted here: 'I doubt if this is essential [?] for African political questions'. He was not in favour of discussing *general* African questions.

Powers for publicising their policies and achievements in Colonial and Trusteeship Territories.
(b) The use of comparative statistics relating to non-self-governing territories and sovereign states.

III *List of the detailed items that will arise in the United Nations during 1951 which the United Kingdom representatives would like to discuss.*

(a) In the view of the United Kingdom the most important single items for discussion would be:—
(i) The Ewe problem;
(ii) Cyprus;
(iii) General Assembly resolution 334(IV) (territories to which Chapter XI of the United Nations Charter applies) and the examination of political and constitutional information supplied under Resolution 222(III);
(iv) Administrative Unions.

(b) The following items would also require discussion:—
(i) The General Assembly Resolution on Rural Economic Development in Trust Territories. (The study that the Trusteeship Council is now embarking upon raises questions of major importance to the future of Tanganyika);
(ii) The handling of the 1951 Special Committee, including the General Assembly Resolution on the implementation of the Declaration of Human Rights in non-self-governing territories, and including the question of the revision of the Standard Form for the transmission of information under Article 73(e) (including the possibility of making arrangements whereby the smaller colonial territories would be required to transmit information at intervals longer than one year);
(iii) Relations between the Trusteeship Council and the General Assembly;
(iv) Action arising out of General Assembly resolution 436(V): information on the implementation of Trusteeship Council and General Assembly resolutions relating to trust territories;
(v) Revision of the Trusteeship Council's Provisional Questionnaire;
(vi) Colonial Application Clause.

VI[?IV] *The question of further diplomatic approaches to other member states of the United Nations prior to the 1951 General Assembly.*

193 CO 936/56/6, no 3 [Oct 1951]

'Anglo-American talks on colonial and trusteeship questions in the United Nations, 1951': general introductory note to CO briefs

During the 1949 Session of the United Nations General Assembly it became evident that there existed a serious divergence of opinion between the Colonial Powers (and especially the United Kingdom, France and Belgium) on the one hand, and the majority of the members of the United Nations on the other, on the extent to which the United Nations Organisation should concern itself with the affairs of non-self-

governing and trust territories. Of 17 Resolutions adopted by the 1949 Assembly on Colonial and Trusteeship affairs, the United Kingdom was able to vote for only one; we voted against 12 and abstained on 4. The bitterness of the debates, and the isolation in which the Colonial Powers found themselves, made it evident that unless some means could be devised of improving the atmosphere in which Colonial and Trusteeship questions are debated at Lake Success, the prestige and influence of the United Kingdom in the United Nations would be seriously weakened, and further that by persistent misrepresentation the worth of our aims and achievements in the dependent territories would be discounted or ignored by the majority of member states.

2. In consequence, in the month preceding the 1950 Assembly, three major steps were taken in an attempt to bring about the desired improvement:—

(a) It was decided to revise United Kingdom debating and voting tactics so that, while preserving the principles upon which our attitude to the United Nations on Colonial questions are based, we should abandon a purely negative attitude and vote for or abstain on, with suitable reservations, rather than vote against those resolutions which are not entirely acceptable to us.

(b) Detailed conversations were held with the United States State Department in Washington in July 1950 as a result of which the United States came to understand our attitude more fully, agreement was reached that the United States and the United Kingdom would, wherever possible, vote in the same sense, and, most important, that the United States would use its influence with other member states to induce them to adopt a less intransigent attitude towards the Colonial Powers than in the past.

(c) Diplomatic approaches were made, by both the United Kingdom and the United States Government, to the Governments of the great majority of the member states of the United Nations in an endeavour to impress them with the need to approach Colonial and Trusteeship questions in an objective and constructive way, and to accept the sincerity of our aims and the magnitude of our achievements in the Colonies and Trust territories. These diplomatic approaches were made before and during the first weeks of the 1950 Assembly.

3. In the event, the proceedings of the 1950 Assembly were much more satisfactory than in any previous year. Of 18 resolutions adopted relating to non-self-governing and trust territories, the United Kingdom voted for 12, abstained on 3 and voted against only 3. There can be no doubt that this improvement was largely due to the factors mentioned above; it was, however, clear that few member states are genuinely convinced of the merits of our attitude to Colonial questions in the United Nations. Under the pressure applied to them, most members refrained from bedevilling the debate in the same way as in 1949, but this improvement did not take the shape of any exhibition of a desire to understand the difficulties of the Colonial Powers or of a constructive examination of the problems discussed, but was shown simply in preserving silence when in 1949 they would have attacked the Colonial Powers. It may be assumed that their moderation in 1950 was the result not so much of a conviction that our Colonial policies, or even "colonialism" itself, could be beneficial to the peoples of the colonies, as of a fear that by attacking the Colonial Powers they would weaken one of the main safeguards against Communist infiltration into the backward areas of the world.

4. Whatever their reasons, however, many delegations did in fact adopt a more moderate attitude and, perhaps more important, the solidity of the Latin American (i.e. the main anti-Colonial) bloc showed signs of cracking. In order to press home the advantage thus gained, it is intended to develop the steps taken last year to improve the position of the Colonial Powers in the United Nations. To this end diplomatic approaches are being despatched to the Governments of most member states of the United Nations before the 1951 General Assembly, and, in order to preserve and extend our close and very fruitful co-operation with the United States, Anglo-American talks on Colonial and Trusteeship questions are to be held in the week beginning September 1951, in London.

Nature of the Anglo-American talks

5. The agenda for the talks is attached as Annex I to this paper.[1]

6. It may be assumed that, as a result of the 1950 Anglo-American talks, and of the close co-operation between the United States and ourselves since July 1950, it is no longer necessary to "educate" the Americans to any considerable extent in the aims and practical achievements of the United Kingdom in Colonial and Trust territories. The main purpose of the September talks will be to go through, with the Americans, the agenda for the 1951 Fourth Committee, in order that a meeting of minds may be reached as to the tactics to be adopted by our respective Delegations to those bodies. It is envisaged that these talks on United Nations Agenda items should be conducted mainly at the working level (i.e. between departmental officials of the State Department, the Foreign Office, the Colonial Office, and where appropriate the Commonwealth Relations Office). It is of course unlikely that, as a result of the talks, any concrete agreement will be reached between the Americans and ourselves as to the precise tactics to be adopted in respect to particular items on the agenda of United Nations bodies and it may be that it would be fruitless for us to attempt to reach such precise agreement. For this reason our main object in talking to the Americans should be to sketch in the main outlines of our attitude to the various items on the agenda of United Nations bodies, and to attempt to discover United States reactions both to the subjects to be discussed under those items and also to our proposed attitude towards them. In the light of the elucidation of the probable American attitude thus obtained, we can prepare the working Briefs for our Representatives to the bodies concerned, in the hope that we shall then be able to provide them with guidance which will enable them to maintain close and effective relations with the United States' Delegations to those bodies.

7. The Briefing for the United Kingdom Representatives at the talks will consist of a series of notes covering each item of the agenda. Since the individual United Kingdom Representatives will already be thoroughly familiar with the background to the various items to be discussed, all but the essential historical material has been omitted from these notes, and they consist mainly of an outline of the principles followed by the United Kingdom in its approach to the respective items, together with a general sketch of the tactics which might be adopted in the Fourth Committee when these particular items come up for discussion. The tactical section of the notes will inevitably be expressed in very general terms, since we are not necessarily wedded to any particular tactical line, and shall of course be prepared to accept any

[1] Not printed.

American suggestions which seem to us to improve our chances of maintaining the principles set out in the "policy" sections of the notes.

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[Anglo-American colonial talks, London, 10–12 Oct]: minute by J M Martin

. . . In comparison with the Talks in Washington last year, our recent conversations were on a lower level of interest and importance, but, as far as they went, they were most successful and certainly served to confirm and consolidate the good relations established with the State Department in 1950 on the handling of Colonial questions in the United Nations.

We have every reason to be satisfied with the improvement achieved. The Americans, of course, look at these questions from a very different standpoint from ours and the causes of our differences are too deep-seated to be moved, at any rate in the immediate future; but at least we seem to have dispelled the misunderstanding, distrust and impatience which had accumulated in Washington and, if owing to our different approach we continue to have disagreements from time to time on particular tactical questions which arise, we can at least feel sure that those with whom decisions lie in the State Department will consider our point of view with real goodwill and a considerable measure of understanding. The atmosphere is now one of, I believe, sincere cordiality and in dealing with Americans that is probably of more importance than tying them down to agreement on particular points . . . .