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Malta

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BRITISH DOCUMENTS ON THE END OF EMPIRE

General Editor S R Ashton
Project Chairman A N Porter

Series B Volume 11

Malta

Editor
SIMON C SMITH

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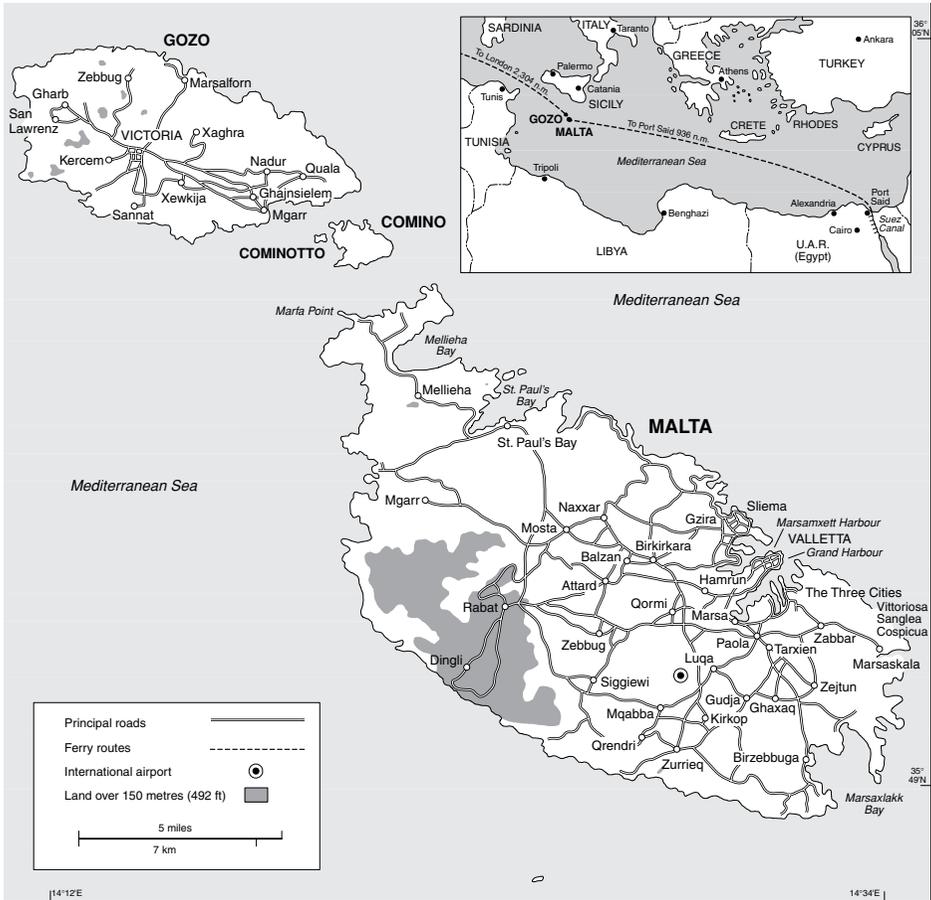
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The Maltese Islands

Foreword

The main purpose of the British Documents on the End of Empire Project (BDEEP) is to publish documents from British official archives on the ending of colonial and associated rule and on the context in which this took place. In 1945, aside from the countries of present-day India, Pakistan, Bangladesh and Burma, Britain had over fifty formal dependencies; by the end of 1965 the total had been almost halved and by 1985 only a handful remained. The ending of Britain's position in these formal dependencies was paralleled by changes in relations with states in an informal empire. The end of empire in the period at least since 1945 involved a change also in the empire as something that was more than the sum of its parts and as such formed an integral part of Britain's domestic affairs and international relations. In publishing official British documents on the end of empire this project is, to a degree, the successor to the two earlier series of published documents concerning the end of British rule in India and Burma which were edited by Professors Mansergh and Tinker respectively. The successful completion of *The transfer of power* and *The struggle for independence*,¹ both of which were based on British records, emphasised the need for similar published collections of documents important to the history of the final stages of Britain's association with other dependencies in Africa, the Middle East, the Caribbean, South-East Asia and the Pacific. These documents are crucial research tools for scholars both from sovereign independent states which emerged from colonial rule as well as those from Britain itself. BDEEP is also set in the much wider context of the efforts made by successive British governments to locate Britain's position in an international order. Here the empire, both in its formal and informal senses, is viewed as an instrument of the domestic, foreign and defence policy of successive British governments. The project is therefore concerned with the ending of colonial rule in individual territories as seen from the British side at one level, and the broader political, economic and strategic considerations involved in that at another.

Despite the similarities, however, BDEEP differs in significant ways from its predecessors in terms both of presentation and content. The project is of greater magnitude than that undertaken by Professor Mansergh for India. Four major differences can be identified. First, the ending of colonial rule within a dependent empire took place over a much longer period of time, extending into the final years of the twentieth century while having its roots in the Second World War and before. Secondly, the empire consisted of a large number of territories, varying in area, population, wealth and in many other ways, each with its own individual problems but often with their futures linked to those of neighbouring territories and the

¹ Nicholas Mansergh et al, eds, *Constitutional relations between Britain and India: the transfer of power 1942–47* 12 vols (London, 1970–1983); Hugh Tinker, ed, *Constitutional relations between Britain and Burma: the struggle for independence 1944–1948* 2 vols (London, 1983–1984).

growing complexity surrounding the colonial empire. Thirdly, while for India the documentary record for certain matters of high policy could be encapsulated within a relatively straightforward 'country' study, in the case of the colonial empire the documentary record is more diffuse because of the plethora of territories and their scattered location. Finally, the documents relating to the ending of colonial rule are not conveniently located within one leading department of state but rather are to be found in several of them. As the purpose of the project is to publish documents relating to the end of empire from the extensive range and quantity of official British records, private collections and other categories of non-official material are not regarded as principal documentary sources. In BDEEP, selections from non-official material will be used only in exceptional cases to fill gaps where they exist in the available official record.

In recognition of these differences and also of the fact that the end of empire involves consideration of a range of issues which operated at a much wider level than that normally associated with the ending of colonial rule in a single country, BDEEP is structured in two main series along with a third support series. Series A represents the general volumes in which, for successive British governments, documents relating to the empire as a whole are published. Series B represents the country or territory volumes and provides territorial studies of how, from a British government perspective, former colonies and dependencies achieved their independence and countries which were part of an informal empire regained their autonomy. In addition to the two main documentary series, a third series—series C—has been published in the form of handbooks to the records of the former colonial empire which are deposited at The National Archives (formerly the Public Record Office). Series C consists of two volumes which form an integral part of BDEEP and also serve as guides to the records at The National Archives. Together they enable scholars and others wishing to follow the record of the ending of colonial rule and empire to pursue their inquiries beyond the published record provided by the general studies in series A and the country studies in series B. Volume one of the handbooks, a revised and updated version of *The records of the Colonial and Dominions Offices* by R B Pugh which was first published in 1964, is entitled *Records of the Colonial Office, Dominions Office, Commonwealth Relations Office and Commonwealth Office* (1995). It covers over two hundred years of activity down to 1968 when the Commonwealth Office merged with the Foreign Office to form the Foreign and Commonwealth Office. Volume two, entitled *Records of the Cabinet, Foreign Office, Treasury and other records* (1998), focuses more specifically on twentieth-century departmental records and also includes references to the records of inter-departmental committees, commissions of inquiry and international organisations. The two volumes were prepared under the direction and supervision of Dr Anne Thurston, at the time honorary research fellow at the Institute of Commonwealth Studies in the University of London, and more recently executive director of the International Records Management Trust.

In the two main series the research is organised in stages. Stage one, covering the years 1925–1957, is now complete and consists of three general volumes and five country volumes, collectively published in twenty-one individual parts. In series A there are volumes on *Imperial policy and colonial practice 1925–1945* in two parts (1996), *The Labour government and the end of empire 1945–1951* in four parts (1992), and *The Conservative government and the end of empire 1951–1957* in three

parts (1994). In series B there are volumes on *Ghana* in two parts (1992), *Sri Lanka* in two parts (1997), *Malaya* in three parts (1995), *Egypt and the defence of the Middle East* in three parts (1998) and the *Sudan* in two parts (1998). Starting in 1999, the project began publishing volumes in a second stage which covers the period 1957–1964. Here there are five volumes, a general volume on the *Conservative government and the end of empire 1957–1964* in two parts (2000), and country volumes on the *West Indies* in one part (1999), *Nigeria* in two parts (2001), *Malaysia* in one part (2004) and Kenya. Research for a third and final stage, covering the years 1964–1971, began in 2000. It consists of a general volume—*East of Suez and the Commonwealth 1964–1971*—in three parts (2004) and country volumes on *Central Africa* in two parts (2005), *Southern Africa*, the Pacific (*Fiji*, 2006), and the Mediterranean (*Cyprus*) and (*Malta*, 2006).

The criteria which have been used in selecting documents for inclusion in individual volumes are explained in the introductions written by the specialist editors. These introductions are more substantial and contextual than those in previous series. Each volume also lists the sources searched at The National Archives. However, it may be helpful to outline the more general guiding principles which have been employed. BDEEP editors pursue several lines of inquiry. There is first the end of empire in a broad high policy sense in which the empire is viewed in terms of Britain's position as a world power and of the inter-relationship between what derives from this position and developments within the colonial dependencies. Here Britain's relations with the dependencies of the empire are set in the wider defence, economic and foreign policy contexts of Britain's relations with the United States, with Europe, and with the Commonwealth and United Nations. Secondly, there is investigation into colonial policy in its strict sense. Here the emphasis is on those areas which were specifically—but not exclusively—the concern of the leading department. In the period before the administrative amalgamations of the 1960s,² the leading department of the British government for most of the dependencies was the Colonial Office; for a minority it was either the Dominions Office and its successor, the Commonwealth Relations Office, or the Foreign Office. Colonial policy included questions of economic and social development, questions of governmental institutions and constitutional structures, and administrative questions concerning the future of the civil and public services and of the defence forces in a period of transition from European to indigenous control. Finally there is inquiry into the development of political and social forces within colonies, the response to these and the transfer of governmental authority and of legal sovereignty from Britain to its colonial dependencies as these processes were understood and interpreted by the British government. Here it should be emphasised that the purpose of BDEEP is not to document the history of colony politics or nationalist movements in any particular territory. Given the purpose of the project and the nature of much of the source material, the place of colony politics in BDEEP is conditioned by the extent to which an awareness of local political situations played an overt part in influencing major policy decisions made in Britain.

² The Colonial Office merged with the Commonwealth Relations Office in 1966 to form the Commonwealth Office. The Commonwealth Office merged with the Foreign Office in 1968 to form the Foreign and Commonwealth Office.

Although in varying degrees and from different perspectives, elements of these various lines of inquiry appear in both the general and the country series. The aim in both is to concentrate on the British record by selecting documents which illustrate those policy issues which were deemed important by ministers and officials at the time. General volumes do not normally treat in any detail of matters which will be fully documented in the country volumes but some especially significant documents do appear in both series. The process of selection involves an inevitable degree of sifting and subtraction. Issues which in retrospect appear to be of lesser significance or to be ephemeral have been omitted. The main example concerns the extensive quantity of material devoted to appointments and terms of service—salaries, gradings, allowances, pension rights and compensation—within the colonial and related services. It is equally important to stress certain negative aspects of the official documentary record. Officials in London were sometimes not in a position to address potentially significant issues because the information was not available. Much in this respect depended on the extent of the documentation sent to London by the different colonial administrations. Once the stage of internal self-government had been reached, or where there was a dyarchy, the flow of detailed local information to London began to diminish.

Selection policy has been influenced by one further factor, namely access to the records at The National Archives. Unlike the India and Burma series and the current Foreign and Commonwealth Office series of Documents on British Policy Overseas (DBPO), BDEEP is not an official project. In practice this means that while editors have privileged access (in the form of research facilities and requisitioning procedures) to the records at The National Archives, they do not have unrestricted access. For files which at the time a volume is in preparation are either subject to extended closures beyond the statutory thirty years or retained in the originating department under section 3(4) of the Public Records Act of 1958, editors are subject to the same restrictions as all other researchers. Apart from cases where files or series of files are withheld, official weeding processes now tend to remove sentences or paragraphs from public view, rather than the whole document; such omissions are indicated in footnotes. To date access has not impeded the research undertaken by the project to any significant degree, and the project has been successful in securing the release of a number of hitherto withheld documents from the Historical Section of the Cabinet Office and the Records and Historical Department of the Foreign and Commonwealth Office.

A thematic arrangement of the documents has been adopted for the general volumes in series A. The country volumes in series B follow a chronological arrangement; in this respect they adopt the same approach as was used in the India and Burma series. For each volume in both series A and B a summary list of the documents included is provided. The headings to BDEEP documents, which have been editorially standardised, present the essential information. Together with the sequence number, the file reference (in the form of the call-up number at the Archives and any internal pagination or numeration) and the date of the document appear on the first line.³ The second and subsequent lines record the subject of the

³ The call-up number at the Archives precedes the comma in the references cited. In the case of documents from FO 371, the major Foreign Office political class, the internal numeration refers to the jacket number of the file.

document, the type of document (letter, memorandum, telegram etc), the originator (person or persons, committee, department) and the recipient (if any). A subject entry in a heading in single quotation marks denotes the title of a document as it appears in the original. An entry in square brackets denotes a subject indicator composed by the editor. This latter device has been employed in cases where no title is given in the original or where the original title is too unwieldy to reproduce in its entirety. Security classifications and, in the case of telegrams, times of despatch and receipt, have generally been omitted. In the headings to documents and the contents lists, ministers are identified by the name of the office-holder, not the title of the office (ie, Mr Lennox-Boyd, not secretary of state for the colonies).⁴ In the same contexts, officials are identified by their initials and surname. In general volumes and where appropriate, ambassadors, governors, high commissioners and other embassy or high commission staff are cited in the form Sir D Jakeway (Fiji). Footnotes to documents appearing below the rule are editorial; those above the rule, or where no rule is printed, are part of the original document. Each volume provides an initial summary list of which principal offices were held by whom, and a separate series of biographical notes (at the end) for major figures who appear in the documents. Other figures are identified in editorial footnotes on the occasion of first appearance. Link-notes, written by the volume editor and indented in square brackets between the heading and the beginning of a document, are often used to explain the context of a document. Technical detail or extraneous material has been extracted from a number of documents. In such cases omission dots have been inserted in the text and the document is identified in the heading as an extract. Occasional omission dots have also been used to excise purely mechanical chain-of-command executive instructions and some redundant internal referencing has been removed, though much of it remains in place, for the benefit of researchers. No substantive material relating to policy-making has been excised from the documents. In general the aim has been to reproduce documents in their entirety but where available space is a major constraint on editors, a consideration which applies particularly in the case of general volumes, where the documentation is voluminous, this is not always possible, and some purely factual information may be omitted. It must also be emphasised in this context that the BDEEP volumes do not remove the necessity for researchers to study the original records themselves. The footnote reference 'not printed' is used only in cases where a specified enclosure or an annex to a document has not been included. Unless a specific cross-reference or note of explanation is provided, however, it can be assumed that other documents referred to in the text of the documents included have not been reproduced. Obvious typing errors in the original are in the main silently corrected, but abbreviations and contractions stand. Each volume has a list of abbreviations together with a consolidated index, and country volumes include a chronology of principal events.

One radical innovation, compared with previous Foreign Office or India and Burma series, is that BDEEP reproduces many more minutes by ministers and officials.

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⁴ This is an editorial convention, following DBPO practice. Very few memoranda issued in their name were actually written by ministers themselves, but normally drafted by officials.

* * * *

Formally launched in 1987, BDEEP has been based since its inception at the Institute of Commonwealth Studies. The work of the project is supervised by a Project Committee chaired by Professor Andrew Porter, Rhodes professor of imperial history in the University of London. Professor Porter succeeded Professor Anthony Low, formerly Smuts professor of the history of the Commonwealth in the University of Cambridge, who retired in November 1994. Professor Michael Crowder became the first general editor while holding a visiting professorship in the University of London and a part-time position at Amherst College, Massachusetts. Following his untimely death in 1988, Professor Crowder was replaced as general editor by Professor David Murray, pro vice-chancellor and professor of government at the Open University, who played a critical role in establishing a secure financial base for the project and in negotiating contracts with the volume editors and the publisher. His invaluable advice and expertise in dealing with the early manuscripts are acknowledged with particular gratitude. Mrs Anita Burdett was appointed as project secretary and research assistant. She was succeeded in September 1989 by Dr Stephen Ashton who previously worked with Professors Mansergh and Tinker during the final stages of the India and Burma series. Dr Ashton replaced Professor Murray as project director and general editor in 1993.

The project benefited from an initial pump-priming grant from the British Academy. Thanks are due to the secretary and Board of the Academy for this grant and for the decision of the British Academy to adopt BDEEP as one of its major projects. The Academy made further awards in 1996 and 2005. The Managers of the Smuts Memorial Fund in the University of Cambridge are also to be acknowledged. They made possible the workshop from which the project developed and they have since provided a further grant for work on two of the stage two volumes. The principal funding for the project in stages one and two has been provided by the Leverhulme Trust, and the early volumes are a tribute to the support provided by the Trustees. For the third and final stage 2000–2005, BDEEP was the beneficiary of a major research award from the Arts and Humanities Research Board. In making the award the AHRB made generous reference to the value of BDEEP, and the project is grateful for this support.

Members of the Project Committee have provided valuable advice and much needed encouragement. Professor Low, the first chairman of the Committee, made a singular contribution, initiating the first exploratory meeting at Cambridge in 1985 and presiding over subsequent developments in his customary constructive but unobtrusive manner. Professor Porter continues in a similar vein and his leadership and experience are much appreciated by the general editor. The director and the staff of the Institute of Commonwealth Studies have provided administrative support. The editors of volumes in both stages one have benefited considerably from the researches undertaken by Dr Anne Thurston and her assistants which resulted in the publication of the two handbooks. Although BDEEP is not an official project, the general editor wishes to acknowledge the support and co-operation received from the Historical Section of the Cabinet Office and the Historical and Records Department of the Foreign and Commonwealth Office. He wishes also to record his appreciation of the spirit of friendly co-operation received from the editors of DBPO. Dr Ronald Hyam, editor in stage one of the general volume on the post-war Labour government and co-editor of the stage two volume on the Conservative government, played an important role in

the compilation of the house-style adopted by BDEEP and his contribution is acknowledged with gratitude. Thanks also are due to The Stationery Office for assuming publishing responsibility and for their expert advice on matters of design and production. Last, but by no means least, the contribution of the chief executive and keeper of the records and the staff, both curatorial and administrative, at The National Archives must be emphasised. Without the facilities and privileges afforded to BDEEP editors at The National Archives, the project would not be viable.

S R Ashton
March 2006

Malta

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Abbreviations

ACLANT	allied commander, Atlantic
ADM	Admiralty
AFMED	Allied Forces, Mediterranean
APAG	Atlantic Policy Advisory Group
BBC	British Broadcasting Corporation
BDEEP	British Documents on the End of Empire Project
BEA	British European Airways
b/f	brought forward
CAB	Cabinet
CBI	Confederation of British Industry
CDC	Commonwealth Development Corporation
CD(&)W	Colonial Development and Welfare
CENTO	Central Treaty Organisation
C-in-C	commander-in-chief
CINCAFMED	commander-in-chief, Allied Forces, Mediterranean
CINCMEAF	commander-in-chief, Middle East Air Forces
CINCMELF	commander-in-chief, Middle East Land Forces
CINCSOUTH	commander-in-chief, South
CO	Colonial Office
COMCENTRE	communications centre
CON	Conservative Party (UK)
conson	consideration
CPA	Commonwealth Parliamentary Association
CPC	Colonial Policy Committee (Cabinet)
C and R	Control and Reporting
cr	created
CRO	Commonwealth Relations Office

DOPC	Defence and Oversea Policy Committee (Cabinet)
DVO Committee	Official Committee on Overseas Development
EEC	European Economic Community
EOKA	The National Organisation of Cypriot Fighters
FCO	Foreign and Commonwealth Office
FO	Foreign Office
GATT	General Agreement on Tariffs and Trade
GCB	Knight Grand Cross of the Order of the Bath
GCMG	Knight Grand Cross of the Order of St Michael and St John
GCVO	Knight Grand Cross of the Royal Victorian Order
GNP	Gross National Product
GOC	general office commanding
GWU	General Workers' Union
HE	His Excellency
<i>H of C Debs</i>	<i>House of Commons Debates</i>
<i>H of L Debs</i>	<i>House of Lord Debates</i>
HMG	His/Her Majesty's Government
IS	Internal Security
JIC	Joint Intelligence Committee
KBE	Knight Commander of the Order of the British Empire
KCMG	Knight Commander of the Order of St Michael and St George
KCVO	Knight Commander of the Royal Victorian Order
KG	Knight of the Order of the Garter
Kt	Knight
Ld	Lord
Ltd	limited
MEAF	Middle East Air Forces
Memo	memorandum
MLP	Malta Labour Party
MoD	Ministry of Defence
MP	Member of Parliament
MPBW	Ministry of Public Buildings and Works

MWP	Malta Workers' Party
NAAFI	Navy, Army, and Air Force Institutes
NAM	National Archives of Malta
NATO	North Atlantic Treaty Organisation
NP	Nationalist Party
ODM	Ministry of Overseas Development
OPM	Office of the prime minister
PAYE	pay-as-you-earn
PCP	Progressive Constitutional Party
PM	prime minister
PWD	Public Works Department
RAF	Royal Air Force
REME	Royal Electrical Mechanical Engineers
RMA	Royal Malta Artillery
RN	Royal Navy
SACEUR	Supreme Allied Commander, Europe
S of S	secretary of state
T	Treasury
Tel	telegram
UAR	United Arab Republic
UK	United Kingdom
UN	United Nations
UNO	United Nations Organisation
VCNS	Vice Chief of Naval Staff
W/T	wireless transmitting

Principal Holders of Offices 1946–1972

UNITED KINGDOM

1. *Ministers*

(a) *Labour governments (1945–1951)*

Prime minister	Mr C R Attlee (26 July 1945)
Chancellor of the Exchequer	Mr H J N Dalton (27 July 1945) Sir Stafford Cripps (13 Nov 1947) Mr H T N Gaitskell (19 Oct 1950)
S of S for colonies	Mr G H Hall (3 Aug 1945) Mr A Creech Jones (4 Oct 1946) Mr J Griffiths (28 Feb 1950)

(b) *Conservative governments (1951–1964)*

Prime minister	(Sir) W L S Churchill (26 Oct 1951) Sir Anthony Eden (6 April 1955) Mr M H Macmillan (10 Jan 1957) Sir A Douglas-Home (18 Oct 1963)
Chancellor of the Exchequer	Mr R A Butler (28 Oct 1951) Mr M H Macmillan (20 Dec 1955) Mr P Thorneycroft (13 Jan 1957) Mr D Heathcoat Amory (6 Jan 1958) Mr J S B (Selwyn) Lloyd (27 July 1960) Mr R Maudling (13 July 1962)
S of S for colonies	Mr O Lyttelton (28 Oct 1951) Mr A T Lennox Boyd (30 July 1954) Mr I Macleod (14 Oct 1959) Mr R Maudling (9 Oct 1961) Mr D E Sandys (13 July 1962)
S of S for Commonwealth relations	Lord Ismay (28 Oct 1951) Marquess of Salisbury (12 Mar 1952) Viscount Swinton (24 Nov 1952) Earl of Home (12 April 1955) Mr D E Sandys (28 July 1960)

S of S for Commonwealth relations and colonies	Mr D E Sandys (13 July 1962)
Minister of defence	Mr D E Sandys (13 Jan 1957) Mr H A Watkinson (14 Oct 1959) Mr P Thorneycroft (13 July 1962)
<i>(c) Labour governments (1964–1970)</i>	
Prime minister	Mr H Wilson (16 Oct 1964)
Chancellor of the Exchequer	Mr L J Callaghan (16 Oct 1964) Mr R H Jenkins (30 Nov 1967)
S of S for Commonwealth relations Commonwealth affairs from 1 Aug 1966 (office discontinued, 17 Oct 1968)	Mr A G Bottomley (16 Oct 1964) Mr H W Bowden (11 Aug 1966) Mr G R Thomson (29 Aug 1967)
S of S for foreign affairs foreign and Commonwealth affairs from 17 Oct 1968	Mr P C Gordon Walker (16 Oct 1964) Mr M M Stewart (22 Jan 1965) Mr G A Brown (11 Aug 1966) Mr M M Stewart (16 Mar 1968)
S of S for defence	Mr D W Healey (16 Oct 1964)
Minister of overseas development	Mrs Barbara Castle (18 Oct 1964) Mr A Greenwood (23 Dec 1965) Mr A G Bottomley (11 Aug 1966)
<i>(d) Conservative government 19 June 1970</i>	
Prime minister	Mr E R G Heath (19 June 1970)
Chancellor of the exchequer	Mr I Macleod (20 June 1970) Mr A P L Barber (25 July 1970)
S of S for foreign and Commonwealth affairs	Sir A Douglas-Home (20 June 1970)
S of S for defence	Lord Carrington (20 June 1970)
2. <i>Civil servants</i>	
<i>(a) Secretary to the Cabinet</i>	Sir Norman Brook (1947–1962) Sir Burke Trend (1963–1973) (Deputy secretary, 1956–1959)

(b) Colonial office

Permanent under-secretary of state	Sir George Gater (1942–1947) Sir Thomas Lloyd (1947–1956) Sir John Macpherson (1956–1959) Sir Hilton Poynton (1959–1966)
Deputy under-secretaries of state (joint)	Sir Arthur Dawe (1945–1947) Sir Sydney Caine (1947–1948) Sir Charles Jeffries (1947–1956) Sir Hilton Poynton (1948–1959) Sir John Martin (1956–1965) Sir William Gorrell Barnes (1959–1963) A N Galsworthy (1965–1966)
Assistant under-secretary of state, with responsibility for the Mediterranean	(Sir) John Martin (1948–1956) E Melville (1957–1961) C G Eastwood (1962–1964)
Assistant secretary, head of the Mediterranean Dept	J S Bennett (1948–52) W A Morris (1953–1957) J D Higham (1958–1961; joint heads with J O Moreton, 1960) J M Kisch (1962–1964)

MALTA

1. <i>Governors</i>	Sir Francis Douglas (1946–1949) Sir Gerald Creasy (1949–1954) Sir Robert Laycock (1954–1959) Admiral Sir Guy Grantham (1959–1962) Sir Maurice Dorman (1962–1964) (Governor-general, 1964–1971)
2. <i>Lieutenant-governors</i>	Sir David Campbell, 1943–1952 Trafford Smith, 1953–1959
3. <i>Chief secretary</i>	Archibald Campbell, 1959–1962
4. <i>UK commissioner</i>	Sir Edward Wakefield (1962–1964)
5. <i>High commissioners</i>	Sir Edward Wakefield (1964–1965) Sir John Martin (1965–1967) Sir Geofroy Tory (1967–1970) Sir Duncan Watson (1970–1972) J O Moreton (1972–1974)

6. *Prime ministers*

Dr Paul Boffa (1947–1950)

Dr Enrico Mizzi (1950)

Dr G Borg Olivier (1950–1955)

Dominic (Dom) Mintoff (1955–1958)

Dr G Borg Olivier (1962–1971)

Dominic (Dom) Mintoff (1971–1984)

Chronological Table of Principal Events

1946

- Jan Appointment of Sir Harold MacMichael as constitutional commissioner for Malta
- May–Sept MacMichael visits Malta

1947

- Jan Publication of White Paper on constitutional reform in Malta
- Sept New constitution; dyarchy restored
- Oct First election under new constitution, MLP emerge victorious
- Nov Opening of the new Legislative Assembly

1948

- Mar–Apr Delegation from Maltese government visit London

1949

- July–Aug Delegation of Maltese ministers visit London to discuss food subsidies and Marshall Aid.
- Aug Mintoff resigns as deputy prime minister
- Oct Boffa resigns as leader of the Labour Party, Mintoff elected in his place

1950

- Sept Maltese elections; Dr Enrico (Nerik) Mizzi becomes prime minister and forms a minority Nationalist government
- Dec Mizzi dies, Borg Olivier succeeds him as leader of the NP and prime minister

1951

- Jan Vote of no confidence carried against Borg Olivier
- Feb Legislature dissolved
- May Maltese elections; Borg Olivier forms a coalition government with the MWP
- Oct Conservative victory in British general elections, Winston Churchill becomes prime minister

1952

- June–Aug Delegation from the Maltese government visit London to discuss financial assistance

1953

- June Borg Olivier requests dominion status under the Commonwealth Relations Office
- Sept Offer to transfer responsibility for Malta from the CO to the Home Office

1954

- Oct Borg Olivier shelves consideration of the Home Office offer

1955

- Feb MLP victory in Maltese elections, Mintoff becomes prime minister
- Apr EOKA start their campaign of terror in Cyprus to achieve Enosis
Eden replaces Churchill as prime minister in the UK
- July Joint declaration to work together to avoid unemployment, diversify the economy, and raise the standard of living
Eden announces the composition and terms of reference for the Malta round table conference
- Sept Malta Round Table Conference convenes
- Dec Report of the Malta round table conference

1956

- Feb Referendum on integration
- Mar Parliamentary debate on integration, Eden promises to introduce integration legislation
Archbishop Makarios of Cyprus deported to the Seychelles
- June Breakdown of talks over question of British financial aid
- July Nationalisation of the Suez Canal

1957

- Jan Macmillan replaces Eden as prime minister in the UK
- Feb–Apr Talks over ‘equivalence’ in London
- April Defence White Paper
Duncan Sandys’ visit to Malta
- Oct–Nov Resumed talks
- Dec Resignation and reinstatement of Mintoff
Mintoff tables a motion proposing severing ties with UK

1958

- Mar Further integration talks in London
- April Mintoff declares Britain’s terms for integration impossible
Mintoff resigns
Mintoff’s ‘national day of protest’ (28 April)
Declaration of a state of emergency
- Nov Conference of Malta’s political parties in London

1959

Feb	Bill restoring to the Crown the power to revoke or amend the Malta Constitution Act of 1947
Apr	Suspension of the 1947 constitution
Mar	Malta dockyard transferred to Baileys
Oct	Conservatives under Macmillan returned with an increased majority in the UK general election
Dec	Iain Macleod visits Malta

1960

Feb	Macmillan's 'wind of change' speech to the South African parliament
June–July	Lord Perth's visit to Malta
July	Baileys request additional funds from Britain Lord Perth visits Malta Macleod announces time has come to work out an interim constitution
Oct-Dec	Blood Commission visit Malta
Dec	Three independent directors appointed to Bailey (Malta) Ltd

1961

Jan	Mintoff attends a meeting of the Executive Committee of the Afro-Asian Peoples Solidarity Organisation in Cairo
Mar	Publication of the Blood Commission Britain accepts Blood Commission's recommendations
Mar	Formation of the Christian Workers' Party
May	Mintoff and supporters stoned in Gozo
Oct	Interim constitution following recommendations of Blood Commission proclaimed
Dec	NP agree to contest elections, but only with the intention of immediately afterwards entering into talks with Britain to acquire independence

1962

Feb	General elections under the interim constitution which see the NP under Borg Olivier emerging victorious Defence White Paper
Mar	State of Malta proclaimed
Mar–Apr	Talks in London on Malta's future constitutional development
Apr	First session of the new legislature Resignation of Bailey (Malta) Ltd's three independent directors
June–July	Discussions in London over British aid
Aug	Government of Malta formally request independence Muirie report on Bailey (Malta) Ltd
Dec	Meeting in London to prepare for a conference on the question of independence

1963

June	Sandys' visit to Malta
July–Aug	Constitutional conference on Maltese independence
Aug	Borg Olivier announces to the Nationalists that Malta would have independence by 31 May 1964
	Duncan Sandys tells Commons that Malta will be 'neither one penny the better or the worse off as a result of independence'
Sept	Borg Olivier received by President John F Kennedy in Washington
Oct	Sir Alec Douglas-Home replaces Macmillan as UK prime minister
Dec	Conference of Malta party leaders in London

1964

May	Referendum on Maltese independence
June	Mintoff visits Soviet Union
July	Bill for Malta's independence receives Royal assent
Sept	Malta becomes independent (21 Sept) and applies to join the UN
	Agreements on defence and financial assistance
Oct	Labour win the UK general election, Harold Wilson becomes prime minister

1965

Feb	Malta government seek budgetary assistance
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1966

Feb	Defence White Paper
Mar	Borg Olivier's Nationalists returned to power in Maltese general Election
	Harold Wilson's Labour government returned to power with an increased majority in British general election
Aug	Lord Beswick visits Malta

1967

Feb	Borg Olivier gives notice he considers defence agreement to have lapsed
Mar	Patrick Gordon Walker announces the extension of the period for the defence run-down

1968

Feb	George Thomson reports that the dockyard is facing imminent closure
April	Nationalisation of the dockyard

1969

Jan	Borg Olivier offered aid on the basis of a 50:50 ratio of grant to loan
Sept	Libyan revolution

1970

- June Conservative victory in British general elections, Edward Heath becomes prime minister
- Dec Agreement establishing an association between Malta and the EEC

1971

- June MLP win Maltese General Election by one seat, Mintoff becomes prime minister
- Sept Chequers meeting between Mintoff and Heath to discuss revision of defence and financial agreements
- Dec Mintoff repudiates Chequers agreement and demands withdrawal of British forces

1972

- Jan Negotiations in Rome on the terms for a new defence agreement
- Mar New defence agreement signed by UK and Malta

Introduction*

In July 1954, the minister of state for colonial affairs, Henry Hopkinson, had famously announced that ‘there are some certain territories in the Commonwealth which, owing to their particular circumstances, can never expect to be fully independent’.¹ Although he was referring principally to Cyprus, his comments could just as easily have applied to the tiny, but strategically significant colony of Malta. Less than a year after Hopkinson had made his statement, Sir Herbert Brittain of the Treasury, reflecting a widely held view, remarked that Malta could ‘never be given Commonwealth status, because of defence considerations’ (40). Another Treasury official had already declared that ‘Malta can never be a fully fledged member of the Commonwealth because she will never be financially and economically independent’.² Indeed, Malta’s economic dependence on Britain, coupled with its perceived strategic importance which had been reinforced during the Second World War, apparently made it a poor candidate for full independence. The influence which changing assessments of its strategic value had on reversing this long-held assumption is a key feature of this volume.

Reflecting the importance of the twin issues of post-war reconstruction and moves towards the restoration of responsible government in Malta following the cessation of hostilities, 1946 has been chosen as the start date for the collection. The documents selected go on to chart British policy-making from the attempt to integrate Malta into the UK in the mid-1950s, through its failure and the re-imposition of direct rule in period 1958–61, to the achievement of Maltese independence in September 1964. Unusually for country volumes in the BDEEP series, the selection also extends beyond the end of formal empire. This is indicative of the many issues which at the time of formal independence remained unresolved and for which Britain maintained a large measure of responsibility, not least the future of the Malta dockyard. It also reflects the degree to which British decisions continued directly to affect the former colony, as well as the strong ties between Britain and Malta, especially in the military and financial spheres, which endured beyond constitutional separation.

Writing at the beginning of 1965, Britain’s high commissioner in Malta, Sir Edward Wakefield, observed: ‘For the moment ... the change from dependence to independence appears to have been one of form rather than of substance. Before

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independence the Maltese were managing—or mismanaging—their own internal affairs. They are still doing so. Before independence their economy was sustained by British Services' expenditure in the island,³ coupled with British financial aid. It is still being sustained by the same means' (206). Reflecting the continuities in Anglo-Maltese relations, a Treasury official remarked: 'Psychologically the Malta Government have not yet come to grips with independence, and have assumed despite some very plain speaking from Mrs. Castle [minister of overseas development] to the Malta Prime Minister that H.M.G. would always be prepared to finance Malta's budgetary deficits because it was politically inexpedient to increase Maltese taxation.'⁴ By 1970, the British high commissioner, Sir Duncan Watson, commented: 'we are all tired of the perpetual involvement in Maltese methods of selling carpets to Britain; we must seek so far as we can to escape from that and get on to a different relationship. It is not easy to bring the Maltese, after centuries of dependence on an external power, to real and realistic independence' (251). In his memoirs, the former secretary of state for the colonies, Olivier Lyttelton, described Maltese problems as 'amongst the most difficult to deal with in the whole world', adding that the 'underlying reason which makes them so intractable is that the Maltese aspire to political independence and to financial dependence'⁵

The victory of Dom Mintoff's Malta Labour Party in the Maltese general election of June 1971 marked something of a watershed with respect to putting Anglo-Maltese relations on a more recognisable post-colonial footing. Not only did Mintoff immediately seek a fundamental revision of the defence and financial agreements which had been integral to the independence settlement, but also the British government looked to its NATO partners to share the burdens of maintaining Malta within the Western orbit. Drawing attention in his annual review for 1971 to the fundamental shift which had taken place, Watson, remarked: 'By the end of the year it was already clear that whatever the outcome of the negotiations on a defence agreement, relations with Malta could never be quite the same again.'⁶ Developing his point, Watson noted that 'Mintoff's performance served to bring into the open the fact that in our relations with Malta, perhaps more than with any other of our former colonial territories, there had lingered on, long after independence, a certain paternalism, which was an almost inevitable result of our long military presence'.⁷ By March 1972, accord had been reached under which NATO countries would contribute to the £14 million annual payment which Mintoff succeeded in extracting for the continued use of Malta by British forces. The new Military Facilities Agreement, which ran for seven years, ensured that Britain's long association with Malta would continue until 1979. The involvement of NATO, however, underlined that Britain's role was no longer an exclusive one, itself a key indicator of the end of empire, whether formal or informal. That the shadow of colonial influence and responsibility cast so far beyond Malta's achievement of independent status signifies the degree to which vestiges of imperialism persisted after empire.

The importance of the British connection for Malta's economic well-being, even survival, is difficult to over-state. Referring to Malta in 1953, Oliver Lyttelton, remarked: 'She lacks minerals and is poor in other natural resources, and her whole economy therefore depends, directly or indirectly, on expenditure by the Services and could be disastrously affected by contraction of defence requirements in the Mediterranean' (23). Nearly seven years later, the minister state at the Colonial Office, Lord Perth, observed: 'For 150 years Malta's life has been at the whim of our

defence policy. Today four-fifths of foreign exchange depends on our forces there; we engender three-quarters of the gross national product and employ directly 27% of the labour force plus many more through £5 million of budget aid' (136). '[S]uch measure of political and economic stability as there is,' warned a CO official, 'is largely dependent on the ballast provided by the presence of the Services in Malta. If that ballast is removed, and assuming that we cannot adequately replace it, the place becomes a cockleshell and simply capsizes.'⁸

Malta's apparent lack of viability was one of the factors which influenced the unique attempt to effect decolonisation through integration with the United Kingdom. The initial acceptance of integration by British politicians of all political hues reflected the perceived closeness of Anglo-Maltese ties. Nevertheless, its failure had led by 1958 to an embittering of relations between the British and Mintoff (who had originally championed integration), constitutional breakdown, and the declaration of a state of emergency. Malta was also rocked by successive and ever more swingeing defence reductions reflected in the Defence White Papers of 1957, 1962, and 1966. The botched attempt to turn the dockyard, Malta's largest single employer, over to commercial use placed yet more strain on the benighted Maltese economy. Nevertheless, although Malta was frequently called on to bear the consequences of decisions which derived essentially from British self-interest, it enjoyed significant advantages in negotiations with the British on the scale of financial assistance. As Sir Edward Wakefield presciently observed:

If the United Kingdom has been strategically dependent on Malta, Malta has been (and is) economically dependent on the United Kingdom. In negotiations, however, this has not been a particularly effective bargaining counter for us since the withholding of economic support (as the Maltese well knew) could only have led to such a degree of agitation and unrest as would have seriously impaired the value of the base. (164)

The intimacy of Malta's economic and constitutional relations with Britain gave rise to discussion and debate at the highest levels of decision-making in Whitehall and Westminster, something which is reflected in the documents selected. The frequency with which Malta reached the full Cabinet is particularly noteworthy. Between May and July 1964, in the run-up to Maltese independence, Malta was discussed on eight separate occasions. By contrast, the setting of the date for Nigerian independence between July and October 1958 was referred to the Cabinet just three times.⁹ Taking into consideration Nigeria's vast population, which standing at over thirty million was around a hundred times that of Malta, the contrast is all the greater. In addition, Malta featured with great regularity in relevant Cabinet committees, for instance the Colonial Policy Committee, the Defence Committee, and, from 1964, the Defence and Overseas Policy Committee. Exchanges between government ministers, including the prime minister himself, were also common on Maltese matters, and again this is underlined by the documents represented here. The amount of ministerial time consumed by Malta is particularly significant. For instance, it has been estimated that the fate of Malta's 300,000 inhabitants occupied more time of the long-standing secretary of state for the colonies, Alan Lennox-Boyd, than any other issue.¹⁰ Maltese affairs also crossed the desk of successive prime ministers from Eden to Heath. Indeed, the personal interest which British premiers took in Malta emerges from the documents searched and selected.

Colonial Office records, especially those generated by the Mediterranean Department, are the most ubiquitous in this collection. Headed by a secretary of state, the CO was the department with primary responsibility for the colony of Malta on the level of both high policy-making and day-to-day management. As previously mentioned, Alan Lennox-Boyd devoted a great deal of time to Malta, and took an especially prominent role in the debates surrounding integration in the mid-1950s. Towards the beginning of 1958, the first lord of the Admiralty, Lord Selkirk, mused that 'No one could have taken more trouble than the Colonial Secretary in both his personal relations with Mintoff and in forcing the Government to accept his proposals, which they did, a little reluctantly' (108). Iain Macleod was also responsible for ensuring that the wind of change in Africa also reached the Mediterranean (129, 132, 138).

Beneath the secretary of state in the CO hierarchy was a minister of state. Lord Perth, who filled this position from 1957 until 1962, took a particular interest in the affairs of Malta. The Mediterranean Department itself was headed by an assistant secretary, who was directly responsible to an assistant under-secretary. The assistant under-secretaries in the period covered by this volume—J M Martin, E Melville, and C G Eastwood—all played a central role in policy-making towards Malta and consequently feature prominently in the documents selected. Principals, who typically were the first officials to see material arriving from Valletta, did sometimes make important interventions, however. N B J Huisjman is particularly noteworthy in this regard. At the top of the CO civil establishment were the deputy under-secretaries and the permanent under-secretary. The latter comes across as a somewhat shadowy figure with respect to Malta, although the former became directly involved in policy formulation. Sir John Martin, following his promotion to deputy under-secretary, maintained his interest in, and influence over, policy-making towards Malta. Appropriately, Martin ended his long career as Britain's high commissioner in Malta, during which time he was a trenchant critic of British military reductions on the island (226).

Unsurprisingly, CO records have proved a rich source. Nevertheless, material drawn from the Treasury, Ministry of Overseas Development, Ministry of Defence, Commonwealth Relations Office, Foreign/Foreign and Commonwealth Office, and the Admiralty are also represented, reflecting the range of Whitehall departments which had a stake in, and influence upon, Malta in the era of decolonisation. Where possible, charting the stages of the decision-making process, both within and between departments, has been followed in the documents selected. The most marked differences of approach are to be found between the Treasury, on the one hand, and the Colonial Office and its successors (the Commonwealth, and Foreign and Commonwealth Offices), on the other. Whereas the former sought to trim Britain's financial commitment to Malta, the latter, having to deal with the political and constitutional consequences of such an approach, tended to err more on the side of generosity. In keeping with BDEEP practice, private papers, although consulted, have not been incorporated in the documents reproduced. Equally, documents generated by the colonial administration in Valletta have only been included where they appear in the files of the National Archives at Kew. Nevertheless, gubernatorial interventions, which during the governorship of Sir Robert Laycock reached the highest levels of British decision-making (116, 117, 120, 121, 123, 124), were frequent and are reproduced in this collection. Although a detailed examination of

the cut and thrust of local Maltese politics is not an explicit aim of this collection, political issues which impacted on British decision-making do emerge from the documents. In particular, the rival visions of Malta's future development propounded by the Malta Labour Party and the Nationalists come to light, as does the often fraught relationship between church and state, exemplified by the rivalry played out between Mintoff and the Archbishop of Malta, Michael Gonzi.

Within the context of a chronological selection, the documents have been arranged into five separate chapters. The first examines the restoration of responsible government after 1945 and its failure to provide a stable basis for Malta's political, constitutional, and economic development. Chapter two deals with the failed attempt to solve Malta's problems through integration with the UK, while chapter three covers the period of direct rule following the declaration of a state of emergency in April 1958. In chapter four, Malta's constitutional progress from the establishment of internal self-government under the Blood Commission in February 1962 to the achievement of independence in September 1964 is scrutinised. The final chapter focuses on post-colonial Anglo-Maltese relations up to the signing of the new defence agreement in March 1972 which, by involving Britain's NATO allies, symbolised the waning of its dominant position on the island.

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The restoration of responsible government, 1946–1954

In the aftermath of the Second World War, two issues dominated political discourse in Malta. The first related to the restoration of responsible government which, following the dismissal of the pro-Italian Nationalist ministry in November 1933, had been suspended and subsequently annulled,¹¹ the second to the level of financial aid to be provided by Britain for Malta's post-war reconstruction. Referring to these two questions, the secretary of state for colonies, G H Hall, remarked that 'Interest in Malta is as keenly focused on the details of the financial settlement as on the form of the new Constitution' (1). As regards the constitution, Hall's successor, Arthur Creech Jones, saw little need to depart from the constitutional commissioner, Sir Harold MacMichael's, recommendations which, with minor exceptions,¹² amounted to the restoration of the arrangements which had existed until 1933 (3). The 1947 constitution, in keeping with its inter-war predecessor, was characterised by a division of powers, or dyarchy. Responsible to an elected assembly, the Maltese Cabinet of eight, including the prime minister, dealt with essentially local issues while the colonial government, under a governor, retained control of such matters of imperial concern as defence, civil aviation, and nationality. Even before responsible government had been restored, Sir Arthur Dawe (assistant under-secretary of state, CO) had predicted that 'The difficulty will be to find a dyarchical form which will provide a proper balance between Maltese self-government in internal affairs and Imperial control over "reserved matters".¹³ That the 1947 constitution failed to achieve this soon became evident. In particular, local control over Malta's finances proved increasingly incompatible with continuing financial dependency on the imperial metropole.

Hall had underscored the importance of reaching 'agreement on a financial settlement sufficiently generous to ensure a reasonable prospect of success for responsible government' (1). Equally, he pointed out that Malta was financially dependent on Britain and that its wartime record could not be overlooked. He

recommended the granting of £25 million, in addition to the £10 million which had been provided in 1942. Extolling the virtues of a fixed capital sum, the secretary of state argued that 'the setting of a definite limit to our liability would encourage the Malta Government so to shape their policy as to secure the highest degree of economy'. A capital sum settlement, continued Hall, 'would free us from what might prove to be a perennial source of friction between His Majesty's Government and the Malta Government'. In conclusion, Hall insisted that 'this generous assistance' would be given on the understanding that Malta would bring its taxation system up to modern standards, thus enabling its social services to be improved. While agreeing to a lump sum settlement spread over some fifteen years, the chancellor of the Exchequer, Hugh Dalton, whittled the amount to be offered down to £20 million (2). He was also insistent that this should represent the limit of British financial assistance and that it would be for the Maltese themselves 'to finance their own continuing expenditure in the future'. Dalton's hopes for Maltese self-sufficiency were soon dashed.

At the beginning of 1948, the recently elected (4) Malta Labour Party began lobbying for continued imperial assistance towards food subsidies which was due to cease at the end of the financial year. The Colonial Office gave Maltese entreaties short shrift. Referring to the argument that HMG remained indebted to Malta as a result of war-time service, J S Bennett snapped 'we cannot go on admitting an unspecified moral obligation for ever', while J M Martin asserted that Britain had already been 'exceedingly generous to Malta' (5). Treasury efforts to claw back the relatively small sum of £189,000 from the Maltese government (6 and 7), however, were resented by the Colonial Office as an example of unwarranted interference in a CO responsibility which threatened the maintenance of the relationship between imperial centre and colonial periphery. 'Now that self-government has been restored in Malta,' declaimed Bennett, 'our relations with the Island and our continued peaceful use of it as a major base depend almost entirely on issues of finance and defence and the inter-relation between the two.' He thought the Colonial Office was in an impossible position, carrying the responsibility but possessing no power over either finance or defence (7). Bennett explained that in granting Malta £30 million in war damage grants the Treasury had been 'unable to survive the monstrosity of being generous' and consequently sought to 'ensure that for years to come we deal as harshly as possible with Malta in all other financial matters'. Differences over financial assistance soon resurfaced.

In late July-August 1949, a delegation of Maltese ministers travelled to London to discuss food subsidies and Marshall Aid.¹⁴ Although the former was quickly resolved, the later became a controversial issue not merely between the imperial and Maltese governments, but also within the governing Malta Labour Party.¹⁵ The deputy prime minister, Dom Mintoff, persuaded the Maltese Cabinet to put its name to an ultimatum which asserted that, should HMG not give a satisfactory answer to Malta's claim for direct participation in Marshall Aid, the Maltese government would ask the people in a national referendum whether they wished to 'submit Malta's case to the United States of America with a view to Malta receiving economic aid and, as a "quid pro quo", the United States making use of Malta as a base' (8, Annex). Although the prime minister, Paul Boffa, induced the Cabinet to withdraw the document, this precipitated Mintoff's resignation and a subsequent split in the Malta Labour Party.¹⁶ By a clear majority (244-141), Boffa was ousted as MLP leader to be replaced three

days later by his former deputy. The rump of the MLP, reconstituted by Boffa as the Malta Workers' Party, was defeated by the Nationalist Party in 1950 but succeeded in excluding Mintoff's MLP from power by entering into coalition with the Nationalists under Dr Giorgio Borg Olivier in 1951 and again in 1953. Malta's political turmoil was matched by its economic instability.

By mid-1951, the island teetered on the brink of bankruptcy. Bennett traced Malta's 'descent into the abyss' to the failure of the 1949 Maltese delegation and the subsequent schism in the MLP. 'Since then,' he explained, 'politics in Malta have been paralysed and for practical purposes there has not been a Government capable of taking a grip of the situation' (13). This predicament was exacerbated by the difficulties of sustaining Malta's ever-increasing population, a problem to which emigration offered only a partial solution (9, 10, 12).¹⁷ 'If we decide that we cannot stand aside and must bridge the gap to enable minimum acceptable standards of living to be maintained,' asked Bennett with a rhetorical flourish, 'can a way be found of doing this while preserving Malta's self-governing Constitution?' (14). He had, in fact, answered his own question over three years previously, musing: 'I doubt personally whether Malta can be run as a self-contained economic and financial unit' (5). Another official had prophesied that Malta's financial dependence on the UK would involve some modification of its constitutional status, adding that 'The ablest politician in Malta, Mr. Mintoff has voiced the possibility of incorporation with the United Kingdom as a possible solution to Malta's problem' (13).

Mintoff had travelled to Britain in 1939 on a Rhodes scholarship. From 1940, he agitated to return to Malta, but was prevented from doing so by the outbreak of war with Italy and the consequent closure of the Mediterranean.¹⁸ By the second half of 1943 conditions were sufficiently improved for him to secure a passage home. The lieutenant-governor of Malta, Sir David Campbell, recorded that Mintoff's 'great ambition was to come back to Malta and lead the left wing of the [Malta] Labour Party'.¹⁹ By 1944, however, he was requesting a return to Britain. Explaining Mintoff's change of heart, Campbell, noted: 'he has been greatly disappointed by the reception given him by the workers and that, apart from a few young students and a very limited number of more extremist socialists, he cuts very little weight in Malta'.²⁰ In a similar vein, a CO official described Mintoff as 'a boy who has imbibed during his education in this country a lot of half-baked political ideas, and is disappointed in not being accepted by labour in Malta as their natural leader to the new dawn'.²¹

Despite early British suspicions, to say nothing of Archbishop Gonzi's description of him as 'an extreme Left Wing Socialist' (11), Mintoff came to be seen as Malta's best hope for effective government. Responding to Governor Creasy's description of Mintoff as a 'dangerous man',²² the secretary of state, Arthur Creech Jones, wrote: 'I see no reason to despair of turning his undoubted abilities into constructive channels.'²³ 'We must not begin to talk of Crown Colony government until Mr. Mintoff has been given a chance,' insisted Sir John Martin. 'For all his wild and anti-British talk, I should expect him to be a more effective P.M. than Dr. Borg Olivier.'²⁴ 'Mr. Mintoff, as Prime Minister, would at least get something done', agreed Bennett.²⁵ Borg Olivier, by contrast, was viewed with increasing disdain, not least as a result of his exasperating negotiating tactics during talks on financial aid in the summer of 1952 (16). This sense of disenchantment is reflected in British suspicions that 'Borg Olivier would simply hang on to power, doing nothing decisive either to

rescue the administration from the slough into which it has fallen or to reach a settlement with H.M.G., and play out time until ... the kitty is completely empty' (17). The Maltese prime minister demonstrated a more pro-active policy with respect to constitutional matters, nevertheless.

Borg Olivier's insistence that Malta's prime minister receive equal treatment to Southern Rhodesia and Northern Ireland during the Coronation celebrations for Elizabeth II raised the question of the island colony's constitutional status, especially vis-à-vis the Commonwealth. The comparison with Southern Rhodesia, whose prime minister attended meetings of Commonwealth prime ministers by invitation, was particularly troubling. 'It will be difficult enough to find a basis for preserving an "inner ring" of important Commonwealth members;' recorded Cabinet Secretary Sir Norman Brook, 'but our chances of doing so will be very much reduced if Malta is given any further grounds for arguing that she has the same claims as Southern Rhodesia to admission to such an "inner ring"' (18). Although for the purposes of the Coronation Borg Olivier was ultimately accorded identical treatment to the prime minister of Southern Rhodesia, HMG impressed upon the Maltese prime minister that this was in recognition of Malta's award of the George Cross for its wartime service and had no constitutional consequences (23). Undeterred, Borg Olivier presented on the day of his departure from London a memorandum to Colonial Office Minister Henry Hopkins requesting the transfer of Malta from the CO to the Commonwealth Relations Office (22).

Explaining the psychology behind Borg Olivier's appeal, W A Morris, assistant secretary at the CO, remarked: 'basically what chiefly gets under the skins of the Maltese is that they are lumped in under the C.O. with a lot of African and Eastern territories, whilst they regard themselves as part of European society' (21). In his memoirs, Sir Anthony Eden admitted that 'A European people with a civilization older than our own, the Maltese were sensitive to anything in the nature of colonial status.'²⁶ The upgrading of Malta's standing implied by a transfer of responsibility to the CRO, however, would not bring automatic Commonwealth membership since this rested on the assent of the other members. Ominously, the Canadian high commissioner had already indicated that his government 'would not be disposed to accepting miniscule territories, with no effective strength in the world, as equals in conference with the great Powers of the Commonwealth' (21). A way had to be found, therefore, of satisfying Malta's aspirations short of a transfer to the CRO and Commonwealth membership.

Highlighting continued British control over defence implied by Malta's status as a fortress colony, as well as the island's lack of economic and financial self-sufficiency, Oliver Lyttelton, secretary of state at the CO, argued against bringing Malta within the remit of the CRO as a full member of the Commonwealth (23, 24). Instead, he favoured assimilation with the status of the Channel Islands and the Isle of Man by a transfer of responsibility for Malta to the Home Office, an idea already floated by Sir Charles Jeffries (20). Despite Borg Olivier's new demand for 'full autonomy within the Commonwealth in all fields of Government', the Home Office offer was still made (25). In addition to the Home Office idea, other possible solutions to Malta's outstanding constitutional status included closer integration with the United Kingdom (favoured by Dom Mintoff), some form of special position under the secretary of state for Commonwealth relations, and the appointment of a Royal Commission to review the workings of the 1947 constitution. This last proposal

indicated the degree to which the existing arrangements had failed to provide a stable basis for Malta's constitutional development. '[T]he trouble is', noted the secretaries of state for the Home Department and the colonies, 'that we have tried to give complete self-government in internal affairs (including finance) to a territory which does not, and probably never will, have a viable economy' (26). Morris had already referred to the 'gap in the constitution' which provided 'numerous opportunities for the Maltese Prime Minister to be obstructive, unless the constitution is worked in a co-operative spirit' (21). 'The present Prime Minister', he lamented, 'has seized on these opportunities with relish.' Sir John Martin was in broad agreement with this analysis, noting that the methods used by Maltese ministers in their dealings with HMG were those of 'a Levantine carpet-seller' (21).

British confidence in Borg Olivier was further eroded by his procrastination in replying to the Home Office offer (29, 30, 31).²⁷ The precariousness of his political position, reliant as he was on Boffa's Malta Workers' Party which leaned towards integration,²⁸ merely reinforced his natural inclination to delay. When Borg Olivier did finally proffer a formal response in October 1954, it amounted to a shelving of consideration of the Home Office offer until his 'legitimate aspirations' were satisfied.²⁹ While Borg Olivier havered, Mintoff continued to advocate Malta's integration with the United Kingdom (26, 27, 28, 30). Mintoff's increasing attachment to the idea reflected his concern to insulate Malta from the economic consequences of a future decline in the strategic value placed on the island by Britain (33). Assessing the merits of integration, J A Sankey (assistant principal, CO) stressed that 'Mintoff does after all want to draw closer to the United Kingdom which should surely be preferable to independence or "enosis" with Italy' (33).

The British were thus faced with two contrasting visions of Malta's future constitutional development: Borg Olivier's that the island should achieve a greater degree of self-government, while receiving an annual grant for continued use of its military facilities; and Dom Mintoff's that there should be closer integration with the UK (26). Although the Cabinet concluded that 'representation of Malta in the Parliament at Westminster could not be contemplated' (27), Mintoff's suggestion of a constitutional conference in London of Maltese political parties was favoured by the secretary of state for colonies (29, 31). Following much further delay, Borg Olivier agreed to such a round-table conference. Before it could be held, however, he was decisively defeated by Mintoff's MLP in the general election of February 1955.³⁰

Integration and its failure, 1954–1958

A Mintoff premiership clearly brought his integrationist ideas to the forefront of the constitutional and political agenda. Bearing in mind recent dramatic changes in military technology, in particular the advent of thermo-nuclear weapons, Bennett questioned whether 'a base on a small congested island within easy range of potential enemy aircraft is not now an anachronism' (35). Relating this logic to the possibility of closer integration with the United Kingdom, Bennett posited: 'if after 150 years the Navy now has little further use for Malta, it would seem an odd moment to choose to link the Island permanently with this country by some form of incorporation, and there might be a case for giving the Maltese freedom to sell themselves elsewhere if they wish'. Although the vice chief of the imperial general staff, Lieutenant-General W P Oliver, was of the opinion that 'the island presented an attractive nuclear target' (38), the Chiefs of Staff concluded that the probability of

this type of assault was insufficient to warrant changing the location of Britain's principal maritime base and allied headquarters in time of war (39).

With Malta's strategic value having been reaffirmed, the thorny question of its integration with the UK could be addressed directly. Early reservations about the financial consequences of integration were expressed by the Treasury. So concerned was the Treasury about the financial implications of integration that a plea was made for nothing be said about closer association with the UK which could be construed as acceptance of Mintoff's plans (40). Treasury apprehensions had some basis in reality, the MLP having already pressed for the extension of UK social services and economic planning (including full employment measures) to Malta (34). To the Treasury, such recommendations were anathema, Second Secretary Sir Herbert Brittain imploring the CO to eschew any indication that the UK would underwrite either social insurance or other social welfare schemes (40). Despite Treasury misgivings, the new secretary of state for colonies, Alan Lennox-Boyd, was reluctant to dismiss automatically the Maltese proposal for closer association with the United Kingdom, emphasising that, since Malta could aspire neither to independent nationhood nor full Commonwealth membership, it would have to find solace in combination with a stronger power (41). Rejection of closer association with the UK, he feared, might push Malta to seek a similar arrangement with Italy, a prognosis which, in the light of an upsurge in Italian influence in Malta (32), was by no means entirely fanciful. 'Such a development would be gravely embarrassing,' intoned Lennox-Boyd, 'especially at a time when Cypriots were agitating for union with Greece' (41).

The merits and demerits of integration were soon being aired in British governing circles. For Harold Macmillan, the recently appointed foreign secretary, the idea was an entirely welcome one. '[A]t this moment in our history', he told Prime Minister Eden, 'the voluntary and patriotic desire of Malta to join us is something we ought not to repel. Centrifugal forces are very strong at the moment. Let us cherish any centripetal movement that we can find' (42). In his diary, Macmillan recorded that

There was an interesting discussion about Malta, who want to join the UK! This extraordinary request has taken everybody by surprise! If we don't accept we shall be shooting the Cypriots for wanting to leave us and the Maltese for wanting to join us! The trouble is that I suppose it will mean 3 Labour seats!³¹ I was in favour of this novel (and dramatic idea) so was P.M., Colonial Secy, and strangely enough Ld Salisbury.³²

Cabinet Secretary Sir Norman Brook, by contrast, was apprehensive lest Maltese representation in Westminster should set an unwelcome precedent with respect to other small colonies which, while ripe for full self-government, were 'not big enough to stand alone as independent members of the Commonwealth' (43). In his judgement, what the Maltese essentially desired was a guarantee that their economy would be supported through external assistance. That being the case, he queried, 'is there not much to be said for trying to do a deal on "money", which appeals to men of all Parties in Malta and creates no constitutional precedents?'

Certainly an important feature of Mintoff's integration proposals was 'the progressive betterment of social services towards British level' (44, Annex A). Equally, he did not accept the imposition of taxation at UK levels until Maltese wages and social services had reached parity with the United Kingdom, prompting the Cabinet

Official Committee on Malta to remark: 'what he is proposing, at least for a period of 15 to 20 years, is "representation without United Kingdom taxation"' (44, para 14). Oxford don Kenneth Robinson, who had been asked to comment on foreign experiments in closer association between overseas dependencies and metropolitan countries, observed that 'The example of the French Overseas Departments suggests that, once considerations of status are removed, the essential dynamic in "integration" is pressure for parity of social services and particularly social security benefits.'³³ The veracity of Robinson's analysis was underlined by the Malta governor, Sir Robert Laycock's, assertion that the MLP were 'less interested in high-sounding titles for Maltese officials than in the introduction of a Welfare State on the British pattern into Malta as soon as possible' (46).

Assessing the financial consequences of integration, the Treasury put the costs of applying the full benefits of the UK's social services and other civil expenditure at around £10 million per annum (48). It also estimated that national income per head in Malta would have to double before the Maltese could even begin to pay for these public services. Furthermore, the Treasury fretted that generosity towards Malta would merely stimulate demands by other colonial territories for greater financial assistance from the UK (50). The Home Office and Scottish Home Department expressed similar concerns with respect to Wales and the Scottish Highlands (47). As regards the colonial context, the CO was appalled by Treasury intervention and reasoning: not only was it for the CO, rather than the Treasury, to assess likely reactions in the colonies to Maltese integration, but also the scheme could not be withheld on such 'flimsy hypotheses' that other governments might in future seek more help (50). Not surprisingly, the CO was more inclined to stress the benefits of the scheme, arguing that it held out the prospect of raising the living standards of the Maltese, as well as resolving 'successive crises and frictions' which had characterised the operation of the 1947 constitution (49). Nevertheless, the CO did recognise the possibility that Mintoff's proposals were leading to 'a strong clash of view between his party, and the Nationalists and the Church'.

On becoming prime minister, Mintoff underlined his independence from the church by refusing to make the traditional call on the archbishop.³⁴ For his part, Gonzi had made his distaste for the MLP leader known as early as 1950, even suggesting to the Colonial Office a 'return to Crown Colony Government in order to keep Mr. Mintoff out' (11; also 58, para 14). The Archbishop soon indicated his concerns about integration, expressing the fear that Malta would be reduced to the status of an English county, while also stressing the dangers of an application of English legislation to civil marriage and divorce in Malta. Although reassured on these points, Governor Laycock asserted that the archbishop would, when the time was ripe, 'do all he could to oppose the Maltese Government's programme' (45). The archbishop's scepticism towards closer association stemmed from a fear that it would bring in its train 'an increased seepage of "advanced" and possibly anti-clerical notions into the Maltese, who are at present 100% Roman Catholic' (45). In keeping with Orthodoxy in Cyprus, the Roman Catholic Church in Malta sought to protect itself from an erosion of its traditional influence.³⁵ Even before becoming archbishop, Gonzi was described by the Foreign Office as a 'keen, even fanatical, Roman Catholic priest, who will put what he regards as the interests of the Church above everything else'.³⁶ The blurring of the distinction between the roles of church and state was underlined when he met the secretary of state for colonies, James

Griffiths, in 1950. During the discussions, Gonzi had made 'no attempt to excuse plunging straight into politics, and appeared to think it perfectly natural for an ecclesiastical dignitary to tell the S. of S. what he would like to see happen in Malta's political life' (11). Mintoff was reported to believe that the archbishop's aim was to 'drive a wedge between the Maltese and Great Britain' since he realised that 'closer association between the two would 'inevitably lead to introduction of progressive ideas tending to weaken the Church's grip on the Maltese people'.³⁷ While Gonzi fretted about the effects of integration on the position of the church in Malta, British policy-makers wrestled with the approach they should take to the crucial question of Maltese representation at Westminster.

Fearing that the arrival of Maltese MPs would stimulate similar demands among other small colonial territories, the Colonial Office advocated the designation of 'statehood' for territories which, while enjoying self-government in internal affairs, would remain dependent on the UK for defence, security, foreign relations, and financial stability (52).³⁸ Since Malta had already reached, and was dissatisfied with, this stage, statehood was not seen as an appropriate culmination to its constitutional evolution. Integration posed its own dilemmas, however. A commitment to accompany parliamentary representation with raising social services and wages in Malta to UK levels, worried the Lord Chancellor (Lord Kilmuir), would encourage other colonies to press for integration on the Maltese model (54). When the Cabinet debated this issue, the possibility of decoupling parliamentary representation and economic parity was raised (55). The financial secretary to the Treasury (Henry Brooke) was particularly insistent that 'proposals which involved according Malta equality with the United Kingdom in economic standards would have to be resisted'. No firm conclusions on these questions, including the controversial issue of parliamentary representation, were reached. This, in many ways, was a victory for Lennox-Boyd who had resisted the home secretary, Gwilym Lloyd George's, preference for HMG proceeding on the basis that Maltese representation at Westminster was 'undesirable'. Lennox-Boyd, a firm supporter of integration, hoped that in the absence of a clear statement by HMG the forthcoming Round Table Conference on Malta could 'easily drift into accepting some kind of representation' by which time it would be 'too late to secure a contrary decision' (53).

The Malta Round Table Conference to discuss the island's future status was finally convened in September 1955.³⁹ Reporting to Prime Minister Eden on the progress of discussions, its chairman, Lord Kilmuir, noted that 'the Conference is unanimous in the view, which I share, that representation at Westminster is likely to provide the most promising basis for a satisfactory and permanent solution of the constitutional problems of Malta' (57).⁴⁰ The main potential obstacle identified by Kilmuir was the attitude of the Roman Catholic Church towards integration, an assessment reinforced by Governor Laycock.⁴¹ 'At this present juncture', he conceded, 'the Archbishop undoubtedly fears and mistrusts Mr. Mintoff whom he regards as a dangerous atheist and an enemy of the Catholic Church' (58). He continued: 'Both showed their teeth and, although Mintoff's might seem sharper initially, I believe that the Archbishop's might grip firmer in consequence of his fundamental hold over the people which can be exercised at any time through the Parish priest or by the issue of a Pastoral letter.' Although the archbishop trusted HMG's assurances about the position of the Church under integration, he viewed those of the Maltese government with the 'gravest suspicion'. Unsurprisingly, relations between church

and government deteriorated to the extent that the archbishop publicly called for the postponement of the planned referendum on integration.⁴² Furthermore, priests were reported to be 'acting against integration with knowledge, if not actual encouragement of Archbishop and also Bishop of Gozo'.⁴³ Drawing his own conclusions, Lennox-Boyd remarked that the Catholic Church opposed integration 'not so much on its own merits but from fear of the secularising tendencies of a successful Maltese Labour Government' (60).

Brushing aside opposition of the Church as well as the reservations of HMG, which preferred deferment until after the planned parliamentary debate on integration in March 1956, Mintoff pressed ahead with a referendum to gauge the popular mood. Despite the Maltese premier's earlier claims that he would secure an 80 per cent majority in an integration referendum,⁴⁴ the results were far from decisive. With nearly three-quarters of votes cast in favour of integration, Mintoff appeared to have achieved a clear and unmistakable endorsement of his proposals as required by the report of the Malta Round Table Conference.⁴⁵ Taking abstentions into account, however, Mintoff had secured less than half the votes of those on the electoral register. Indeed, the percentage voting in favour was barely above that for the abstentions (62). Commenting on these results, Lord Kilmuir emphasised that 'there is much evidence tending to suggest that the intervention of the Church was, in the last days of the referendum campaign, unmistakably hostile to Mintoff and greatly influential' (61). Recognising the central role played by the Church, Mintoff himself had claimed in Malta's Legislative Assembly that 'If the Government had been fighting only the two opposing political parties they would have polled 100,000 votes.'⁴⁶ Following the referendum, archbishop and prime minister were reported not to have been on speaking terms and to have avoided one another 'as far as possible'.⁴⁷ In April, Lieutenant-Governor Trafford Smith recorded that 'Relations between the Government and the Church are still bad, and a sort of ding-dong pin-pricking match is going on from day to day'.⁴⁸ Somewhat disingenuously, church supporters denied having influenced the vote. They also argued, along with the Nationalists⁴⁹ and the PCP leader, Mabel Strickland, that the result of the referendum was not the 'clear and unmistakable' majority recommended by the Round Table Conference and, consequently, the concept of parliamentary representation at Westminster should be abandoned (68).

Although floated at the Cabinet Colonial Policy Committee, the staging of a meeting in the UK to effect a reconciliation between Mintoff and Gonzi was opposed by Lennox-Boyd on the grounds that it might serve to reawaken Church of England reservations about Maltese marriage laws (63). Showing a strong strain of realism, moreover, the committee agreed that proposals should be formulated to determine the future level of financial aid to Malta. It was also informed of growing misgivings in the Conservative Party about integration, a tendency which had been strengthened by the report of Tory MPs who had acted as observers for the referendum. James Stuart, the secretary of state for Scotland, even threatened to resign from the government over integration. Justifying this stance, Stuart told Eden: 'I cannot force myself to believe that anyone has any right to wield powers without responsibility—which is what we seem to be in danger of offering the Maltese' (64). The former governor, Sir Gerald Creasy, also expressed strong reservations, warning that to 'force integration through now, in spite of the result of the Referendum, may well have exactly the opposite effect to that intended, and completely alienate from us a substantial

proportion of the Maltese people. The conflict between Church and State that unfortunately exists already will be greatly exacerbated' (65). Dealing with a different aspect of integration, Creasy's successor, Sir Robert Laycock, questioned whether standards in Maltese public life would meet those in the United Kingdom (66). The Cabinet Joint Intelligence Committee appeared to give support to Laycock's assessment, prophesying that 'If integration fails and he [Mintoff] turns to anti-British policies, the Police would be less reliable' (67).

Eden's own suspicions of the Maltese prime minister had been fuelled by Mintoff's extension at the beginning of 1956 of an invitation to the Egyptian leader, Gamal Abdul Nasser, to visit Malta. In view of the sharp deterioration of relations between Britain and Egypt over a host of issues in the Middle East, Eden was reported to be 'very distressed' at the news.⁵⁰ 'Mintoff falls steadily in my opinion', Eden later admitted.⁵¹ In his memoirs, the British premier recorded that 'tensions on the island had their consequences at home, where a number of Government supporters in Parliament showed increasing reluctance to accept Maltese representation at Westminster'.⁵² So concerned was the government about this melting away of backbench support for integration that the decision was taken simply to ask the Commons to take note of, rather than formally endorse, the report of the Malta Round Table Conference.⁵³ When the parliamentary debate took place on 26 March,⁵⁴ the most vocal support for its conclusion that Maltese representation was 'practicable and reasonable'⁵⁵ came from opposition Labour MPs. In recognition of this, Mintoff told the opposition leader, Hugh Gaitskell, the day after the debate that 'The people of Malta in general and in particular the Malta Labour Party will never forget how, in this decisive hour of their history, the British Labour Party stood up for them.'⁵⁶ By contrast, the Conservative government, while ostensibly committed to integration, was showing signs of doubt: despite announcing HMG's intention to proceed with legislation to implement the Round Table Conference's recommendations, Eden introduced a caveat. '[T]hat part of the Bill relating to the representation of Malta in this House', he declared, 'will be brought into operation only if and when the Maltese people have shown their desire for it in a General Election following the dissolution of the Maltese Legislative Assembly'.⁵⁷ At an administrative level, the Home Office's reluctance to take responsibility for Malta (69) as recommended by the Malta Round Table Conference report,⁵⁸ added a further complication to integration. HMG's enthusiasm for integration was eroded still further by the increasingly acrimonious wrangling over the level of financial assistance to be accorded Malta.

In June 1956, Eden had established a Policy Review Committee to re-evaluate Britain's overseas commitments. In a comment to this body, the prime minister urged that 'we must now cut our coat according to our cloth. There is not much cloth.'⁵⁹ Against this background, a Maltese delegation, headed by the minister of justice, Dr J Cassar, arrived in London to discuss interim budgetary provision for Malta. Lennox-Boyd had expressed disquiet about Mintoff's attitude towards this issue as early as April 1955 (36). By mid-1956, the secretary of state had resolved to take an uncompromising stance. Referring to the Maltese prime minister, Lennox-Boyd averred: 'I am getting rather tired of his methods of doing business, particularly his fondness for holding a pistol at Her Majesty's Government's head. I think we must try to teach him a lesson on this issue of future financial aid, even at the risk of precipitating a major political crisis.'⁶⁰ The Cassar talks soon stalled (72). Mintoff's arrival at Lennox-Boyd's request did little to ease the situation, the Maltese premier

refusing to accept a ceiling of £5 million for HMG's contribution in the financial year 1956–57. Mintoff expressly told Eden that 'this unilateral imposition would make the existence of my Government extremely precarious, it would wreck all prospects of Integration, and make impossible government of the Island by democratic methods' (73).

Despite Mintoff's intimation that he and his government might resign over the issue, Lennox-Boyd advocated holding firm. The principal attraction of integration, he reminded Eden, was the hope that it would provide a basis for co-operation and hence 'avoid the endless frictions and frustrations of our past dealings with Maltese affairs'. Mintoff, however, had shown 'no inclination to compromise on any issue; and without a sprit of compromise, no scheme of closer association can hope to survive' (75). The Cabinet supported Lennox-Boyd's stance despite his warning that it might cause Mintoff to 'abandon the constitutional policy recommended by the Round Table Conference and propose a settlement based on self-determination for Malta' (76). Referring to this Cabinet meeting, Macmillan, once a keen advocate of integration, noted: 'a terrible agenda – Cyprus, Malta, Libya, Egypt – all trouble and mostly blackmail'.⁶¹ A grant of £7.5 million to cover an eighteen-month period, coupled with an offer of a UK commission to assess Malta's financial needs and resources, were the only concessions the Cabinet was prepared to offer Mintoff (76). On this basis, however, the Maltese premier withdrew his demand for £6.5–7 million in UK aid for the financial year 1956–57 and resumed negotiations. Even assuming a successful outcome, Lennox-Boyd still foresaw formidable challenges ahead (77), not least Mintoff's insistence on economic 'equivalence' for Malta. Recapitulating observations already made to Eden, he doubted the Maltese government's 'ability or willingness to use the processes of consultation in the spirit or manner envisaged in the Report'. He also gave a stark warning that 'the implementation of integration may give rise to serious friction in the near future if not in the long run', the principal reason for this being Mintoff's 'erratic and intemperate character'. The shockwaves produced by President Nasser of Egypt's nationalisation on 26 July 1956 of the Suez Canal, a strategic waterway with strong imperial associations, tempered the robust approach to Mintoff favoured by Lennox-Boyd. Indeed, ministers were reluctant to have a Malta crisis on their hands simultaneously with the Suez crisis.

Planning for a military assault to overturn nationalisation and unseat Eden's Egyptian tormentor was instigated within days of Nasser's dramatic Suez announcement. At this time a quiescent Malta was seen as vital in view of its pivotal role in British plans. 'Unless the action could have been carried through exclusively by airborne troops,' recalled Eden, 'there was no alternative to an expedition from Malta.'⁶² At the end of August, the Chiefs of Staff had judged that 'The present situation over the Suez Canal emphasises the importance of Malta in the mounting and launching of any limited war operations in the Mediterranean and Middle East' (79). They concluded that Malta's strategic importance had increased during the previous year and was likely to increase still further in the future.

The decision to avoid a show-down with Mintoff was queried by officials. Assistant Under-Secretary of State Eugene Melville was particularly outspoken: 'I think we have a Malta crisis on our hands already and that we cannot afford not to treat it as such' (78). He was now persuaded that integration would not work. Shortly after the expression of these sentiments an example of Mintoff's apparent bad faith manifested itself. In the midst of the Suez crisis and with Britain facing an uprising on Cyprus,

its other principal island base in the Mediterranean, Mintoff told his party: 'Time has now come to give crushing blow to Imperial Authorities such as never before.'⁶³ 'The admission ... that Mr. Mintoff is deliberately using the Suez crisis and the Cyprus situation for his own ends', expostulated Sir Hilton Poynton, 'surely must remove the last possible ground for thinking that our relations with him can be dealt with on a policy of appeasement' (78). By mid-November, with the failed attempt to reoccupy the Suez Canal behind them, ministers once more turned their attention to Malta.

For Lennox-Boyd, the economic costs of Mintoff's demands for equivalence had to be balanced against the political consequences of rejecting this concept (81). As regards the former, he doubted whether equivalence could be achieved through increases in Malta's productivity. 'If the principle of equivalence is conceded for Malta,' he continued, 'there is a danger that other claims for privileged treatment will arise in Colonial territories which might think integration financially worth while'. Among the political pitfalls of rejecting equivalence, however, was the possibility of 'a period of constitutional and political unrest in Malta, following Mr. Mintoff's resignation or his change to a policy of seeking "independence"'. One possible way out of the impasse, suggested Lennox-Boyd, was the reconvening of the Malta Round Table Conference to consider anew the issue of equivalence.⁶⁴ For Chancellor of the Exchequer Macmillan, associating HMG with the concept of equivalence was 'extremely undesirable' (82). During subsequent discussions in the Cabinet Colonial Policy Committee, Macmillan recommended that HMG's approach to the issue should be 'based on the practical considerations of the extent and method of their contribution to the Maltese economy' (83). He also mused that the 'more limited and more precise formula' of the Malta Round Table Conference report 'would leave us with a freer hand in considering levels of aid in future years, when strategic developments might considerably reduce the present value to us of the Malta Base'.

Macmillan's successor, Peter Thorneycroft, was equally sceptical about economic equivalence, highlighting the difficulties of applying UK taxation to Malta (85). In keeping with his predecessor, the new chancellor was conscious of the possibility that Malta's importance as a naval base might not remain constant (86). With this possibility in mind, he underlined the good sense of not committing HMG to anything other than a broad pledge to raise the standard of living in Malta. In seeking a formula to express HMG's intentions, the Cabinet Colonial Policy Committee debated, without resolution, the wisdom of including a phrase which indicated sympathy for the aim of economic equivalence (86). When the formula was finally put to Mintoff during talks in London in February 1957, it had been removed (87). During these talks, the Maltese premier elucidated his conception of 'equivalence': attainment in ten years of comparable social services, including health and education, as well as equivalent wages and salaries of government and imperial employees within the same timeframe. 'In other words, give a blank cheque', concluded the CO minister, Lord Perth (87). Not surprisingly, Mintoff rejected the more circumscribed formula proposed by HMG (89), prompting Macmillan, now prime minister, to observe: 'Discussions with Malta, about to founder on Mintoff's intransigence'.⁶⁵

In Macmillan's estimation, equivalent meant 'comparable', rather than 'equal' (88). Starting from this premise, the new prime minister argued that membership of the UK brought with it a 'right in principle to belong to the UK social structure', albeit with contributions and benefits adjusted to match local circumstances. Concerned about the presentation of a possible break-down in talks, Macmillan was alive to the

importance of reaching a position which could be defended in Parliament (89). While accepting that the Maltese had the right to 'seek a comparable standard of living as their ultimate goal following political integration', he pointed out that the lack of comparability in the economies of Malta and the UK made full economic integration 'impracticable'. Lennox-Boyd confidently predicted that if Mintoff rejected HMG's latest offer of some £6 million per annum in assistance for the first quinquennium, and negotiations subsequently collapsed, 'the Government would have the support of public opinion in this country' (90). Such statements indicate that HMG was preparing the ground for the failure of talks with Mintoff. The wisdom of such an approach was soon revealed. In further discussions the Maltese premier remained intractable on his insistence that the UK assume liability for attaining equivalence in social services, as well as government wages and salaries, regardless of the success achieved in improving productivity. 'It now seems that we may have finally reached real breaking point over the whole integration plan on this single issue', reported Lennox-Boyd (91). Mintoff himself told Macmillan at the end of March that the abandonment of the principle of economic equivalence would 'kill integration before it sees the light of day' (92). Indeed, integration stalled on this one central issue (93, 94). The fulfilment of the scheme was further complicated by changes in Britain's defence policy.

By its own admission, the 1957 Defence White Paper heralded 'the biggest change in military policy ever made in normal times'.⁶⁶ Since it was impossible to defend the UK from nuclear attack, it concluded that 'the overriding consideration in all military planning must be to prevent war rather than to prepare for it'.⁶⁷ A greater reliance on nuclear deterrence was consequently envisaged, with a concomitant reduction in the size of conventional forces. These reductions, of which the ending of conscription was an integral part, were projected to reduce the combined strength of the three services from 690,000 in 1957 to 375,000 by the end of 1962. During discussions between members of the Maltese government and the minister for defence, Duncan Sandys, on the proposed cutbacks, Deputy Prime Minister Ellul Mercer underscored that 'whereas the British economy was not based on defence, in Malta reductions in defence expenditure attacked the very foundations of the Island's whole economy' (95). Sandys responded with some characteristically plain speaking of his own, warning Mintoff 'not to overplay the defence card'. '[I]n the event of global war, in which the threat was primarily from Russia,' he continued, 'Malta was of little strategic importance'.⁶⁸ When the Maltese premier admitted that his government had rejected HMG's integration proposals, Sandys countered by asserting: 'quite frankly, many people in England thought that Her Majesty's Government had been over generous, and they would heave a sigh of relief if we were released from this offer, through Malta's rejection'.

Governor Laycock admitted that Sandys' visit had left him 'seriously shaken'. 'I am now all the more convinced that integration with Great Britain is the only thing that can save Malta from disaster', he concluded.⁶⁹ Despite being the progenitor of integration, Mintoff had by now come to be seen as an obstacle to its achievement. Reflecting this viewpoint, Laycock remarked:

Regret Mintoff ought logically to be in a weak position, but it is this very fact that greatest danger lies as we are now dealing with cornered dictator who cannot afford to lose face and is therefore quite unpredictable. Although Mintoff has not yet definitely voiced his alternative, we are

becoming increasingly convinced that his only possible line would be demand for independence for which he could get unanimous support in Legislative Assembly after which even the Archbishop would find it exceedingly difficult to intervene.⁷⁰

Deputy Secretary to the Cabinet Burke Trend was clear that full independence was 'wholly inconsistent with the degree of economic support from the United Kingdom which Malta will continue to need' (102). Doubts about the viability of integration continued to grow, however.

The secretary of state for Commonwealth relations, Lord Home, expressed anxiety about the impact of integration on Britain's relations with Commonwealth governments (99). Home was also worried about the repercussions within the Conservative Party of an attempt to proceed with integration legislation (103). Displaying more than a hint of prejudice towards the Maltese, Home pontificated: 'They breed like flies and as the immigration programmes in countries which take them are being curtailed the poverty and employability of the population is going to be worse.' Mintoff's insistence on ever greater financial assistance, coupled with HMG's equal determination to resist the same (98, 100), strained still further relations between the two governments. As regards Governor Laycock, he made an impassioned plea for HMG to 'increase our financial aid by the amount which Malta will suffer through defence cuts' (104). A further hazard facing Malta's fragile economy was the threat to the dockyard, the island's major employer.

Defence cuts raised the prospect that the Admiralty would have excess dockyard capacity in the future. To address this, the closure of either Malta or Chatham on the river Medway was considered. Concerned about the effect of shutting Chatham on its attempts to secure the co-operation of domestic dockyard workers to improve productivity, the Admiralty favoured the closing of Malta. Although Financial Secretary to the Treasury Nigel Birch disputed the Admiralty's projected savings for closing Malta, rather than Chatham, he remarked that 'With the decline of our naval forces in the Mediterranean a dockyard in Malta will become more and more of a strategic nonsense. It can provide neither a satisfactory nor a continuing solution of the Maltese problem' (97). Instead, Birch favoured transferring the Malta dockyard to commercial interests. Lennox-Boyd, however, reminded his Cabinet colleagues of HMG's July 1955 commitments to Malta in the matters of living standards and levels of unemployment (101). He concluded that the cost of complete closure would 'appear prohibitive until such time as alternative measures could if possible be worked out and brought into effect'. In a similar vein, Burke Trend advised Macmillan that it would be 'disastrous if Her Majesty's Government's first act after reaching agreement on integration was to close the dockyard—disastrous not only psychologically, in that it would prejudice at the outset whatever chance of success the new constitution may have, but also economically, in that we should be committed under the integration scheme to deal with the severe unemployment which would result'.⁷¹ Unsurprisingly, uncertainty over the future of the dockyard inevitably had political repercussions in Malta, the CO recording at the end of 1961 that its subsequent transfer to private enterprise 'caused such a crisis in the affairs of the island that it is probably true to say that our direct rule can be traced from that decision'.⁷²

Mintoff was reported to regard the dockyard as more important than the issue of Malta's constitutional status.⁷³ He even offered his resignation in order not only to

quash criticism of him voiced by the Admiralty section of the General Workers' Union, but also to put pressure on HMG.⁷⁴ With the same objective in mind, he summoned a special meeting of the Malta Legislative Assembly on 30 December 1957 to consider a motion proposing 'severing ties' with HMG unless a guarantee was given that alternative employment would be found for Maltese employees of the UK who had been discharged as a result of defence reductions.⁷⁵ The motion was justified in terms of HMG's failure to honour its pledge of July 1955 to avoid unemployment which, it was claimed, released the Maltese from agreements and obligations towards the British government.⁷⁶ Summarising a conversation with Mintoff, Sir Charles Lambe (commander-in-chief, Mediterranean) recorded that the Maltese premier had 'lost faith in the British Government's intentions' over integration and consequently this left 'only the alternative of "Independence"' (105). Despite his initial enthusiasm for integration, Lennox-Boyd himself was reported to be 'tired of haggling' (108). The first lord of the Admiralty, Lord Selkirk, admitted that 'the last two or three months have virtually killed integration dead' (108). Talks in London in March 1958 merely confirmed this.

On the eve of the talks, the CRO commented that 'Mr. Mintoff's present attitude is that unless he obtains integration on his own terms he will seek independence based on payment by United Kingdom and any other interested nations for use of Maltese defence facilities.'⁷⁷ Lennox-Boyd was in uncompromising mood, however. Referring to the 30 December motion in the Maltese Legislative Assembly, he told Mintoff that 'it was completely unrealistic to imagine H.M.G. in the U.K. could do anything to put integration into effect while the resolution stood' (109).⁷⁸ There was little appetite for compromise, Mintoff, after one especially fraught encounter with Lennox-Boyd, expostulating: 'I will resist the temptation at this stage of showering upon you the insults and provocations persistently poured on me by you during yesterday's meeting.... I do not consider myself to be your guest nor you to be my host; we are two Ministers under the same Crown discussing the affairs of our respective countries'.⁷⁹

The March 1958 discussions, in many ways, sounded the death-knell of integration. In the House of Commons, Lennox-Boyd recorded that 'Overshadowing the whole of the negotiations was the resolution ... of 30th December which Mr Mintoff showed no disposition to withdraw'.⁸⁰ By making ever more extravagant demands, including a £22.5 million industrial fund and UK acceptance of Malta's right to opt for independence until the island had achieved equal living standards, the Malta delegation was in effect precipitating the demise of a scheme which had, for the best part of three years, dominated Anglo-Maltese relations. The CO, nevertheless, saw some advantage to be gained from the tactics employed by the Maltese delegation. 'By reverting to his demand for equivalence', observed the CO, 'it would seem that, if there is to be a break in negotiations, Mr. Mintoff is presenting us with the best possible ground for such a break with the maximum advantage to us from the publicity point of view.'⁸¹ HMG's commitment to integration was eroded by the recognition that its supporters were 'deeply divided on the question of Maltese integration', and that legislation 'could be enacted only with the support of the Opposition' (110). Such a bill would form 'a very unacceptable element in the legislative programme of the final Session of the Parliament'. Reflecting a hardening of opinion in the government, Chancellor of the Exchequer Heathcoat Amory strongly resisted Lennox-Boyd's wish to state that the previous year's undertakings

on integration subsisted (111, 112). The intransigence of the Malta government indicated the waning of its interest in the scheme, the Maltese minister for agriculture, J J Cole, having openly recorded that it was viewed as a 'dead letter by everyone in Malta'.⁸² The alternative of independence, which Lennox-Boyd described as a 'non-starter' (109), presented its own problems.

The committee of officials which had been given the task of responding to Macmillan's famous request for 'something like a profit and loss account for each of our Colonial possessions',⁸³ had already stressed in relation to Malta that 'Her Majesty's Government's strategic requirements cannot be met unless Her Majesty's Government retain jurisdiction in the field of defence and foreign affairs'.⁸⁴ Independence would clearly preclude this possibility. Assuming that HMG were not prepared to countenance independence at this stage, Trafford Smith concluded that 'we cannot afford to run the risk of an election in which the Maltese people may decide for independence since once the campaign has started we cannot effectively influence it' (106). Developing his theme, he pointed out that 'means must be found of closing down Maltese democracy for a while'. An opportunity for doing so soon presented itself.

Direct rule, 1958–1962

On 6 April 1958, Mintoff denounced integration and declared his intention to seek independence. His government resigned on 21 April, but agreed to resume office on a caretaker basis. The refusal of ministers to give an assurance about the maintenance of law and order brought matters to a head, nevertheless. Despite acknowledging that the declaration of a state of emergency would be principally for 'technical reasons', the legal secretary to the Maltese imperial government, D S Stephens, admitted that 'The very use of the word "emergency" is alarming and conjures up a Cyprus situation in people's minds'.⁸⁵ At the end of the month, following Mintoff's 'national day of protest',⁸⁶ Laycock was given permission to declare an emergency and take control of government into his own hands (114). Soon he began making the case for seeing additional assistance beyond the £5 million per year for five years allocated under the integration proposals as the price that Britain would have to pay if it wished to remain a Mediterranean power (116, 117, 120). Heathcoat Amory was equally keen to resist further financial commitment (118), reserving his position on both the £25 million envisaged under integration and the question of additional aid above and beyond this sum for the conversion of the dockyard for civilian use (119, 121). Although Macmillan recognised the importance of demonstrating that Britain's direct administration of Malta was 'superior to that of Mr. Mintoff' (121), a hastily convened meeting of ministers agreed on the impracticality of the governor's proposals (123). In the end Macmillan sent a bland reply, stressing the necessity of producing a detailed development plan and promising to supply an experienced financial and economic adviser (124). The demise of integration provided the context not merely for the debates on the future level of financial support to be accorded Malta, but also the renewed discussions on the future constitutional status of the island.

In the assessment of the Chiefs of Staff, the preservation and use of military facilities in Malta could 'never be guaranteed under conditions of complete independence' (113). 'If independence were granted it might, therefore, be considered necessary to give up Malta as a United Kingdom national base', they concluded. However, the Cabinet

Committee on Malta did not rule out Maltese independence on the grounds that 'In view of our experience elsewhere it would be unwise to declare ourselves outright against independence as an eventual possibility' (115). Despite this recognition, Lennox-Boyd insisted that 'independence or full Commonwealth status is not compatible with H.M.G.'s present defence commitments and interests in the Islands, and is certainly quite impracticable at a time when the Maltese economy is almost wholly dependent upon U.K. Services expenditure in, and H.M.G.'s financial aid to Malta' (125). Examining the problem from a different perspective, N B J Huijsman of the CO observed: 'While on purely strategic and power-political grounds the arguments against giving Malta independence are not overwhelming, we cannot simply in common humanity walk out of the place and leave the Maltese to survive as best they can' (126). He also cautioned that 'The greater the degree of self-government which is restored, the more difficult it will become to re-orient the Maltese in the direction of productive investment, hard work, frugality and emigration' (122). During talks with Maltese party leaders in November 1958, Lennox-Boyd told Mintoff that if HMG now supported a claim for complete independence, 'they would be condemning the Maltese people to appalling poverty, mass unemployment and the extremes of hardship' (127). The failure of the party leaders to reach any kind of consensus on a future constitutional settlement—Mintoff and Borg Olivier even refused to participate in the plenary sessions with PCP leader Mabel Strickland—left no alternative but to announce the administration of Malta by the governor and a nominated council.⁸⁷ This was clearly only a temporary solution to Malta's constitutional problems. Although Archbishop Gonzi dismissed Maltese independence as an 'absurd idea',⁸⁸ debates about this prospect gathered pace among British policy-makers.

'It is the aspirations of thousands of Maltese men in the street which will determine the future of attitude of the Maltese people,' mused Huijsman, 'and it would be a mistake to assume that they are any more immune than other arabs [sic] to nationalism' (128). J O Moreton, assistant secretary at the CO, was of a similar mind, questioning how long direct rule could be sustained: 'It is after all like keeping a cork in a bottle while all the time pressures are generating inside it, and the longer one waits the greater those pressures become. The time may thus well come when our insistence on defence needs being met by full sovereignty will be self-defeating.'⁸⁹ Dwelling on Britain's strategic interests in Malta, Assistant Under-Secretary Melville accepted that there was 'little prospect of getting agreement of either of the main Maltese parties in any constitutional arrangement, short of independence, which would give us the necessary security in Malta as a base'.⁹⁰ Observing that a political settlement acceptable to the political parties in Malta rested on the identification of independence as the 'proper aim of political development in the Island', Assistant Secretary Vile questioned whether defence concerns should be seen as an insuperable barrier to constitutional progress (131). E N Larmour of the CRO, referring to fortress colonies more generally, had already asserted: 'In this atomic age the value of these bases becomes daily more problematical and the impossibility of using them in limited war without the goodwill of the Government of the country in which they are established becomes daily more apparent'.⁹¹ Such statements from officials chimed with the emerging perspective of their political masters.

Shortly after becoming prime minister, Macmillan characterised nationalism as a 'tidal wave surging from Asia across the ocean to the shores of Africa', a force which could be led but not driven back.⁹² Decisive victory in the October 1959 general

election provided him with the political authority to accelerate the demission of empire, a process enthusiastically embraced by the new secretary of state for colonies, Ian Macleod. Recalling his approach to Africa, Macleod explained: 'The march of men towards their freedom can be guided, but not halted. Of course there were risks in moving quickly. But the risks of moving slowly were far greater.'⁹³ Macmillan's famous 'wind of change' speech delivered before the South African Parliament at the beginning of February 1960 'meshed in with the new clarity of thought which Macleod brought to colonial policy'.⁹⁴ Although the 'wind of change' is rightly associated with Africa, its ethos found echoes in Malta.⁹⁵

In December, Macleod paid a short visit to the island colony. Before his departure he informed Macmillan that the attitude of the MLP had become 'more outspokenly anti-British and more firmly committed to independence' (129). Stressing the desirability of retaining the initiative by 'holding out hope for the future', Macleod expressed his wish to produce a statement before leaving which included an assurance that he would consider 'ways in which it may be possible to move forward'. This contrasted with Laycock's advocacy of a continuation of direct rule.⁹⁶ While in the end producing a fairly non-committal communiqué, Macleod did underscore that it had 'always been H.M.G.'s hope that the present constitutional arrangements, which were brought into effect last April, would be of short duration' (130). On his return, Macleod impressed upon Macmillan the unsatisfactory nature of direct rule, 'particularly for a people with such a very long history of representative government as the Maltese' (132). Embodying the new approach ushered in by Macleod, the CO emphasised that 'any arrangements in the field of defence dependent on our continued sovereignty will be bound to contain the seeds of continuing political friction' (134; see also 133). Such an approach was soon challenged by British officialdom on the island of Malta itself, Chief Secretary Campbell arguing in relation to defence that 'so long as the *extent* of our requirements is unvaried then sovereignty over Malta is inevitable' (135). In a similar vein, the Chiefs of Staff considered that the maintenance of UK sovereignty was 'essential' if defence requirements were to be guaranteed (137). They were also sceptical about a defence agreement under an independence constitution. Lord Perth, CO minister of state, believed that if UK sovereignty was essential, integration was the only solution; the alternative of independence would entail an expensive defence treaty (136).

Concerned to maintain the momentum for Malta's constitutional development, Macleod underlined that 'H.M.G.'s policy for all the dependent territories is that they should be advanced to independence or to responsible self-government, preferably within the Commonwealth. There are no exceptions to this rule.' While accepting that independence within the Commonwealth was 'scarcely a practical proposition for some time to come', he reiterated his view that 'The Maltese people have very long traditions of self-government and no solution which fails to give them a full share in the management of their affairs can be expected to attract their sympathy or support' (138). As a first step, he proposed that Lord Perth visit Malta which he did at the end of June 1960.

In the report on his findings, Perth advocated that HMG, having laid down a framework for a new constitution including the retention of responsibility for defence and foreign affairs, should appoint a Commonwealth commission⁹⁷ to make more detailed recommendations (140, Annex A). Macleod endorsed this plan in the Cabinet Colonial Policy Committee with the remark: 'it is not a question whether,

but how and when Malta should achieve a greater measure of self-government' (141). In discussion it was pointed out that 'If Cyprus, with a population of 500,000, became an independent member of the Commonwealth it would strengthen Malta's case, with a population of 350,000, for similar treatment.'⁹⁸ The report of a Commonwealth study group looking into the development of that organisation concluded a few days later that 'It would be a frustration of much that the Commonwealth stands for if, on attaining independence, a small country, however warm its Commonwealth sentiments, found the terms on which it could remain in the Commonwealth unacceptable and preferred to leave it.'⁹⁹ Against this background the former governor of Mauritius, Sir Hilary Blood, and his fellow commissioners¹⁰⁰ set to work drawing up a new constitution for Malta.

In the House of Commons, Macleod had declared that the constitutional commission would have to take account of HMG's intention that the Maltese people should be given the 'widest measure of self-government consistent with Her Majesty's Government's responsibility for defence and foreign affairs and their undertakings with respect of the public service, the police and human rights generally'.¹⁰¹ In the subsequent debate, James Callaghan for the Labour Opposition sardonically remarked: 'we recognise that the Government have at least learned that it is no good using the word "never"'.¹⁰² However, he described the form of self-government which Macleod was asking the commission to propose as 'very limited'. The commission's chairman, Sir Hilary Blood, had already revealed a conservative streak, arguing in a pamphlet published in 1958 that 'In the case of the smaller territories there can, *a priori*, be no question of journey towards self-government.'¹⁰³

The Blood Commission visited Malta between 7 October and 1 December 1960. As a result of its findings, the commission recommended the abolition of the form of dyarchy which had characterised the constitutions of 1921 and 1947. '[I]t will die unlamented, and we make no attempt at resuscitation', declaimed the commissioners.¹⁰⁴ In its place, all matters, other than defence and foreign affairs, would be the responsibility of the locally elected Maltese government. In the spheres of defence and foreign policy, the Maltese government would possess 'concurrent powers', UK legislation and executive instructions prevailing in instances of conflict. A UK commissioner would oversee the UK interests, leaving the governor to act as *de facto* head of state. In order to prevent political interference with law enforcement, the commissioner of police was to be ultimately responsible to the governor.¹⁰⁵ To ameliorate this apparently retrograde step, the Blood Commission suggested that the costs of policing should be borne by HMG as long as this reservation remained in force.¹⁰⁶

Despite describing the commission's report as 'masterly', Sir John Martin raised two questions: first, whether Malta's political leaders would accept limitations on Maltese sovereignty implied by Blood's recommendations and secondly whether the proposals would provide the necessary protection for UK strategic interests (143). Perth was equally cautious in his assessment, highlighting that the proposals in no way could be seen as solving the Malta problem: 'At best they buy time and it may be very short time at that.... When they work no longer (and perhaps they will never really start) opinion may be ready to accept integration, which I remain convinced is the only answer' (143).

In spite of the misgivings of the Chiefs of Staff with respect to the maintenance of Britain's defence requirements in Malta (144), and with the exception of the proposal relating to the funding of the police during the period of reserved control, Macleod

endorsed the findings of the Blood Commission (145). He also sought approval to make a parliamentary statement which included an expression of hope that the Blood constitution would establish the mutual confidence and co-operation necessary to enable the two governments, at the appropriate time, 'to work out together the next stage of constitutional advance in Malta' (145, Annex B). Macleod's draft statement also included the observation that 'It is of course no part of Her Majesty's Government's policy to deny to the Maltese people the right to determine for themselves their own destiny in association we hope with the United Kingdom and the Commonwealth family.' The British defence establishment, however, remained sceptical.

The minister of defence was concerned by what he perceived to be the 'absence of power to enforce our defence needs' (146). During discussion of these issues in the Cabinet Defence Committee, the chief of the imperial general staff explained that 'it was fear that pressure for further constitutional development might prove irresistible, and the virtual certainty that Mr Mintoff would resume office, that underlay the anxieties that had been expressed on the score of defence' (147). Moreover, the implication in Macleod's proposed statement that Malta could achieve independence before Britain had relinquished its strategic interests on the island was queried by the prime minister. During subsequent discussions of the full Cabinet, it was agreed, in view of Malta's strategic importance, that a statement indicating the island's right to self-determination should be avoided.¹⁰⁷ In his statement to the Commons, therefore, Macleod consequently eschewed all reference to Malta's constitutional development beyond the implementation of the Blood constitution.¹⁰⁸ It did not come as a complete surprise, therefore, when the Nationalists and the Malta Labour Party both rejected the new constitution (149). The implementation of Blood's recommendations was also put in jeopardy by further planned cuts in defence expenditure.

On getting wind of proposed reductions via the service heads in Malta, Governor Grantham warned that 'no Maltese Government would agree to take office with such a sword of Damocles over its head' (151). Warming to his theme, Grantham stressed that the heavy burdens imposed by additional defence retrenchment would 'kill the Blood Constitution in just the same way as the announcement of cuts in defence expenditure in 1957 killed the integration proposals'. Macmillan, however, pushed ahead with his intention to keep defence costs within seven per cent of GNP by reducing overseas costs by £35 million per annum. He specifically told the Cabinet Defence Committee that future plans should be made on the assumption that 'Malta will no longer be required as a major naval base. Our naval requirements west of Suez will be met from bases in the United Kingdom.'¹⁰⁹ This decision had been prefigured by a proposal relayed by the first sea lord, and endorsed by the Chiefs of Staff, that Malta should be 'progressively reduced to a forward operational base' (150). Governor Grantham, the CO, and the new secretary of state for colonies, Reginald Maudling, strongly opposed the defence cuts, focusing not only on the distress which they would cause, but also their potential to wreck the restoration of representative government under the Blood constitution (154, 155, 156, 157). Although the Cabinet Defence Committee endorsed the changes in deployment in Malta, it also pledged to give further consideration to the phasing of the proposed reductions and their financial implications (157). The downgrading of Malta's strategic and military significance, nonetheless, stimulated CO officials to review the trajectory of the island's future constitutional development: if Malta's value in these

regards was declining, couldn't Britain relinquish its sovereignty and permit Maltese self-determination? (152, 153). In the shorter term, Maudling, Perth, and Grantham fought a concerted rear-guard action to protect Malta from the effects of defence cuts and keep the implementation of the Blood constitution on track (158, 159, 160, 161, 162). Indeed, there was concern lest the 1962 Defence White Paper, which was due for publication the day after scheduled elections in Malta on 19 February, would not only open HMG to charges of bad faith, but also deter the victorious party from taking office. Maudling was grateful that the Defence White Paper referred to Malta 'in very general terms' (160). However, he remained insistent that he be authorised to issue a statement shortly after the White Paper's publication, committing HMG to consulting the Maltese government on its effects on Malta's economy. Although his proposed statement (160, Annex II) was diluted by the Treasury to remove reference to HMG's readiness to see what could be done to help if it was found 'desirable or necessary' to assist the economy of Malta, Maudling was at least able to state that he would 'certainly wish to consult the new Maltese Government as soon as practicable about the effects of the new defence policy on Malta'.¹¹⁰ Meanwhile political hostilities in Malta had been resumed in the context of the first elections to be held there since 1955.

Mintoff had poured scorn on the Blood Commission report, dismissing it as an exercise in 'giving some vestiges of political freedom to Malta whilst at the same time retaining for the British rulers the substance and essence of power'.¹¹¹ Despite doubts about whether the Malta Labour Party would contest the elections (149), Mintoff's party did eventually enter the political fray.¹¹² During the period of direct British rule, hostility between the Catholic Church and the Malta Labour Party had continued unabated. The Diocesan Commission for the Co-Ordination of Catholic Movements had protested strongly at criticism levelled at Archbishop Gonzi by Mintoff. The relevant monthly intelligence report commented that 'This forthright condemnation is clearly the beginning of a counter attack by the Church on what they regard as an anti-clerical socialist movement which will inevitably lead to communism'.¹¹³ In a display of support for the archbishop, up to eighty thousand people turned out to welcome him on his return to Malta on 4 October 1959 following an overseas trip. The chief secretary, Archie Campbell, described this very public display of devotion to the episcopate as a 'slap in the face' for Mintoff.¹¹⁴ In the lead-up to elections under the Blood constitution, Mintoff declared: 'The intensity of the Clergy's offensive against our movement has not abated. In the months to come and as elections draw nearer, their weapons will be sharper'.¹¹⁵ He also referred to the 'mediaeval methods' being employed by priests to 'smash our movement'.¹¹⁶ Similarly, the Malta Labour Party chairman, Anton Buttigieg, claimed that 'Violence, suppression of freedom of speech and intimidation by the clergy and their fanatical supporters have become the order of the day in Malta'.¹¹⁷ Not surprisingly, the party targeted the Catholic Church during the 1962 elections.

In its manifesto, the MLP supported the right of an individual to 'fulfil his civic duty without pseudo-religious interference'.¹¹⁸ Flouting this principle, the Catholic Church issued a pastoral letter exhorting the faithful to vote for those who would defend the church, organised boycotts of MLP gatherings, and even disrupted MLP speakers by the energetic ringing of church bells.¹¹⁹ Mintoff responded by attacking the church. 'The priests will know that sooner or later the wind of change will also reach Malta's shores', he fulminated.¹²⁰ So perturbed was the MLP leader that he

appealed to the governor to suspend the election on grounds of clerical interference.¹²¹ Polling, however, went ahead. On an impressive turn-out of over 90 per cent, the Nationalist Party of Borg Olivier emerged with twenty-five seats to the MLP's sixteen.¹²² Shortly after the count had been completed, Borg Olivier announced that the Nationalists' victory had 'vindicated his party's policy of Independence within the Commonwealth'.¹²³ Newly sworn in as premier, Borg Olivier travelled to London towards the end of March to discuss Malta's future constitutional development.

Progress towards independence, 1962–1964

Debate over this question had already started in British decision-making circles. CO officials pointed out that the two perennial objections to Malta's self-determination, its small size and the need to retain British sovereignty for strategic reasons, no longer possessed such force (163, 165). On the one hand, the achievement of independence within the Commonwealth for Cyprus and Sierra Leone was seen as opening the way for other small states to follow this path. On the other, the downgrading of Malta's strategic significance appeared to lessen the risks inherent in preserving Britain's residual interests through a defence treaty. Referring to Britain's reduced dependence on Malta as a base, UK Commissioner Sir Edward Wakefield pragmatically concluded: 'We can afford to be generous in the political field and, to the extent that we transfer responsibility for the administration to a local Maltese Government, we can, to a similar extent, divest ourselves of the responsibility that we now bear for supporting the Maltese economy' (164). In a similar vein, CO Assistant Under-Secretary Eastwood mused: 'The fact that Malta is no longer particularly important to us for defence reasons removes one of the inhibitions which have prevented us from considering independence for Malta in the past.'¹²⁴ C E F Gough of the MoD had already suggested that 'If the world situation so changed that we no longer required to use defence facilities in Malta at all, the way might then be open, subject to the economic provisos, to an independent Malta.'¹²⁵

On a more cautious note, Sir John Martin hypothesised that a future Mintoff government would take Malta out of the Commonwealth and 'offer her defence facilities to other bidders' (165). Lord Perth, moreover, prophetically noted that 'Malta in the years to come will become important again from a Defence angle. North Africa may go sour on us and then that Malta should be friendly is exceedingly important' (165). Perth also expressed the fear that 'if we go ahead with the Ministry of Defence proposals as they are, we really will have cause to worry about the security situation and it could well be that the cost to us of unrest in the island will be greater than the apparent savings if we are able to go bald-headed and make the cuts now as proposed'.¹²⁶ Despite such reservations, planning for defence reductions went ahead, Minister of Defence Watkinson asserting that 'Strategically our need of Malta was nil' (166).

Referring to the intended cutbacks, Maudling had already predicted that 'when the present proposals were broken to the Maltese Government they would raise the question of independence' (166). In fact, the formal request for independence came in the wake of Borg Olivier's disappointment about the scale of British aid offered during talks in London in June-July 1962.¹²⁷ Reflecting his dismay, the Maltese premier remarked: 'I did not come here to make a silver collection.'¹²⁸ Not surprisingly, when the details of the services rundown were announced at the beginning of October, the strongest reaction came from Borg Olivier himself. Having misunderstood the figures for naval discharges which had previously been given to

him in London,¹²⁹ Borg Olivier's bitterness towards the British was especially pronounced (168). The Maltese premier also found himself subjected to marked local criticism from the General Workers' Union and the rank and file dockworkers more generally. At the end of November he announced, in the face of local objections, a forthcoming meeting in London to prepare for a conference on independence.¹³⁰ Justifying his demand for self-determination to the governor, Sir Maurice Dorman, Borg Olivier insisted that at the February 1962 elections 'the overwhelming majority of the Maltese people showed in no uncertain terms their earnest desire to achieve independence for their country'.¹³¹ Preliminary discussions were held in December at which it was agreed to call a constitutional conference to which parties represented in the Malta legislature would be invited (173). In the meantime, Britain's attempt to ameliorate the island's manifold problems through a renewed emigration drive enjoyed strictly limited success (169, 170, 172).

In July 1963, on the eve of the conference, the Cabinet endorsed Duncan Sandys' recommendation that, providing a new constitution could satisfactorily be settled, Malta should be granted independence, possibly as early as the end of the year (173, 174). While recognising that the maintenance of UK forces in Malta was 'no longer a paramount defence interest in itself', the Cabinet recorded that the conclusion of a defence agreement might offer a means of providing economic aid to the island, as well as preventing the Soviets from gaining a military foothold. Clearly trying to tie in the Maltese, the minister of defence, Peter Thorneycroft was insistent that 'the conclusion of satisfactory financial arrangements must be dependent on our securing our Defence Agreement' (175). Such controversial issues remained outside the remit of the constitutional conference which ended on 1 August 1963 with agreement that Malta should become independent by 31 May of the following year. Governor Dorman, however, questioned the commitment of the Maltese to the idea of independence. 'Of the people I myself have met and talked with, apart from Ministers,' he noted, 'not one has spoken with enthusiasm about independence but only with resignation or a deep foreboding' (176). The leaders of the so-called central parties¹³² went so far as to tell the new British prime minister, Sir Alec Douglas-Home, that 'We are against immediate independence because we consider that Malta is not yet ready to achieve it.'¹³³ UK Commissioner Wakefield, furthermore, highlighted the difficulties of reconciling the alleviation of UK responsibility for sustaining the Maltese economy with the need to retain Malta as a forward operating base. The social and economic distress caused by the services run-down, he argued, would not only undermine Maltese goodwill without which the forward operating base would be 'valueless', but also create the conditions for the return to power of Mintoff who, in his commitment to neutralism, would 'not tolerate a British—or even a NATO—base in Malta' (177). Further obstacles to independence soon emerged.

At the end of 1963, the MLP leadership ascribed the stalemate which had been reached in drafting the constitution to the 'direct intervention by the clergy in the political field'. 'These differences', they continued, 'cannot be resolved without the removal of the clauses which give rise to pseudo-religious disputes and continually bedevil the political, social and economic issues facing our people.'¹³⁴ The inability of the Maltese political parties to reach agreement on the constitutional basis for independence, and the equal reluctance of the British to impose a constitution on the grounds that it risked alienating political opinion on the island, threatened Malta's smooth progress towards self-determination (178, 180). Instability in Cyprus¹³⁵ and

uncertainties over the future of base rights in Libya under the 1953 Anglo-Libyan treaty,¹³⁶ created additional doubts in the minds of British policy-makers (179, 182, 183). A coup d'état at the beginning of 1964 in newly independent Zanzibar merely served to underline the dangers of granting premature independence. Douglas-Home himself admitted that 'We don't want another Zanzibar in the Mediterranean.'¹³⁷ British-sponsored talks, moreover, failed to find common ground among Malta's political parties.¹³⁸ Undeterred, Borg Olivier pressed ahead with his own proposed constitution which passed the Malta legislature at the beginning of April 1964. The constitution included two particularly controversial clauses in the chapter on Fundamental Rights and Freedom of the Individual which appeared to entrench the powers of the church: 'Nothing done by the Roman Catholic Church in the exercise of its spiritual powers or duties shall be held to be in contravention of any provision of this chapter'; and 'Nothing contained in or done under the authority of any law for the protection of the Religion of Malta shall be held to be inconsistent with or in contravention of any of the provisions in this chapter.'¹³⁹

Having steered the constitution through the Malta legislature, Borg Olivier sought popular approval through a referendum. Echoing the vote on integration eight years earlier, the result was far from decisive (184). Although Borg Olivier achieved just over fifty per cent of the votes cast, this figure represented only forty-two per cent of those registered to vote.¹⁴⁰ Nevertheless, many who voted against the Maltese premier's constitution were MLP supporters who backed the concept of independence, if not in the form proposed by Borg Olivier.¹⁴¹ From this, Duncan Sandys concluded: 'a large majority of the total electorate had voted for independence, although they had been divided on the form of independence constitution to be adopted' (185; also 186). Taking the deep divisions in Malta, as well as likely British parliamentary opinion into account, the secretary of state recommended the constitution be amended to remove the privileges accorded the church (187). He was particularly concerned to 'prevent the Church from threatening its political opponents with eternal damnation'. Sandys also advocated that independence be accompanied by a ten-year defence agreement. In order to safeguard Britain's strategic interests in Malta, Thorneycroft, suggested two possible routes: either the entrenchment in the constitution of British rights to use defence facilities for at least ten years; or the framing of a defence agreement in which the facilities offered by the Maltese were 'much more explicitly linked than heretofore with the aid which we give them' (188). The Cabinet Defence and Overseas Policy Committee endorsed the latter suggestion (189). As regards the level of financial aid, Sandys made the case for increasing the annual rate by £1 million from the figure of £4 million which had been agreed by the Treasury earlier in the year (191). Whatever the level of assistance, Thorneycroft remained insistent that it should be made clear to the Maltese that aid would be 'automatically reduced or even cut off' in the event of defence facilities being subsequently denied to Britain (192).

Although the Cabinet Defence and Overseas Policy Committee agreed to increase the scale of financial support in line with Sandys' recommendations (194), accord on the position of the church and the nature of the defence agreement continued to be problematic. On the one hand, Borg Olivier remained intractable on the question of the privileges and constitutional status of the Catholic Church. On the other, there were doubts about whether under a defence agreement Britain would be permitted to use Malta as a base for the deployment of nuclear weapons. If further talks left these

issues unresolved, averred Douglas-Home, 'the negotiations should be so conducted that their failure would be seen to be clearly attributable to a fundamental difference of view on the constitutional status and privileges to be accorded to the Roman Catholic Church rather than to an inability to agree on the provisions of a Defence Agreement' (195). A breakdown in negotiations, however, risked the fall of Borg Olivier's government and the return to power of Dom Mintoff (196). In response to former CO minister Lord Perth's suggestion that Britain revert to a policy of integration, Sandys pointed out that to refuse independence risked not merely uniting the two main parties against Britain, but also 'provoking the hostility of Borg Olivier's National Party [sic], whose goodwill is vital to us'.¹⁴² Douglas-Home, moreover, told the former secretary of state for colonies, Alan Lennox-Boyd, that 'whatever may be the right solution for Malta, if indeed there is one, independence looks like being the only possible one'.¹⁴³ By the beginning of July, however, discussions over independence had reached deadlock.

The main obstacle proved to be Borg Olivier's refusal to allow independent Malta to be used for the storage of nuclear weapons, and the equal insistence of the Chiefs of Staff on the undesirability of accepting such a limitation, not least because it would create an unfortunate precedent with respect to the maintenance of stockpiles in other overseas military bases, both British and American (197). Duncan Sandys' suggested compromise of consulting the Maltese government in advance of future nuclear deployment on the island was rejected by Thorneycroft. Such an undertaking, he argued, would constitute a 'damaging departure' from the principle adhered to, by both Britain and the United States that the presence of nuclear weapons in any particular base was neither confirmed nor denied (198). Borg Oliver's proposal that the government of Malta should be given the right to raise objections to the use of the island as a nuclear base at any time in the future was rejected as placing an 'unacceptable limitation' on Britain's freedom of action (199).

The fact that Borg Olivier placed more importance on the issue of Maltese electoral law and the church than on the storage of nuclear weapons provided some hope for breaking the impasse (200). Having informed his Cabinet colleagues of the possibility of the Maltese premier acquiescing in an acceptable defence agreement if HMG abandoned its demand for a change in the proposed Maltese electoral law, Duncan Sandys was authorised to reach a settlement on this basis (201). On 21 July 1964, he was able to report to the Cabinet that negotiations had been brought to a successful conclusion: the defence agreement would not contain any 'unacceptable limitations' on Britain's right to store nuclear weapons,¹⁴⁴ while the British stipulation that Maltese electoral law should preclude the Catholic Church from exercising undue spiritual influence during elections was dropped (202). The following day, Labour MP Tony Benn noted in his diary that

The British Government have rushed through the independence provisions and are pushing a Bill through in one day. This Bill entrenches the rights of the Catholic Church at the expense of the civil rights of others and is really a monstrous proposal. But apparently the Shadow Cabinet bullied Harold Wilson into accepting this, more or less uncritically, because they didn't want a Labour Government to be landed with the problem of Malta.¹⁴⁵

As regards the financial aspects of the independence settlement, Britain was prepared to make £18.8 million available during the three years up to the end of March 1967.

Although a further £31.2 million was to be provided for the seven years from 1 April 1967, this was made 'subject at all times to the continued operation of the Agreement on Mutual Defence and Assistance'.¹⁴⁶ Ominously, J Chadwick of the CRO had pointed out over four years earlier that 'Experience with Ceylon ... shows that there is no greater possibility of relying on a defence agreement with a sovereign state which is a member of the Commonwealth than with one which is not.'¹⁴⁷ With the exception of the uncovering of a possible plot hatched by MLP extremists to murder Borg Olivier during independence celebrations (203),¹⁴⁸ Malta proceeded smoothly towards the achievement of independent status on 21 September 1964. Shortly after this, C J Hayes of the Ministry of Overseas Development commented that 'Certainly the Treasury, and I think all the Whitehall Departments concerned, agreed to the £50m. settlement with Malta as a final and all-embracing one intended to remove in future all the tedious, unpleasant, and dishonest arguments in the past' (205). In a note of caution, however, he added that 'It is of course the nature of the Maltese to keep on trying for more and scheming to describe everything as a special case outside the Agreement.' Hayes' fears were soon realised.

Dependence and independence: post-colonial Anglo-Maltese relations, 1964–1972

In the run-up to Maltese independence, Sandys made two parliamentary statements which held out the prospect of UK budgetary aid. In August 1963 he recognised that Malta would continue to need financial support, declaring the island would be 'neither one penny the better nor the worse off as a result of independence'.¹⁴⁹ A year later he vowed that he would be 'prepared to consider any request for such aid, which the Government of Malta might wish to make from time to time'.¹⁵⁰ With the change of government in Britain as a result of the October 1964 general election, it was Sandys' Labour opponents who had to deal with the problems of ongoing financial support.¹⁵¹

In February 1965, the Malta government asked for budgetary aid for 1965–66 on the basis of a £2,573,000 deficit in their draft estimates.¹⁵² The Ministry of Overseas Development treated this request with scepticism, one official remarking: 'budgetary aid is in every way an inappropriate form of aid to give an independent country' (208). In a similar vein, Hayes recorded that 'All officials who have dealt with Malta think that a cold douche is essential at this stage when Malta has become independent with a very generous 10-year settlement' (209). He also impressed upon the CRO that the 'essential policy' should be to 'avoid falling back into the position of the Colonial power having to meet budget deficits in Malta, but without the control of the budget that went with that position' (210). In consequence, the ODM was only prepared to offer £600,000 for 1965–66 and an equivalent amount for 1966–67 on the understanding that thereafter no further budgetary aid would be forthcoming.

The CRO, on the other hand, was prepared to be more generous. Basing its position on the judgement of High Commissioner Sir John Martin that in the absence of substantial budgetary aid there would be a serious financial and economic crisis in Malta which would trigger political and industrial unrest to the advantage of Mintoff and the detriment of Borg Olivier, the CRO argued it would be 'imprudent to offer less than £1.2 million for 1965–66' (211). In subsequent correspondence, Martin pointed out that 'A victory by Mintoff in the coming election will not be the end of the world, but it will make our defence position very uncomfortable if not untenable, and on present evidence as much as on past experience, he will blackmail us to the limit' (212). During discussion of the appropriate level of budgetary aid at

the DOPC, the minister of overseas development, Barbara Castle, insisted that it was 'wrong in principle to give budgetary aid to an independent country', drawing attention to the fact that the £50 million already pledged in development aid over ten years was a 'higher figure per head of population than any other recipient country' (213). In her diary, she recorded that 'I nearly burst a blood vessel arguing'.¹⁵³ Although Defence Secretary Healey looked forward to a time of greater NATO involvement in Malta, he stressed the importance of maintaining stability and assisting Borg Olivier, whom he described as 'genuinely pro-British' (213). Giving 'considerable weight' to the defence arguments, Prime Minister Wilson authorised the provision of £1.2 million in budgetary aid subject to the Maltese government effecting economies in the budget and increasing taxation. From the British perspective, this instance of generosity had an unsatisfactory outcome. Not only did Borg Olivier fail to impose new taxation, but also the budget figures were markedly more favourable than the Maltese estimates had indicated leaving the suspicion, as Mrs Castle and Commonwealth Secretary Arthur Bottomley observed, that the Malta government had been 'less than frank in their dealings with us over our budgetary assistance' (214). Britain's ongoing financial commitment to Malta was also reflected in the seemingly intractable problems associated with the Malta dockyard.

When the closure of the dockyard was being discussed towards the end of 1957, Alan Lennox-Boyd had observed: 'Malta's livelihood ... depends in a unique way on the dockyard, and if this is to be closed or substantially run down, Malta faces economic ruin, and could not sustain anything approaching its present population of 315, 000' (101). The future of the dockyard was apparently secured by C H Bailey and Company, a firm of South Wales ship repairers which proposed to turn it over to commercial use. Despite describing the company as 'well-known and reputable', the Labour opposition's colonial affairs spokesman, James Callaghan, ominously declared: 'If Bailey's fail, it will be catastrophic to the island's economy'.¹⁵⁴ In the Cabinet Malta Committee, the chancellor of the Exchequer, David Heathcote Amory, had already admitted that 'while not sanguine of Bailey's prospects of commercial success in Malta, he saw no satisfactory alternative to the plan now proposed' (119). Heathcote Amory's scepticism was soon justified. A personality clash between the vice-chairman of Bailey (Malta) Ltd, C H Bailey, and its resident managing director, Vice-Admiral Sir Gordon Hubback, resulting in the latter's resignation¹⁵⁵ just six months after the dockyard's transfer to the Welsh firm, was hardly a promising augury. John Moreton, CO assistant secretary, who visited the dockyard at the invitation of Bailey (Malta) Ltd towards the end of 1959, did not come away with a positive impression. Despite recognising the 'tremendous enthusiasm and considerable faith in the long-term future' which he had witnessed, Moreton admitted that 'this is matched all too frequently by the attitude of an innocent abroad'.¹⁵⁶ Developing this point, he recorded that there was an 'attitude of improvisation', compounded by the fact there seemed to be 'a lot of people running around at the top instead of the firm direction of one man'. '[I]t is difficult to resist the conclusion', he wrote, 'that the firm are drifting towards a crisis at the end of 1960, when they admit they will not be fully ready for commercial work'.

Despite Britain's pledge to provide £6 million to assist with the cost of dockyard conversion, dispute soon came to characterise relations with Baileys. Within four months of settling on this sum, Baileys requested an additional £4 million, subsequently whittled down to £2.38 million, under a revised development plan.

'[R]elations between Her Majesty's Government and Baileys have been far from happy and give rise to doubts about their competence', understated Cabinet Secretary Sir Norman Brook.¹⁵⁷ In July 1960, Iain Macleod informed Macmillan that 'As time has gone on some of their financial transactions have appeared more and more questionable, and all our efforts at reaching an understanding have failed' (139). The allocation of £650,000 to the company's pension schemes, a figure described by Moreton as 'fantastic',¹⁵⁸ was causing particular concern. A report by the eminent accountant, Sir Richard Yeabsley, concluded that, given the sums involved, the company should have consulted HMG before launching its pension schemes.¹⁵⁹ The prospect of an open breach between Baileys and HMG, however, was viewed with alarm in British circles. Moreton referred to the 'appalling political implications if we found we could no longer work with Baileys'.¹⁶⁰ Chief Secretary Campbell fully concurred with this sentiment, adding:

The Dockyard is the keystone of our economic planning and no one would have any confidence in H.M.G. or in the present regime any longer if the chosen instrument failed. I think that the storm would just about wash away any possibility of government by consent or acquiescence, and an irreparable breach would have opened up between the U.K. and the Maltese people.¹⁶¹

A few months later, however, Governor Grantham opined: 'I do not see how the forces either of extremism or moderation in Malta could accept Baileys in their present form.'¹⁶² Bearing in mind the establishment of the Blood Commission, the governor concluded: 'Until conditions at Baileys become settled it is being optimistic to expect that a constitutional exercise like the present can proceed harmoniously, or indeed at all. Everyone feels that we sit with a sword of Damocles over our heads.' Lord Perth acknowledged that the effective conversion of the dockyard was 'fundamental to the success of attempts to build a viable economy not wholly dependent on defence spending in Malta'.¹⁶³

Unease about the company's financial dealings led to the appointment of three independent directors, all of whom resigned in April 1962. This triggered the appointment of J R Muirie, a partner of chartered accountants Peat, Marwick & Mitchell, to inspect Baileys' accounting procedures. Having digested Muirie's findings, Eastwood informed Dorman that 'Our present view is that we cannot continue our association with the Baileys any longer. They will have to go.'¹⁶⁴ At the beginning of January 1963, the Maltese government was told that, in view of Muirie's conclusions, 'it was no longer possible to permit U.K. taxpayers' money to be paid to the Bailey group'.¹⁶⁵ Indeed, on the basis of the Muirie report¹⁶⁶ HMG concluded that the company had been conducting its affairs improperly and consequently sought to recover through legal action some £3.1 million in loans already advanced to the company. For its part, the Maltese government, which was reported as being 'not prepared to have the Baileys back in Malta in any shape or form', established a council of administration to run the company until the conclusion of the litigation (207).

In order to expedite the legal processes,¹⁶⁷ Commonwealth Secretary Bottomley had initially advocated an out of court settlement in which HMG would purchase Baileys' shares in the dockyard for a sum of £500,000 in advance of offering them to the Maltese government. Baileys' intractability, however, soon convinced him that

substantially more would have to be found. While recommending that up to £750,000 should be offered, he also urged that 'alternative arrangements for expropriation, including nationalisation,' should be actively pursued in conjunction with the Valletta government (215). This option, despite the fear of possible leaks affecting Baileys' acceptance of the existing offer of £500,000, found favour with the Cabinet Defence and Oversea Policy Committee (216). Further delays, however, opened the prospect of the resignation of the council of administration.¹⁶⁸ Uncertainty over the dockyard was compounded by renewed problems associated with British defence retrenchment.

Treasury-led attempts to trim defence spending, which culminated in the Defence White Paper published in 1966,¹⁶⁹ unavoidably had repercussions in Malta. Assessing the consequences of a further reduction of British forces in Malta, the minister of state for Commonwealth relations, Cledwyn Hughes, warned that they would 'give rise to a strong political reaction in Malta, not only against Britain, but against the West and NATO as a whole, opening the way to a dangerous extension of neutralist and Soviet bloc influence and perhaps leading to a demand for a total withdrawal of NATO' (218). Hughes also pointed out that under article 6 of the 1964 defence agreement, Britain was obliged to 'consult with the Government of Malta when major changes in the British forces in Malta which might have significant effects on the defence or economy of Malta are contemplated'.¹⁷⁰ An official committee of the DOPC charged with examining the consequences of the defence review had already predicted that 'Because of the economic dependence of Malta on the base, this Clause would inevitably give rise to a demand from the Maltese Government that the reduction in our defence spending should be offset by increased economic aid.'¹⁷¹ In spite of this warning, the 1966 Defence White Paper referred to the need for 'substantial economies in our contingents in Cyprus and Malta'.¹⁷² In practice, this meant reducing Britain's military establishment in Malta to a staging post with a reconnaissance squadron. Initially a fairly uncompromising stance was adopted by British ministers. Despite the fact that Bottomley warned of the dire economic consequences if the intended run-down went ahead, not least a projected unemployment rate of 20 per cent by 1970, the Cabinet Defence and Oversea Policy Committee resolved that 'no relaxation was acceptable in the phasing of the proposed run-down in Malta agreed at the Defence Review' (220). The committee had already concluded that, given the high level of aid which Malta was already receiving, 'further assistance could not be provided within the present aid ceiling' (219). British inflexibility, however, was eroded by the strong Maltese reaction to further defence reductions.

Towards the end of 1965, Bottomley had cautioned that 'If, as planned, we reduce to an undefended staging post in Malta, the Maltese Government will certainly raise strong objections, because they will regard such a small establishment as derisory' (217). During his visit to Malta in August 1966, the parliamentary under-secretary of state for Commonwealth affairs, Lord Beswick, sampled Maltese dismay at first hand. High Commissioner Martin referred to ministers accusing Britain of 'destroying their economy at a stage when the Maltese people were just beginning to recover from the blow dealt to it by the extensive run-down in British Services which had begun in 1962'.¹⁷³ Borg Olivier and his minister of industrial development and tourism, Dr Felice, claimed that they had been led to believe during the discussions which had ushered in the 1964 defence agreement that the level of services' expenditure would

not drop below £12 million per annum during the lifetime of the agreement (under the new proposals this figure would sink to £4.6 million by 1969–70). Although the British delegation challenged this interpretation, Borg Oliver remained unconvinced, giving notice that his government would have to contemplate a revision of the defence agreement if Britain pressed ahead with its proposed cutbacks.

Impressed by the strength of Maltese feeling, the new Commonwealth secretary, Herbert Bowden, set about winning his colleagues over to the idea of re-phasing the rundown in order to mitigate its effects (221, 222). He made his appeal based on both altruism and British self-interest. As regards the former, he emphasised the severe damage which would be inflicted on the Maltese economy if the original timescale was adhered to. So far as the latter was concerned, he warned that to force through reductions would jeopardise the remaining facilities, risk turning Malta against the West, and undermine Maltese goodwill at a time when it was needed to solve a number of outstanding issues, not least the future of the dockyard. The Defence and Overseas Policy Committee found Bowden's arguments persuasive (222). For its part, the full Cabinet expressed concern about the level of unemployment which would stem from the envisaged reduction in force levels and conceded that HMG 'must accept some responsibility for these consequences in the light of the history of our connection with Malta' (224). Such pious sentiments were insufficient for Borg Olivier who announced his intention to introduce a bill cancelling the 1964 defence agreement. The Maltese premier claimed that Britain, by leaving insufficient force to defend the island and by failing to consult adequately, was in breach of the agreement, although the real reason for his action was indignation at the levels of unemployment which British decisions were projected to inflict on Malta. However, the Cabinet stood firm, expressing fears that further concessions to Malta would have 'unacceptable repercussions' for Britain's position in other territories where British forces were being reduced (225). Reflecting the mood of his colleagues, Cabinet minister and diarist, Richard Crossman, remarked:

if we concede the Maltese demand that we should maintain employment in the harbour, what answer shall we give in Aden, where I'm told 30,000 people have work related to the British presence, or in Singapore, where there are 40,000? I regret it but we shall have to stand firm and face the fact that we create unemployment when we make our major withdrawals.¹⁷⁴

Against this uncertain background, Sir John Martin's long association with Malta came to an end with his retirement as high commissioner on 31 January 1967. Days earlier, he had admitted to the head of the diplomatic service, Sir Saville Garner, that he was 'very tired and frankly ashamed of the policy I have to represent'.¹⁷⁵ Dispensing with the normal practice of producing a valedictory appreciation before departure, Martin chose instead to paint an alarming picture of Malta in the aftermath of the defence review decisions (226). Crossman, however, was distinctly unimpressed: 'For weeks the Malta High Commissioner's office has been sending us bromidic telegrams with no indication that there was any danger involved in a massive cut of the defence programme. Now suddenly we received a paralysed panic paper on the disaster that total evacuation would mean and on the need to understand the Maltese position.'¹⁷⁶

Borg Olivier's attempt to induce such understanding through the administrative harassment of British forces initially hardened opinion in Whitehall against

concessions (227). An ad hoc meeting of ministers most immediately concerned with Malta, however, revealed a growing divide on how to approach the mounting crisis (228). Commonwealth Secretary Bowden and Defence Secretary Denis Healey favoured re-phasing the reduction of British forces in order to mitigate its impact. The former speculated that the Malta government might resort to measures which would make it impossible for British forces to remain. Clashes with Maltese civilians as a result of withdrawal, warned Bowden, would not merely have an impact on Anglo-Maltese relations, but would also impinge on the interests of NATO and have repercussions on Britain's international standing. Tacitly admitting that Borg Olivier's campaign of harassment was beginning to bite, Healey added that 'the situation of British forces might be made intolerable within a few days'. Taking a different line, Chancellor of the Exchequer Callaghan opposed the modification of decisions taken in Britain's own interests on the rate of reduction. On the hand, he argued that acceptance of alterations with respect to Malta would have 'serious repercussions on our position elsewhere e.g. in Singapore where much larger expenditure was at issue'. On the other, he maintained that the island was 'so dependent' on employment provided by British forces and tourism that it was 'highly improbable' that the Maltese government would countenance a situation where British withdrawal became unavoidable. Despite further discussion, the three ministers had to admit that there remained a 'conflict of view'.

The opposing arguments were recapitulated at a meeting of the Defence and Oversea Policy Committee, Bowden adding that 'we could not hope to stay in Malta on the basis of the present planned withdrawal for another four years' (229). Despite recognising that re-opening negotiations with Borg Olivier might set an 'embarrassing precedent', the committee agreed to proceed on this basis. Before talks could be resumed, Borg Olivier, under pressure from the Maltese opposition, had told the high commissioner (Sir G Tory) that he regarded the 1964 defence agreement as having lapsed as a consequence of the planned reduction in force levels (231). Tory was instructed 'not to regard Dr. Olivier's statement as representing the considered view of the Maltese Government'. The wisdom of adopting this approach was soon demonstrated. On 19 February 1967, the minister without portfolio, Patrick Gordon Walker, flew to Malta. Four days later, he reported to the Cabinet that the basis on which negotiations could be resumed had been agreed: the British side offered to suspend action on the reduction of force levels, provided that the Maltese government cease its policy of harassment and suspend passage of an amendment to the Visiting Forces Act under which the 1964 defence agreement would have been abrogated (232). Borg Olivier maintained pressure on HMG by refusing to cease harassment of British forces until negotiations had reached an acceptable (from the Maltese perspective) outcome. In his diary entry for 23 February, Crossman recorded: 'We started with a report on Malta and none of us raised a bleat about the incompetence of our disastrous surrender. Thank God we didn't congratulate Patrick Gordon Walker on his success, as the *Guardian* has been doing.'¹⁷⁷ Two days earlier, following Gordon Walker's return from Malta, Crossman had been equally scathing describing the whole venture as a 'classic example of mismanagement—first to propose a phased withdrawal, taking a tough line with the Maltese and being unnecessarily brutal, then to backpedal half-way through'.¹⁷⁸

Further hard-bargaining ensued before a settlement was finally reached. On 10 March, Gordon Walker told the Commons that the Malta government had not agreed

to the package of proposals which had been put to them which included extending the run-down to a fifth year, keeping the number of job losses to 850 in the first eighteen months of the rundown, and appointing a 'high-powered' joint mission to make recommendations to both governments about retraining and job-creation.¹⁷⁹ Three days later, however, Gordon Walker was able to report that the Malta government, without retracting the objections they had raised, had pledged to withdraw the administrative restrictions placed on British forces and suspend the bill to amend the Visiting Forces Act.¹⁸⁰ Borg Olivier also included the caveat that 'if it becomes evident that the hopes of an adequate expansion of employment are not likely to be realised, the Malta Government must then feel free to ask the British Government to review the position.'¹⁸¹ Although with this statement Borg Olivier apparently ended his dispute with the British government over force reductions, doubt remained about whether he considered the defence agreement still to be in force. Accepting the opinion of the government's law officers that the agreement did indeed remain legally binding, both Bowden and Healey agreed not to provoke fresh controversy by pursuing the matter with the Maltese government (233, 234).

Another unresolved issue with the potential to unsettle Anglo-Maltese relations was the future of the Malta dockyard. The Commonwealth secretary, George Thomson, described a solution to the problem of the dockyard's ownership as the 'biggest contribution we can make to the sound development of the Maltese economy and hence to a smooth rundown of our forces' (235). Consequently, he sought authority to settle ownership either through nationalisation, or an out of court settlement, at a cost of no more than £3 million with discretion to write off loans totalling £8.4 million. The chief secretary to the Treasury, John Diamond, was unimpressed by this line of reasoning. As his starting point, he took the recent devaluation of sterling which, he stressed, had created a 'new situation in which we cannot afford to meet all the obligations which we might otherwise have wished to meet' (236). The chief secretary also insisted that the dockyard was 'essentially a Maltese problem', and as such it was for Malta itself to solve (through nationalisation). As regards the political dimensions to the issue of the dockyard's future, Diamond observed: 'we have here an inherently unstable situation which it is beyond our power (and certainly beyond the power of our purse) to stabilise'. In response, Thomson asserted that the dockyard was a problem for which Britain had to assume 'prime responsibility' (237). '[W]e put the Baileys in during the days of direct rule,' he expatiated, 'and the heritage of their mismanagement had not been cleared up at the time of independence five years later.' Acknowledging a 'basic divergence of view between us', Thomson recommended putting the issue to the Defence and Overseas Policy Committee.

During the committee's deliberations, the Commonwealth secretary emphasised that failure to reach a resolution risked putting Britain 'on a collision course with the Maltese Government with severe consequences for our interests in Malta' (238). In particular, he raised the chilling prospect of either the replacement of Borg Oliver's pro-Western regime by a 'neutralist' one headed by Mintoff, or 'the continuation in power of Dr Borg Olivier but pursuing a policy only slightly less hostile to Britain than that of Mr. Mintoff. Warming to his theme, Thomson speculated that British forces might have to depart in conditions of disorder, with defence facilities being 'permanently lost' to Britain, and even NATO. Diamond, however, still balked at the costs involved in Thomson's scheme to settle out of court

and write off British loans in respect of the dockyard. 'The Commonwealth Secretary's proposals', he asserted, 'would involve most money being given to Baileys whose mismanagement of the dockyard was notorious and whose integrity had been challenged by the auditors.' Instead, he suggested forcing Baileys into liquidation by suing for the repayment of loans which, in turn, would allow the Malta government, as freeholder to the land, to repossess the dockyard. Recognising that the dockyard problem was becoming increasingly grave, Prime Minister Wilson ordered an urgent study into the legal aspects of the Treasury chief secretary's suggestions.

By the end of February 1968, Thomson was reporting that the financial situation of the dockyard was 'critical', and that it faced imminent closure (239). To make matters worse, the crisis over the dockyard coincided with the first discharges under the redundancy scheme for the services rundown in Malta. In view of the divided loyalties of the police and Maltese armed forces, the high commissioner had advised that neither could be depended upon in a crisis. Against this background, the Maltese government itself took the initiative, pledging to introduce early legislation to nationalise the dockyard (240). For its part, the British permitted the Valletta government to draw £3 million of the remaining £31 million under the 1964 financial agreement to develop the dockyard and cover the costs of nationalisation. An additional £3 million in development aid for 1974–6 was also found. Perhaps most importantly from the British perspective, these undertakings were accepted by the Maltese government as having released HMG from all past obligations with respect to the dockyard. Having successfully weathered the storms associated with the services run-down and the ownership of the dockyard, British policy-makers clearly looked forward to a calmer period in Anglo-Maltese relations. These hopes were dashed by the re-emergence of controversy over British financial assistance to Malta.

Under the terms of the 1964 financial agreement, aid for the quinquennium to 31 March 1969 was provided by way of a grant and a loan, the respective percentages for each being seventy-five per cent and twenty-five per cent.¹⁸² For the remaining five years the division between grants and loans was to be determined by future discussion. In January 1969, Borg Olivier was offered a 50:50 split between the two elements. High Commissioner Tory, however, reported that it was impossible for domestic political reasons for Borg Olivier to accept this proposition (242, attachment). Bearing in mind Malta's renewed strategic significance as a result of the perceived growth of the Soviet threat in the Mediterranean, as well as the advantages of maintaining smooth Anglo-Maltese relations in the remaining years of the services run-down and of the defence agreement, the foreign secretary, Michael Stewart, endorsed Tory's recommendation of continuing with a 75 per cent grant (242). 'This is not the moment to dig our heels in', warned Stewart, drawing attention to forthcoming elections in Malta and the advantages of ensuring Borg Olivier's return to power. Although the Defence and Overseas Policy Committee provided some powerful counter arguments, not least the fact that there was 'no economic case for such generous terms', it was agreed to revisit the issue if, in the absence of an improved offer, it became clear that the Malta government was prepared to damage British interests 'sufficiently to warrant a further concession on our part' (243).

Within a month, Borg Olivier had refused the 50:50 formula and requested a revision of the defence and financial agreements. To make matters worse, both the high commissioner and the heads of the services in Malta anticipated the harassment of British forces unless a 'substantially better offer' was made. In order to avoid such

a situation, Stewart returned to the suggestion of negotiating on the basis of a seventy-five per cent grant and twenty-five per cent loan (244). This position was supported by Healey who warned that 'a quarrel with the Maltese at this time and over this issue would shake the confidence of our NATO partners and of our other friends in the Mediterranean in our political wisdom and cast doubt on our resolution to continue to exert our influence in the Mediterranean theatre' (245). The customary divisions between, on the one hand, the Whitehall department directly responsible for relations with Malta, in this instance the merged Foreign and Commonwealth Office, and on the other, the Treasury, meant that the Defence and Overseas Policy Committee was unable to reach consensus. Chief Secretary to the Treasury Diamond was an especially trenchant opponent of Stewart's proposal, emphasising that 'If we made a further concession the Malta Government would merely ask for more' (246). During discussion of financial assistance to Malta by the full Cabinet, Diamond provided further powerful arguments against compromise: there was no economic case for any assistance; to surrender to blackmail would merely store up future trouble; the Maltese threats would, in all likelihood, prove to be largely empty (247). The Cabinet ultimately concluded that the 50:50 ratio of grant to loan should be maintained. Standing firm, however, brought resolution no nearer.

In March 1970, over a year after the proposals for a 50:50 division had first been put to the Maltese government, Stewart and Healey reported that Borg Olivier was still refusing to accept them with the consequence that no aid funds had found their way to Malta since 31 March of the previous year (249). The secretaries of state for defence and foreign and Commonwealth affairs, therefore, returned to their suggestion of a 75:25 ratio of grant to loan. The Libyan revolution of September 1969 was used to bolster their previous arguments. With the prospect of Libya succumbing to hostile influence, most of the North African coastline appeared lost. Drawing conclusions from this, Stewart and Healey argued that 'We need to consolidate all the Mediterranean footholds where the West at present still has an advantage over the Soviet Union.' Failure to resolve the financial dispute, the two secretaries fretted, risked a 'serious souring of our relations with the Maltese, of their deciding to forgo our aid altogether and of their ceasing to provide facilities under the Defence Agreement'. Referring to Britain's longer term objective of associating Malta more closely with NATO,¹⁸³ Stewart and Healey stressed that this would stand a better chance of realisation if Borg Olivier continued as prime minister which in turn would be assisted by his emergence from the aid negotiations 'without dishonour'.¹⁸⁴ Developing this point in Cabinet, Healey prophesied that, if Mintoff emerged victorious at the next Maltese general election, he would 'at best, demand a high price for our continued presence; and at worst might break with NATO completely, with the gravest strategic consequences to NATO's position' (250). In discussion, it was pointed out that, even with improved terms, Britain might still be confronted with a Mintoff premiership after the elections. Besides, further concession would 'savour of weakness'. By a narrow majority, the Cabinet decided to maintain the existing offer on aid.¹⁸⁵ This merely provoked the Maltese to default on the servicing of loans which Britain had already granted (252). With the change of government in Britain following the June 1970 general election, it was left to the new Conservative administration of Edward Heath to solve this long-running and increasingly acrimonious dispute.

Contrasting their approach to that of the previous administration, the new secretaries of state for foreign and Commonwealth Affairs, and defence, Sir Alec Douglas-Home and Lord Carrington, noted: 'in our view the issue is not whether Malta has a deserving economic case for this money, but the consequences to British interests if the dispute is allowed to continue' (253). In fact, Douglas-Home and Carrington used remarkably similar arguments to their immediate Labour predecessors. Not surprisingly, the two secretaries of state favoured an aid settlement based on seventy-five per cent grant and twenty-five per cent loan advocated by Stewart and Healey. With an eye to the future, the Cabinet secretary, Sir Burke Trend, observed that 'If it is possible to get out of this impasse with the Maltese by a settlement within the limits of the present proposals, it will remain very important to try thereafter to achieve closer association between NATO and Malta, so that the future costs of preserving Maltese co-operation do not fall exclusively on us' (254). This was a theme picked up on by Douglas-Home in subsequent discussion in the Defence and Oversea Policy Committee (255). He also told his colleagues that 'failure to reach agreement could not but weaken Dr Borg Olivier's chances in the forthcoming Malta elections, and the prospect of having to deal with a Government headed by Mr Mintoff was uninviting'. Summing up Prime Minister Heath authorised the re-opening of negotiations with the Malta government.

By early September 1970, Douglas-Home reported that little progress had been made, Borg Olivier rejecting an offer on the basis of a 70:30 split and 'holding out stubbornly for the 75:25 on which he believes his election chances depend' (258). The foreign secretary, therefore, felt that the time had come to accept this formula, making clear that this represented a final offer. Douglas-Home's recommendations were accepted only with reluctance in British governing circles. The chancellor of the Exchequer, Anthony Barber, admitted that it was 'very disappointing to see that the Maltese have successfully beaten us back all along the line without making a single worthwhile concession' (260).¹⁸⁶ In response to the Maltese government's request for Britain to pay the interest on loans taken out as a result of the suspension of aid during the protracted negotiations, Heath snapped: 'not a penny' (261). The hardening of the prime minister's attitude also emerged during Cabinet discussions. He described the situation with respect to aid as 'unsatisfactory' and one which could 'not be allowed to continue indefinitely' (262). Drawing wider conclusions from these observations, he added: 'Since the defence facilities provided by Malta were now primarily of interest to the North Atlantic Treaty Organisation (NATO), it would be logical that NATO should assume financial responsibility for them.' Ironically, the concessions rung out of the British government did not save Borg Olivier from being defeated, albeit narrowly, by Mintoff's MLP in the June 1971 elections. With Mintoff's return to power, Britain faced an altogether more formidable, and unpredictable opponent.

As early as 1958, N B J Huijsman of the CO predicted that Mintoff was aiming to achieve complete independence, after which he would seek to 'squeeze the UK lemon until the pips squeak' (126). On the eve of Maltese self-determination, Thorneycroft had also expressed concern that 'whatever constitutional safeguards were provided, independence would make our base in Malta insecure since, if the Maltese Labour Party came to power at a subsequent election, they would be likely to refuse to maintain any Defence Agreement which the present Government of Malta might have accepted' (189). Indeed, Mintoff had expressly told Sandys that 'we reserve the

right to repudiate the terms of any treaty or agreement negotiated behind the backs of the people of Malta at this inappropriate time'.¹⁸⁷ Borg Olivier's victory in the March 1966 Maltese general election staved off this prospect for the immediate future. With further elections looming, Britain's deputy high commissioner, A J Brown, reported at the beginning of 1970 that Mintoff, in both his public and private statements, had 'shown that he will try to have it both ways, freeing Malta from an automatic commitment to NATO's defence policies and obtaining a continuation or an increase in overseas aid for Malta'.¹⁸⁸ In his assessment, High Commissioner Tory went a step further, asserting that 'if Mintoff came to power this would be likely to bring about within at most a year of his victory at election withdrawal of both NATO and British national forces from Malta' (248). Tory's successor, Sir Duncan Watson was somewhat more circumspect, refusing to rule out the possibility of some 'fudging deal with Mintoff over NATO use of British bases in Malta' (256). Ominously, Watson admitted that 'knocking away his confused preconceptions and rubbing his nose in reality would be awful'.

In the run-up to independence, Governor Dorman referred to Mintoff's belief that 'by a much harder attitude he would drive a far better bargain with H.M.G. than my present Prime Minister could'.¹⁸⁹ Giving an insight into the psychology behind this approach, Mintoff confided: 'If I am to prostitute Malta any further, I am only justified in doing so if I can obtain for Malta, through that prostitution, enough money to enable it to lead a better life in the shortest possible time'.¹⁹⁰ Consistent with this outlook, Mintoff demanded the revision of the defence and financial agreements within days of returning to power. In particular, he sought the fusion of the two into a single agreement in which Britain would pay 'rent' for use of military facilities at a rate considerably higher than the existing aid provisions, as well as giving undertakings about the scale of military expenditure and employment of civilian labour (263). So began an eight-month odyssey for Lord Carrington which produced two meetings in Malta, four in Rome, and numerous others in Britain during which the defence secretary was introduced, as he put it, to the 'extraordinary, the positively operatic experience of doing business with Mintoff'.¹⁹¹ Carrington was given an early taste of this when his first scheduled visit to Malta in July 1971 was cancelled literally at the last minute by the Maltese prime minister, the defence secretary and his party having already embarked their plane at London Airport (264, 265). Subsequent Cabinet discussions revealed a growing British willingness to see Malta as a NATO, rather than an exclusively British responsibility. The facilities in Malta were described as 'not vital to us', their significance resting on their 'value to the North Atlantic Treaty Organisation (NATO), particularly in so far as the Agreements enabled us to deny the use of the islands to the Soviet Government' (266). It was also stressed that 'in dealing with Mr. Mintoff, whose behaviour was irrational and unpredictable, we should seek to retain the full support of our NATO allies' (267).

A co-ordinated approach was especially important in view of Mintoff's attempts to squeeze the UK lemon by demanding an annual payment of £30 million for exclusive rights to facilities, or £20 million for non-exclusive ones. British statesmen were determined to extract NATO contributions for the counter-offer of a £6.5 million annual payment (268). By the time of the Chequers meetings with Mintoff on 17 and 18 September 1971, this had been raised to £9.5 million of which the British share would be £5.25 million (270). Reporting to the full Cabinet his discussions with

Mintoff, Heath expressed optimism that relations with the new Maltese government were developing on a 'more stable and realistic basis', and that 'a major crisis would now be averted' (269). Mintoff's unpredictability, however, destroyed such hopes.

Reviewing Mintoff's negotiating techniques, Lord Carrington recalled that the Maltese prime minister 'liked to produce some sudden *démarche*, to throw everyone off balance and start again on his own terms'.¹⁹² This he did on Christmas Eve 1971, repudiating the Chequers agreement and demanding a further payment of over £4 million or the immediate withdrawal of all British forces.¹⁹³ Reflecting the changing relationship between Britain and Malta during discussions with Michael Gonzi, the veteran Archbishop of Malta, Edward Heath remarked that 'Mr. Mintoff seemed to feel that Malta was still a colony and he had to fight the British Government as if it were a colonial power. Malta was now independent, and, if the British Government were asked to leave, they would go.'¹⁹⁴ The new crisis, however, alarmed President Richard Nixon who had already determined that the principal US policy objective towards the island should be the 'successful renegotiation of the United Kingdom-Malta defense and financial agreement', in order to 'deny Malta's military facilities to the Soviet Union and Warsaw Pact nations'.¹⁹⁵ 'I feel strongly', the president told Heath, 'that we must find some way of maintaining the British presence and at least buying some more time' (271). To achieve this, he pledged to contribute to an increased UK-NATO offer, as well as further bilateral offers.

Despite US intervention, Heath, during a meeting at Chequers which he had called to consider British options, 'wondered whether the time had come for a completely fresh approach, under which we might say to the Alliance that we were moving out of Malta, and that, if they wanted to ensure Maltese neutrality, they would have to buy it for themselves' (272). On the other hand, Douglas-Home and Carrington, who feared that such an approach would be a 'triumph' for Mintoff, preferred instead to 'take the risk of going ahead with a new defence agreement'. Their intervention proved decisive, Heath agreeing that it was 'just worth exploring the possibility of reaching an agreement, which would allow sharing by other NATO powers, but would exclude the Warsaw Pact Powers from Malta'. Negotiations with Mintoff took place in Rome (273). The hard-bargaining which followed prompted the NATO secretary-general, Joseph Luns, to expostulate: 'I have negotiated with Sukarno, with Nasser, with Krishna Menon. But never have I met such a bastard!'¹⁹⁶ In their final phase, talks moved to London where former Labour Cabinet minister, Tony Benn, encountered Mintoff for the first time. 'He is an absolutely direct oriental bargainer which puts the stiff-upper-lipped British in great difficulty', Benn remarked.¹⁹⁷ By the end of March, however, Carrington was able to report that an accord had finally been reached (274).

President Nixon expressed satisfaction at the conclusion of an agreement¹⁹⁸ which, in his opinion, would 'safeguard interests of importance to the North Atlantic Alliance'.¹⁹⁹ Towards the end of 1972, nevertheless, Mintoff was threatening to terminate it unless he was compensated for the drop in value of his annual payment of £14 million resulting from the floating of sterling earlier in the year. Breakdown was avoided when the other contributing countries (Belgium, Germany, Italy, the Netherlands, and the United States) consented to pay the difference in their own currencies between the amounts set aside to purchase their sterling contributions to the agreement and the smaller sums which they would actually have to pay as a result of the lower value of sterling. Betraying some residual patron-client attitudes

towards Malta, Lord Carrington remarked: 'It is regrettable that our allies had surrendered in this way to the tactics of the Prime Minister of Malta, Mr Mintoff; nevertheless our own stand on the terms of the Agreement had not been compromised, and any additional payments that our allies might make in their own currencies outside the Agreement were a matter for them'.²⁰⁰ Equally, Mintoff himself was unable to escape fully from an outlook which belonged to an earlier era.²⁰¹ 'We must expect', observed High Commissioner Moreton in July 1972, 'to be misunderstood and unfairly attacked because of the persecution complex dating from Colonial times which he seems incapable of shedding' (275).

Simon C Smith

Notes to introduction

1 A N Porter and A J Stockwell, *British imperial policy and decolonization, 1938–64 vol 2 1951–64* (Basingstoke, 1989) p 322.

2 CO 926/403, no 37, letter from T Drake to W A Morris, 19 Aug 1953.

3 The colony of Malta actually consisted of three separate islands, Malta, Gozo, and Comino. For the purposes of convenience, Malta and the term 'the island' are used throughout this volume as a shorthand to refer to all three constituent parts of the colony.

4 T 225/2664, f 132, minute by J A Patterson (principal, Finance Department, Treasury), 26 Nov 1965.

5 Oliver Lyttelton, *The memoirs of Lord Chandos* (London, 1962) p 426.

6 FCO 9/1537, no 1, letter from Watson to Sir A Douglas-Home, 20 April 1972.

7 Ibid.

8 CO 926/1242, minute by J M Kisch, 1 Oct 1961.

9 BDEEP series B, vol 7, M Lynn, ed, *Nigeria: part I: managing political reform 1943–1953* (London, 2001) p xli.

10 Philip Murphy, *Alan Lennox-Boyd: A biography* (London, 1999) p 123.

11 The governor of Malta, Sir D Campbell, urged that 'Time must be given for the politicians of the old school, who have done so much harm to Malta, to disappear from the political arena, and for those who will next be entrusted with political leadership to mature in an atmosphere very different from the present' (BDEEP series A, vol 1, S R Ashton and S E Stockwell, eds, *Imperial policy and colonial practice 1925–1945: part I: metropolitan reorganisation, defence and international relations, political change and constitutional reform* (London, 1996) p 287, document no 53N). On 7 July 1943, the secretary of state for colonies, Olivier Stanley, announced HMG's intention to restore responsible government to Malta on the cessation of hostilities (J M Pirotta, 'Prelude to restoration of responsible government – the National Assembly, 1945–47', *Melita Historica* vol 7 no 4 (1979) pp 301–26).

12 MacMichael's principal departure from the 1921 constitution was in his recommendation to dispense with a second chamber, a position supported by HMG (*Malta: Statement of Policy on Constitutional Reform* Cmd 7014, 1947, p 7, para 10).

13 CO 158/544/89008/24, minute by Dawe, 6 Dec 1944. Dawe subsequently warned against announcing the terms of Britain's post-war financial settlement before Sir Harold MacMichael's arrival in Malta on the grounds that there was an expectation among the Maltese for prior consultation (CO 158/548/89036/4, part 1, minute by Dawe, 2 April 1946). Sir George Gater, who admitted that Dawe's 'very powerful minute . . . shook me very badly', became convinced of the undesirability of an early announcement in Parliament,

a position which was endorsed by both Creech Jones and Hall (ibid, minutes by Gater, Creech Jones, and Hall, 5–9 April 1946). Although the statement on financial assistance (*H of C Debs*, vol 425, col 244, 9 July 1946) was delayed until after MacMichael's arrival, the Maltese National Assembly maintained that the settlement 'should not be considered as final' and requested 'with vigour' that it be left open for discussion (Joseph M Pirotta, *The fortress colony: the final act 1945–1964: vol I, 1945–1954* (Valletta, 1987) p 61). Despite Maltese entreaties, HMG pressed ahead with their plans, leaving a legacy of distrust towards British intentions.

14 The CO continued to give Maltese claims to assistance under Marshall aid short shrift, Sir Charles Jeffries, remarking: 'I do not see how the fact that Malta is regarded, geographically, as a part of Europe enables it to claim different treatment from, say, North Borneo which also suffered major devastation from the war' (CO 158/566/89036/7/1, minute by Jeffries, 3 Dec 1949).

15 For Mintoff's own account of the controversy surrounding the granting of Marshall Aid, see Dom Mintoff, *Malta's struggle for survival* (Malta, 1949).

16 The head of the CO's Mediterranean department, J S Bennett, remarked that 'The split has not been enough to turn the Cabinet out and force an appeal to the country, but it has gone so far as to mean that the Government can only be sure of a majority by purchasing the support of the little splinter parties – especially the Gozitans, who are the Irish Party of Malta. It is a situation which could hardly be worse for sound and resolute government of whatever political colour; and what Malta needs above all is a Government which will tackle the island's economic problems without constantly looking over its shoulder at the political and tactical consequences of the moment' (CO 537/4955, minute by Bennett, 26 Oct 1949).

17 The New Zealand government had already specifically stated that it was not seeking to encourage immigration into the country because of a difficult housing situation, coupled with the need to prioritise the rehabilitation of ex-servicemen. (National Archives of Malta (NAM), GOV: despatches from the secretary of state, 231, Oct 1946–June 1947, telegram no 91 from Creech Jones to the officer administering government, Malta, 18 Feb 1947.) An account of post-war Maltese emigration is provided by T E Smith, 'Malta and the Commonwealth connection', in T E Smith, *Commonwealth migration: flows and policies* (London, 1981).

18 G C Miles (temporary administrative officer, CO) dismissed Mintoff as a 'nasty piece of work who accuses us of obstructing his return' (CO 981/13, minute by Miles, 8 July 1943). I am grateful to Tony Stockwell for this reference.

19 CO 981/13, no 12, letter from Campbell to A B Acheson, 11 Aug 1944.

20 Ibid.

21 Ibid, minute by Miles, 2 Sept 1944.

22 CO 537/4956, no 48, letter from Creasy to Creech Jones, 14 Nov 1949.

23 Ibid, no 49, letter from Creech Jones to Creasy, 25 Nov 1949.

24 CO 926/110, minute by Martin, 15 Oct 1952.

25 Ibid, minute by Bennett, 15 Oct 1952.

26 Sir A Eden, *Full circle* (London, 1960) p 383.

27 Governor Creasy observed that Borg Olivier was 'certainly no man of action', being 'obviously incapable of taking prompt decisions' (Joseph M Pirotta, *The fortress colony: the final act 1945–1964: vol I: 1945–1954* (Valletta, 1987) p 326). In a similar vein, the Colonial Office noted that it was 'virtually impossible to get any

concrete action' out of the Maltese prime minister, adding that there were 2000 files in his office awaiting attention (ibid, p 327). The legacy of British disenchantment with the Nationalist Party remained even after it returned to opposition following the February 1955 elections. Towards the beginning of 1956, the Maltese imperial government described the Nationalists as 'quite incapable of efficient administration or action in any field except that of intrigue' (Rhodes House Library, Oxford, MSS Brit Emp s 530, papers of Trafford Smith, box 5, file 4, 'Brief for His Excellency's visit to London, February 1957').

28 CO 926/287, minute by Morris, 29 June 1954.

29 Ibid, minute by R A R Bent, 20 Oct 1954.

30 The MLP secured twenty-three seats, the Nationalists seventeen, while Boffa's MWP lost its three remaining MPs.

31 The Cabinet had already conjectured that 'A Maltese Lobby in the House of Commons might be very troublesome. At times when there was only a small balance between the two main political Parties at Westminster, a few overseas Members might have an influence in domestic affairs which was quite disproportionate to their numbers or to their knowledge or responsibility' (41).

32 Peter Catterall, ed, *The Macmillan diaries: the Cabinet years 1950–57* (London, 2004) pp 443–4. The lord president of the council, Lord Salisbury, had expressed his support for integration during a meeting with Mintoff at the end of June 1955 (CAB 124/2604, note of a telephone conversation between Salisbury and Lennox-Boyd, 29 June 1955).

33 CAB 134/1296, MC(O)(55)21, 'Foreign experiments in the "integration" or "closer association" of overseas dependencies and metropolitan countries': paper by Kenneth Robinson, 12 Aug 1955, para 19. In a subsequent article, Robinson pointed out that 'Integration, in its most logically complete form, was acceptable to the majority of the political leaders in Guadeloupe, Martinique, and Réunion ... above all, because it was assumed that integration would bring about equality of social services with those of France' (Kenneth Robinson, 'Alternatives to independence', *Political Studies* vol IV no 3 (1956) p 245).

34 Jeremy Boissevain, *Saints and fireworks: religion and politics in rural Malta* (London, 1965) p 13.

35 Robert Holland, *Britain and the revolt in Cyprus 1954–59* (Oxford, 1998) p 7.

36 Pirota, *The Fortress colony: vol I, 1945–64*, p 15.

37 CO 926/295, no 8, telegram no 170 from Laycock to Lennox-Boyd, 9 Aug 1955.

38 W David McIntyre, 'The admission of small states to the Commonwealth', *Journal of Imperial and Commonwealth History* vol 24 no 2 (1996) p 258; BDEEP series A, vol 3, D Goldsworthy, ed, *The Conservative government and the end of empire 1951–1957: part II: politics and administration* (London, 1994) pp 60–68, document no 203.

39 The membership of the Malta Round Table Conference was as follows: Lord Kilmuir (chair), C R Attlee, Clement Davies, Walter Elliot, J Chuter Ede, Aneurin Bevan, James Griffiths, Lord Listowel, John S May, Sir Patrick Spens, W T Aitken, Julian Amery, R H S Crossman, Douglas Houghton, Lord Perth, Kenneth Pickthorn, Richard Wood.

40 In fact two members of the Malta Round Table Conference, Conservative MPs Kenneth Pickthorn and John Scott Maclay, ultimately opposed Maltese Members of Parliament on the grounds that 'They will have equality of function with all other Members of Parliament at Westminster, but will not have equality of responsibility: they will have no responsibility to their Maltese constituents for Maltese domestic affairs, including taxation, which will remain with the Maltese Parliament' (*Malta Round Table Conference 1955: Report* Cmd 9657, 1955, p 27).

41 Laycock had already reported that ‘there is cause to believe Archbishop may open Anti-Integration Campaign’ (CO 926/295, no 2, telegram no 68 from Laycock to Lennox-Boyd, 4 Aug 1955).

42 Justifying the overtly political role of the Church at the time of the referendum controversy, Archbishop Gonzi underlined that ‘It should be kept in mind that when discussing Maltese affairs one is considering the affairs of a Catholic people surrounded by a Catholic environment with a tradition, culture and history which are based on Catholicism. Hence, Church and State in Malta are two complements to a whole, in which Catholicism and the Catholic way of life are intimately linked with the political and social life. This position cannot be very well understood in countries whose social set up is secular, and where religion is more of a private matter than a public and social direction. It is fair democracy that when local matters are being examined the local environment, tradition and opinions be taken into consideration’ (NAM, OPM (Office of the Prime Minister) 190/1956, *Times of Malta*, 15 Mar 1956).

43 CO 926/297, no 177, telegram no 41 from deputy governor to Lennox-Boyd, 29 Jan 1956.

44 CAB 124/2604, note of a telephone conversation between Salisbury and Lennox-Boyd, 29 June 1955.

45 *Malta Round Table Conference 1955: Report* Cmd 9657, 1955, p 21, para 80.

46 Dennis Austin, *Malta and the end of empire* (London, 1971) p 36.

47 CO 926/208, note on the political situation in Malta: 1 April-20 June 1956.

48 CO 926/298, no 270, letter no 107/55/6 from Smith to E M West, 17 April 1956.

49 Borg Oliver declared that ‘the result of the Referendum is an expression of the people’s lack of enthusiasm in, let alone enthusiasm for, integration. The plan should be dropped forthwith’ (Joseph M Pirota, *Fortress colony: the final act 1945–1964: vol II, 1955–1958* (Valletta, 1991) p 165).

50 PREM 11/1434, f 19, letter from P F de Zulueta to J B Johnston, 6 Jan 1956.

51 *Ibid*, f 2, letter Zulueta to Johnston, 5 Mar 1956.

52 Eden, *Full circle* p 388.

53 Murphy, *Alan Lennox-Boyd*, p 126.

54 *H of C Debs*, vol 550, cols 1778–1931, 26 Mar 1956.

55 *Malta Round Table Conference 1955: Report* Cmd 9657, 1955, p 21.

56 NAM, OPM, 190/1956, no 93, letter from Mintoff to Gaitskell, 28 Mar 1956. Mintoff’s links to Labour can be traced to his time as MLP general secretary. In 1936, he contacted his counterpart in the British Labour Party with respect to the withdrawal of the 1921 constitution. Describing this as a ‘retrograde step’, Mintoff appealed to the Labour Party to ‘voice the feelings of the Maltese people in this question, and endeavour to ensure the earliest possible return to self-government’ (Labour History Archive and Study Centre, Manchester, WG/MAL/52, letter from Mintoff to the general secretary, Labour Party, 8 June 1936). He subsequently wrote to the head of Labour’s International Department, William Gillies, assuring him that ‘To us there can be no greater satisfaction than the knowledge that we are not left alone in our struggles and that the English workers are fully aware of the obstacles which are hindering our way towards emancipation and progress’ (*ibid*, WG/MAL/59, letter from Mintoff to Gillies, 21 July 1936). In correspondence with Friedrich Adler (secretary, Labour and Socialist International), Mintoff insisted that ‘Without Self-government the working men of Malta will never be able to resume that healthy interest in what concerns their welfare, which was so strikingly evident during 1921–1932’ (*ibid*, WG/MAL/61, letter from Mintoff to Adler, 18 July 1936). Expanding on these themes, Mintoff asserted: ‘One cannot denounce the wits of Fascism and stress the freedom of Democracy while the worst of Fascism is already in vigour

here' (ibid, WG/MAL/62, memorandum of the Malta Labour Party to the British Labour Party [Oct 1936], enclosed in Mintoff's letter to Gillies, 20 Nov 1936).

57 *H of C Debs*, vol 550, cols 2157–8, 28 Mar 1956.

58 *Malta Round Table Conference 1955: Report* Cmd 9657, 1955, p 22.

59 Goldsworthy, *Conservative government and the end of empire* part I p 91, document no 25.

60 CO 926/251, no 92, letter from Lennox-Boyd to Laycock, 5 June 1956. In response, the governor told the colonial secretary that 'In many ways he [Mintoff] is like a dog which continually "runs in" during a partridge drive. If you beat him he does one of two things: either he turns round and bites you, or he puts his tail between his legs and looks contrite. But action and reaction are equal and opposite. If he has bitten one he will probably go off and act precisely on one's advice, whereas, if he has seemed ashamed, his tail will be wagging again an hour later and he will commit some even more frightful enormity' (CO 926/251, no 100, letter from Laycock to Lennox-Boyd, 8 June 1956).

61 Catterall, *Macmillan diaries*, p 570.

62 Eden, *Full circle*, p 430.

63 CO 926/327, no 466, telegram no 332 from Laycock to Lennox-Boyd, 21 Aug 1956.

64 In discussion of this suggestion in the Colonial Policy Committee, the Lord Chancellor, Lord Kilmuir, noted that 'such a course might involve the risk that the problem would come to be discussed upon party lines and that the issue would merely be transferred from Malta to Westminster' (83).

65 Harold Macmillan, *Riding the storm, 1956–1959* (London, 1971) p 210.

66 Cited in Porter and Stockwell, *British imperial policy and decolonization, 1938–64* vol II p 462.

67 Ibid, p 454.

68 Sandys' stated views were not entirely in line with the assessment of the Chiefs of Staff. 'Pending a NATO re-appraisal of the use of to be made of the Mediterranean,' they concluded, 'such shipping as may be in it on the outbreak of war and the importance accorded to the submarine threat, we see no reason to reduce the present importance of Malta to NATO in global war' (96). As regards a limited war, the Chiefs recorded that 'the importance of Malta has increased, because it is likely to be the only secure base from which operations in the Mediterranean could be mounted'.

69 CO 926/694, no 139, letter from Laycock to Lennox-Boyd, 1 May 1957.

70 Ibid, no 197, telegram no 185 from Laycock to Lennox-Boyd, 28 May 1957.

71 CAB 21/2903, 'Malta', minute from Trend to Macmillan, 11 Dec 1957.

72 CO 926/1404, no 19, enclosure, 'Malta': note by the CO, 28 Dec 1961.

73 CO 926/855, no 308, telegram no 408 from Laycock to Lennox-Boyd, 17 Dec 1957.

74 Ibid, no 312, note of a meeting held in the first lord's room at the Admiralty on 19 Dec 1957 to discuss the Malta dockyard; ibid, no 318, telegram no 103 from Lennox-Boyd to colonial attaché, Washington, 24 Dec 1957.

75 Ibid, no 363, telegram no 5 from the CRO to UK high commissioners, 3 Jan 1958. See also, CO 926/856, no 423, telegram no 45 from the CRO to UK high commissioners, 24 Jan 1957.

76 *Times of Malta*, 31 Dec 1957.

77 CO 926/918, no 133, telegram no 145 from the CRO to UK high commissioners, 5 Mar 1958.

78 In the House of Commons, Lennox-Boyd remarked that the resolution had done ‘great harm to the relations between the two countries and the future well-being of Malta which the plan of integration was intended to enhance’ (*H of C Debs*, vol 585, col 227, 25 Mar 1958).

79 CO 926/790, no 10, letter from Mintoff to Lennox-Boyd, 12 Mar 1958.

80 *H of C Debs*, vol 585, col 1040, 1 Apr 1958.

81 PREM 11/2393, f 161, note for the prime minister by the CO, 15 Mar 1958.

82 CO 926/790, no 4, record of a meeting between Lennox-Boyd and Mintoff, 10 Mar 1958.

83 BDEEP series A, vol 4, R Hyam and W R Louis, eds, *The Conservative government and the end of empire 1957–64: part I: high policy, political and constitutional change* document (London, 2000) p 1, document no 1.

84 *Ibid*, p 21, document no 2.

85 CO 926/792, no 31, letter from D S Stephens to E M West, 27 Apr 1958.

86 An account of the national day of protest and its aftermath is given in J M Pirotta, *Fortress colony: the final act 1945–1954: vol III, 1958–1961* (Valletta, 2001) pp 46–52.

87 Edith Dobie, *Malta’s road to independence* (Norman, Oklahoma, 1967) pp 190, 194. Mintoff had told Lennox-Boyd that the Nationalists and the MLP ‘objected to recognise [sic] the so-called Progressive Constitutional Party as a body with sufficient following in Malta to entitle them to have an influential say on Malta’s future’ (Glamorgan Record Office, Cardiff, Papers of Stanley Awbery, DAW/Parl/13/3/15, letter from Mintoff to Lennox-Boyd, 28 Nov 1958).

88 PREM 11/2745, record of a meeting between Macmillan and Gonzi at 10 Downing Street, 29 July 1959.

89 Hyam and Louis, eds, *The Conservative government and the end of empire* part I, p 699, document no 245.

90 *Ibid*, p 700.

91 *Ibid*, part II, p 726, document no 561.

92 *Ibid*, p xxvii.

93 Porter and Stockwell, *British imperial policy and decolonization* vol II, p 571.

94 Hyam and Louis, *The Conservative government and the end of empire* part I, p xl. The text of the ‘wind of change speech’ has been reproduced in *ibid*, pp 167–74, document no 32, and Porter and Stockwell, *British imperial policy and decolonisation* vol II, pp 522–31. In a seminal passage of the speech, Macmillan declared: ‘The wind of change is blowing through this continent and, whether we like it or not, this growth of national consciousness is a political fact. We must all accept it as a fact, and our national policies must take account of it.’

95 The chief secretary in Malta, A Campbell, commented in March 1960 that “‘The wind of change” that is blowing through the Colonial Office has not of course passed unnoticed here, and it is probably asking too much that Malta should be sheltered from it’ (135).

96 CO 926/770, minute by J O Moreton, 26 Nov 1956.

97 The idea of Commonwealth involvement had been prefigured in Perth’s minute to Macleod of 16 March 1960 (see 136).

98 A year-and-a-half earlier, M E Allen of the CRO had remarked: 'There could ... be no argument on population grounds that Malta, with 300,000, has too few inhabitants to allow her to become independent. And in my view it would be hard indeed simultaneously to admit that she had enough to become independent, and to maintain that nevertheless she had too few to become a member of the Commonwealth! There may no doubt be other grounds why Malta cannot become independent or a Commonwealth member, but mere size of population cannot, I think, be one of them' (Hyam and Louis, *The Conservative government and the end of empire* part II, pp 727–8, document no 561).

99 Ibid, p 642, document no 534.

100 The other commissioners were Edward St. John QC, a barrister from Australia, and Fred Hayday of the Trades Union Congress who replaced the ailing Sir Alfred Roberts, also of the TUC.

101 *H of C Debs*, vol 627, col 1649, 27 July 1960.

102 Ibid, col 1650.

103 David Goldsworthy, *Colonial issues in British politics, 1945–1961: from 'colonial development' to 'winds of change'* (Oxford, 1971) p 310.

104 *Report of the Malta Constitutional Commission, 1960* Cmnd 1261, 1961, p 3, para 10.

105 Ibid, p 16, para 69.

106 Ibid, p 17, para 73.

107 Hyam and Louis, *The Conservative government and the end of empire* part I, p 706, document no 248, p. 708, document no 249.

108 *H of C Debs*, vol 636, col 473, 8 Mar 1961.

109 Hyam and Louis, *The Conservative government and the end of empire* part I, p 257, document no 66.

110 *H of C Debs*, vol 654, col 60, 21 Feb 1962.

111 Dom Mintoff, *How Britain rules Malta: a brief analysis of the report of the Malta constitutional commission 1960* (Valletta, undated) p 5.

112 Even before the Blood Commission had reported, Macleod had expressed the view that 'the political parties could not afford to boycott the constitution once it had come into force' (CO 926/1250, no 120, record of a meeting with the secretary of state, 26 Oct 1961).

113 NAM, G (Governor/Governor-General) Files, Box 3, 111/57 part 6, no 99A, monthly intelligence report for the period 13 Sept to 12 Oct 1959.

114 Ibid, no 99, letter from Campbell to N B J Huijsman, 12 Oct 1959.

115 Dom Mintoff, *Priests and politicians in Malta* (Malta, 1961) p 9.

116 Glamorgan Record Office, Cardiff, Papers of Stanley Awbery, DAW/Parl/13/8, letter from Mintoff to Awbery, 17 June 1961.

117 Ibid, DAW/Parl/13/7/1, letter from Buttigieg to Awbery, 27 May 1961.

118 Boissevain, *Saints and fireworks*, p 17.

119 The MLP's grievances against the Church were detailed in a letter to the governor. (NAM, G Files, Box 3, 12/62, no 6 enclosure, letter from A Buttigieg [chairman, MLP] and J Zerafa [general secretary, MLP] to Grantham, 14 Feb 1962.)

120 Austin, *Malta and the end of empire*, p 95.

121 Adrianus Koster, *Prelates and politicians in Malta: changing power balances between church and state in a Mediterranean island fortress (1800–1976)* (Assen, 1984) p 182. Mintoff subsequently described the election as the most unfair in the history of Malta (ibid, p. 183). Governor Grantham was unmoved by MLP entreaties. ‘The whole situation is to be judged within the context of conditions and events in Malta. The Catholic Church has always made it clear that Catholics should not vote for persons or ideologies hostile to the Church. Certain individuals and politicians in Malta have openly vaunted that they did not accept the authority of the Head of the Catholic Church in Malta whilst at the same time they did not disclaim the fact that they were Catholics. Their actions led to reprisals on the part of their Church which applied the sanctions open to it, i.e. interdiction of certain leaders of the Malta Labour Party. Just as the Malta Labour Party felt it had the right, which it used to the full, to attack leaders of the Church and those who shared the same views, the Roman Catholics in Malta both lay and religious exercised the right to say what they thought was wrong with the doctrines and actions of the Malta Labour Party. In a country where the vast majority of people are practising Catholics it is only to be expected that the people would ask and receive guidance from their pastors on matters of such moment as the open war declared by the Malta Labour Party against their Archbishop and their Church’ (NAM, G Files, Box 4, 12/62, no 9, letter from Grantham to Maudling, 3 May 1962).

122 The Christian Workers’ Party secured four seats, the Democratic Nationalist Party four, and the Progressive Constitutional Party just one.

123 Dobie, *Malta’s road to independence*, p 222.

124 CO 926/1406, minute by C G Eastwood, 6 Apr 1962.

125 CO 926/797, no 8, letter from Gough (assistant secretary, MoD) to Melville, 9 Dec 1958.

126 CO 926/1406, minute by Perth, 9 Apr 1962.

127 Referring to one of the meetings, Assistant Under-Secretary of State Eastwood remarked: ‘Our impression, confirmed by Lord Lansdowne who gave him lunch the same day, is that Dr. Borg Olivier feels himself very near the end of his tether’ (CO 926/1407, no 183, enclosure, ‘Malta run-down’: note by Eastwood, 12 July 1962).

128 Henry Frenedo, *The origins of Maltese statehood: a case study of decolonization in the Mediterranean*, second edition, (Malta, 2000) p 86.

129 It was predicted that at the end of the four-year period of the services rundown there would be 13 000 people out of work in Malta, the equivalent of 2.5 million unemployed in Britain (NAM, G Files, Box 9, 72/62, vol I, no 15, letter from Dorman to Sandys, 4 Dec 1962).

130 Dobie, *Malta’s road to independence*, p 231.

131 NAM, G Files, Box 9, 72/62 vol I, no 13, ‘Talks on independence’: note attached to Borg Olivier’s letter to Dorman, 27 Nov 1962.

132 Democratic Nationalist Party, Christian Workers’ Party, and Progressive Constitutional Party.

133 CO 926/1884, no 120, enclosure, telegram from Pellegrini, Ganado, and Strickland to Home, 19 Oct 1963.

134 NAM, G Files, Box 11, G 72/62 V, letter from Mintoff, Anton Buttigieg (deputy leader), D M Cremona (chairman) and J Zerafa (general secretary) to Sandys, 12 Dec 1963.

135 The fragile peace between Greek and Turkish Cypriots embodied in the 1960 independence constitution had, by the end of 1963, broken down. To make matters worse, President Makarios announced on 1 January 1964 that he was abrogating the treaties of alliance and guarantee with Britain.

136 At the beginning of April 1964, the Libyan government informed HMG that they were 'unable to resist the demand for [sic] quarters inside Libya as well as from other Arab and African states, for the removal of "foreign bases"' (CAB 148/2, DO(64)30, 'Defence facilities in Libya': memorandum by the acting chairman of the Defence and Oversea Policy (Official) Committee, 7 Apr 1964).

137 Hyam and Louis, *The conservative government and the end of empire* part I, p 713, document no 253.

138 *H of C Debs*, vol 691, col 1186, 17 Mar 1964.

139 Austin, *Malta and the end of empire*, p 97; Edgar Mizzi, *Malta in the making 1962–1987: an eyewitness account* (Malta, 1995) p 22.

140 Mintoff claimed that the result of the referendum did not entitle Borg Olivier to negotiate terms of independence on behalf of the Maltese people (Churchill Archives Centre, Cambridge, Papers of Lord Duncan-Sandys, DSND8/7, telegram no 210 from acting UK commissioner to Sandys, 21 May 1964, enclosing the text of Mintoff's telegram to Sandys of 6 May).

141 Sir Edward Wakefield remarked that the referendum had 'demonstrated that in Malta no political issue can be isolated from [the] issue of the Church versus Mintoff' (CO 926/1947, no 109, telegram no 187, from Wakefield to Sandys, 6 May 1964).

142 Hyam and Louis, *The Conservative government and the end of empire* part I, p 715, document no 254.

143 *Ibid*, p 716.

144 The defence agreement which came into force on Maltese independence, simply stated that 'each Government shall have the right to raise with the other at any time any question as to the application of this Agreement, where that is materially affected by any change of circumstances' (*Agreement on Mutual Defence and Assistance between the Government of the United Kingdom and Northern Ireland and the Government of Malta 1964* Cmnd 3110, 1966, p 4).

145 Tony Benn, *Out of the wilderness, 1963–1967* (London, 1987) pp 133–4.

146 *Agreement on Financial Assistance between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Malta, Malta, 21 September 1964* Cmnd 3111, 1966, p 2.

147 CO 926/1245, no 26, letter from Chadwick (assistant under-secretary, CRO) to Moreton, 24 June 1960. On the eve of Ceylonese independence, Britain and Ceylon concluded a defence agreement under which the respective governments agreed to 'give each other such military assistance for the security of their territories, for defence against external aggression and for the protection of essential communications as it may be in their interests to provide' (BDEEP series B, vol 2, K M De Silva, ed, *Sri Lanka: part II: towards independence, 1945–1948* (London, 1997) p 351, document 436). The agreement went on to state: 'The Government of the United Kingdom may base such naval and air forces and maintain such land forces in Ceylon as may be required for these purposes, and as may be mutually agreed' (*ibid*). Following the election of S W R D Bandaranaika's Mahajana Eksath Perumna (MEP), or People's United Front, in April 1956, the Ceylon government expressed its desire to take over the naval base at Trincomalee and the RAF station at Katunayake. Agreement to hand over these bases was reached in principle by December 1957, Trincomalee and Katunayake being formally transferred to Ceylon on 15 October 1957 and 1 November respectively (*Exchange of Letters between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ceylon relating to the United Kingdom Service Establishments in Ceylon*, Cmnd 197, 1957).

148 Reports persisted that MLP extremists were discussing the assassination of Borg Olivier, members of the Maltese Cabinet and leading police officers. Nonetheless, the Joint Intelligence Committee recorded that 'Although some M.L.P. members have talked seriously of seizing power by force there is little evidence of preparations for this' (204).

149 *H of C Debs*, vol 682, col 657, 1 Aug 1963.

150 *H of C Debs*, vol 699, col 711, 23 July 1964.

151 In advance of independence, the head of the UN Economic Mission to Malta, Wolfgang F Stolper, had impressed upon Borg Olivier the importance of getting help from HMG for the recurrent budget (NAM, G Files, Box 13, 17/63, no 10, letter from Stolper to Borg Olivier, 6 Mar 1963). Less than a year before the achievement of formal independence, the financial secretary to the Maltese government, Alfred Salomone, had told the Colonial Office that Malta's financial position was 'disquieting'. The principal immediate problems, stressed Salomone, stemmed from falls in revenue from both customs and income tax, coupled with the increasing burden on the recurrent budget of servicing loans (NAM, G Files, Box 14, 91/63, no 1a, letter from Salomone to A N Galsworthy (assistant under-secretary, CO), 15 Oct 1963).

152 'The size of the Maltese bid', mused a Treasury official, 'is a good example of the danger of offering budgetary support to a Commonwealth country which has achieved political independence' (T 225/2664, f 9, minute by J A Patterson, April 1965).

153 Barbara Castle, *The Castle diaries, 1964–1970* (London, 1984) p 28.

154 *H of C Debs*, vol 592, 31 July 1958, col 1599.

155 NAM, G Files, Box 3, 111/57, part 6, no 91, draft note for official guidance: no 1: Baileys, 7 Sept 1959.

156 *Ibid*, no 104, note on a visit to Bailey (Malta) Ltd by Moreton, 4 Nov 1959.

157 PREM 11/4917, 'Malta docks': minute from Brook to Macmillan, 5 Apr 1960.

158 NAM, G Files, Box 3, 111/57, part 7, no 30, letter from Moreton to Grantham, 26 Apr 1960.

159 *Ibid*, no 42A, Bailey (Malta) Ltd: report by Sir Richard Yeabsley, 13 May 1960.

160 *Ibid*, no 31, letter from Moreton to Campbell, 3 May 1960.

161 *Ibid*, no 32, letter from Campbell to Moreton, 7 May 1960.

162 *Ibid*, part 8, no 10, letter from Grantham to Macleod, 18 Oct 1960.

163 *Ibid*, part 10, no 13, letter no 243 from Perth to acting governor (Campbell), 5 Apr 1961.

164 NAM, G Files, Box 8, 55/62 vol I, no 9, letter from C G Eastwood to Dorman, 11 Sept 1962.

165 *Ibid*, 55/62 vol II, no 5, notes of a meeting at the Palace, Valletta, 7 Jan 1963.

166 *Report by J B Muir on Bailey (Malta) Ltd* no 131, 1963.

167 A Treasury official had pointed out that a final decision in the courts could take 3 to 4 years during which time the dockyard was expected to have lost £1million (T 317/628, 'OPD(65)115: Malta dockyard': minute by P S Milner-Barry, 3 Aug 1965).

168 T 317/788, no 14, letter from Bottomley to Diamond, 29 Nov 1965.

169 The White Paper set a financial target for defence spending of £2,000 million at 1964 prices to be attained by 1969–70 (*Statement on the Defence Estimates 1966: Part I: The Defence Review* Cmnd 2901, 1966, p 1, para 3). This represented a reduction of £400 million, or 16 per cent, on the expenditure which the previous Conservative government had envisaged for the same period.

- 170 *Agreement on Mutual Defence and Assistance between the Government of the United Kingdom and Northern Ireland and the Government of Malta 1964* Cmnd 3110, 1966, p 4.
- 171 BDEEP series A, vol 5, S R Ashton and W R Louis, eds, *East of Suez and the Commonwealth 1964–1971: part I: East of Suez* (London, 2004) p 20, document no 6.
- 172 *Statement on the Defence Estimates 1966: Part I: The Defence Review* Cmnd 2901, 1966, p 7, para 21.
- 173 DO 202/10, no 140, letter no 6 from Martin to Bowden, 26 Aug 1966.
- 174 Richard Crossman, *The diaries of a cabinet minister: vol 2: lord president of the council and leader of the House of Commons, 1966–68* (London, 1976) p 217.
- 175 Michael Jackson, *A Scottish life: Sir John Martin, Churchill and empire* (London, 1999) p 258. I am grateful to Tony Stockwell for this reference.
- 176 Crossman, *The diaries of a cabinet minister: vol two*, p. 227.
- 177 *Ibid*, p 251.
- 178 *Ibid*, p 249.
- 179 *H of C Debs*, vol 742, 10 Mar 1967, cols 1896–7.
- 180 *H of C Debs*, vol 743, 13 Mar 1967, col 52.
- 181 *Ibid*, col 53.
- 182 *Agreement on Financial Assistance between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Malta, Malta, 21 September 1964* Cmnd 3111, 1966, p 4.
- 183 See 213 and 241.
- 184 Maltese Minister of Labour Tabone had admitted that the failure to ‘get justice’ from the British over financial aid had ‘depressed the Government’s electoral prospects’ (FCO 41/621, no 14, telegram no 60 from Tory to the FCO, 12 Feb 1970).
- 185 Tony Benn, *Office without power: diaries, 1968–72* (London, 1988) p 251.
- 186 As regards securing from Borg Olivier a concession over Malta’s future relationship with NATO, Sir Duncan Watson noted that ‘We shall be screwing him down to accept some fairly tough conditions as the price for a 75:25 settlement; to turn round in addition to ask him to say nice things about NATO in order to please British ministers seems likely to invite the very opposite response. If we got anything, it would virtually amount to a statement under duress, and be worth little’ (T 317/1378, letter from Watson to Secondé, 29 Aug 1970). Displaying a certain weariness, Watson conceded that ‘as a newcomer to dealings with these remarkably intractable people, I may have entertained hopes that at the end of the day I might winkle out of them in a haggles the small difference between their position and ours. But I know better now’ (T 225/3536, letter from Watson to Secondé, 22 Sept 1970).
- 187 NAM, G Files, Box 9, 72/62, vol I, no 22, letter from Mintoff to Sandys, 31 May 1963.
- 188 T 317/1817, no 139, letter no 10/6 from Brown to Secondé, 27 Jan 1970.
- 189 NAM, G Files, Box 9, 72/62, vol I, no 15, letter from Dorman to Sandys, 4 Dec 1962.
- 190 Mizzi, *Malta in the making*, p 102.
- 191 Lord Carrington, *Reflect on things past: the memoirs of Lord Carrington* (London, 1988) p 242.

192 Ibid, p 243.

193 PREM 15/1071, no 15, 'Malta': minute from Carrington to Heath, MO 5/10, 5 Jan 1972.

194 Ibid, no 40, 'Malta': note of a meeting between Heath and Archbishop Gonzi by Robert Armstrong, 11 Jan 1972.

195 US National Archives, College Park, RG 273, national security decision memorandum (NSDM) 138, box 2, 13 Oct 1971.

196 Carrington, *Reflect on things past*, p 244.

197 Benn, *Office without power*, p 411.

198 *Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Malta with respect to the Use of Military Facilities in Malta*, 26 Mar 1972 Cmnd 4943, 1972. An account from a Maltese perspective of negotiations leading to the signing of the Military Facilities Agreement is given by Mizzi, *Malta in the making*, pp 101–111, 117–32.

199 FCO 9/1568, no 12, inward telegram from Washington to the FCO, no 1132, enclosing the text of a letter from Nixon to Heath, 30 Mar 1972.

200 CAB 148/129, DOP 1(73)3, minutes of a meeting of the Defence and Oversea Policy Committee, 9 Jan 1973. HMG maintained intractable on the question of compensation for the floatation of sterling despite pressure from Mintoff who refused to service loans from Britain. In response, the British opposed Malta's application for soft loans from the European Community Investment Bank (NAM, G Files, Box 16, 36/72, no 1, note of a meeting between the governor-general (Sir Anthony Mamo) and the British high commissioner (Moreton), 30 Oct 1973; PREM 15/2150, note of a meeting between Heath and Mintoff, 11 Nov 1973; FCO 9/2026, letter from Moreton to Douglas-Home, 3 Jan 1974). The return of a Labour government in the UK at the beginning of 1974 coincided with a thawing in Anglo-Maltese relations (FCO 9/2032, no 1A, telegram no 49 from FCO to Valletta, 5 Apr 1974, enclosing the text of a message from Wilson to Mintoff). By April, Mintoff assured Harold Wilson that it had always been his intention to honour the loans entered into by previous Maltese administrations (FCO 9/2030, no 41, telegram no 97 from Moreton to FCO, 17 Apr 1974, enclosing the text of a message from Mintoff to Wilson). Although Mintoff had by the end of the year turned Malta into a republic, Governor-General Sir Anthony Mamo becoming Malta's first president, he assured the Queen that 'at no time in the course of Malta's long association with Britain has cooperation between Britain and Malta been so great' (FCO 9/2027, 125, enclosure, letter from Mintoff to HM The Queen, 9 Dec 1974).

201 Refuting any suggestion that Britain had sought to retain influence in former colonies on a neo-colonialist basis, the deputy secretary to the Cabinet, P Rogers, had argued that 'it is the attitude of the new independent countries that has been neo-colonialist, in the sense that they have maintained after independence the characteristic of colonial politicians in the last stages of dependent territories, i.e. they feel free to make any criticism they wish, or any demand they wish, of the "imperial" power, but regard any criticism or demand by the latter as an expression of imperialism automatically to be resented' (Ashton and Louis, *East of Suez and the Commonwealth* part II, p 342, document no 248).

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14 Feb 1946

[Financial settlement]: letter from Mr Hall to Mr Dalton on Treasury assistance to Malta for post-war reconstruction

I understand that you have had under consideration the proposals made by the Colonial Office to the Treasury with regard to the terms of the financial settlement precedent to the restoration of responsible government in Malta.¹

I am afraid that I do not feel able to accept the provisional Treasury views on this matter and, in view of the importance of the issues involved, I must ask you to reconsider the whole question sympathetically. I recognise, of course, the force of the considerations that must be present in your mind arising out of the present financial position of the United Kingdom, and I am certainly not anxious to press you to make extravagant concessions at such a time. But, apart from the financial aspects of the problem, there are in this case important political issues which I feel bound to bring to your attention.

As you know, we are under the obligation to restore responsible government in Malta as soon as possible. It has, however, been recognised that the war has left the Colony with a heavy burden of administrative, economic and financial problems, and that it would be necessary, before the new Constitution is introduced, to ensure that there was a reasonable prospect that it would not immediately collapse under the weight of these burdens. Interest in Malta is as keenly focussed on the details of the financial settlement as on the form of the new Constitution; indeed, the dominant political party has repeatedly stressed that one is as important as the other. It must be remembered that Malta has no resources of its own. It is wholly dependent upon remuneration for those services on behalf of the United Kingdom that have brought it into existence as a Colony. Apart from that, we cannot ignore the resplendent services which the Island performed during the war in the allied cause, and which received world-wide recognition.

In my view, therefore, it is essential that we should reach agreement on a financial settlement sufficiently generous to ensure a reasonable prospect of success for responsible government. We do not want to be faced with a situation in which the major political parties in Malta refuse to co-operate in the introduction and working of the new Constitution on the ground that there is no chance of success. Equally, we do not want our proposals to be regarded by public opinion here and elsewhere as a wholly inadequate return for Maltese services during the war.

I had thought that Sir Wilfrid Woods' able survey² of this question provided a reasonably moderate basis for a settlement, subject to the modifications suggested in the Colonial Office memorandum to the Treasury. I have however reconsidered the position in the light of the semi-official Treasury comments and I should be grateful if you would now consider the alternative proposal in this letter, which goes a substantial way towards meeting the Treasury position.

¹ In a note at the head of the letter dated 17 Feb, Dalton remarked: 'I should settle this soon. A lump sum settlement particularly if not spent too quick has attraction.'

² Sir Wilfred, a former member of the Colonial Civil Service, had been charged by the secretary of state for colonies with the task of examining Malta's current and prospective financial position. He visited Malta between 7 May and 30 July 1945.

You will remember that Sir Wilfrid Woods' proposals for assistance to Malta fell under three heads: war damage compensation, capital grants in connection with the social services, and reconstruction. Very briefly, the provisional Treasury view is, I understand, that the first represents an inescapable commitment; that the second should be financed under the Colonial Development and Welfare Act, which would need amendment; and that no assistance from U.K. funds should be given for the third. The argument for this view is examined in greater detail in the memorandum which I enclose,³ and I need not go into detail in this letter. My alternative proposal is that we should now decide upon a capital sum, which should be regarded as in full settlement of Maltese requirements under all three heads. I recognise that there are certain objections to a simple settlement on these lines. In particular, the only available estimate for war damage compensation is admittedly rough and may ultimately vary considerably in either direction. There are however, as I see it, very substantial advantages in my proposal. The setting of a definite limit to our liability would encourage the Malta Government so to shape their policy as to secure the highest degree of economy; if no such limit is set, they will be under no incentive to take active steps to control the various factors, such as building wage rates, that enter into the bill. Secondly, a capital sum settlement would free us from what might prove to be a perennial source of friction between His Majesty's Government and the Malta Government, and would throw on the latter the responsibility for decisions on such questions as the basis of compensation in expropriation. Thirdly, the announcement of a substantial sum in settlement would have more political value than a further general re-affirmation of our existing commitments.

My proposal, then, is that we should announce that His Majesty's Government propose to provide a sum of £25,000,000 in addition to the £10,000,000 granted in 1942; that this sum would be in full settlement of the commitment then made and was so calculated as to provide a margin both for reconstruction and for certain capital works in connection with the social services; that, while this sum would not be paid over to trustees at this stage, it would be available to be drawn upon as required. I realise that this will seem a formidable sum to you, but I would point out that expenditure is in fact likely to be spread over not less than ten to fifteen years.

If the settlement I have suggested is approved, the form of its announcement to the people of Malta will be important. I propose that this announcement should make it clear that the sum to be paid represents a definite and final settlement calculated not only to discharge H.M.G.'s liability to Malta under the pledge given in 1942, but also to make a substantial contribution towards the cost of improvement and reconstruction, and that it is given on the understanding that, this generous assistance having been granted for the restoration and improvement of the Island, the people of Malta themselves will bring their taxation system up to modern standards and thus enable the social services of the Island to be improved.

I should be most grateful if you could reach an early decision on this matter. As you know, I have appointed Sir Harold MacMichael⁴ as Commissioner to undertake

³ Not printed.

⁴ Civil secretary and periodically acting governor general, Sudan, 1926–1933; governor, Tanganyika, 1933–1937; high commissioner, Palestine and Transjordan, 1938–1944; special representative of HMG, Malaya, 1945; constitutional commissioner, Malta, 1946.

the drafting of the new Malta Constitution. His arrival is eagerly awaited in Malta, but it would be useless for him to proceed on his mission without a prior decision having been reached, and announced, about the details of the financial settlement.

2 T 220/818, ff 21–3

28 Feb 1946

[Financial assistance]: letter (reply) from Mr Dalton to Mr Hall on the extent of Treasury assistance to Malta

As you suggested in your letter of 14th February,¹ I have reconsidered your proposed financial settlement with Malta; and I am glad to say that I can go a long way towards meeting you.

I agree with you that a lump sum settlement is the right course. The difficulty is that no one can pretend that an estimate, drawn up now, of expenditure on a building programme, to be spread over perhaps 15 years, during which costs may fluctuate widely, can claim to have any scientific basis. But I am ready to take the risk of offering too much, if you, in turn, will stand by the consequences of the offer being too little. Clearly, we must not have the worst of both worlds and it must be a condition of such a settlement that Malta will have to make do within the amount offered.

I am afraid, however, that I must ask you to be content with a promise to provide £20 millions rather than the £25 millions which you propose, though I should be glad for you to let Malta draw on the provision made in the Colonial Development and Welfare Act for the Colonies at large, to the extent of the £3 millions needed to finance the Development schemes mentioned in your letter.

I feel that the advantages of dealing with the Development work in this way are considerable. Malta will never, I fear, be a wealthy community, and it would be wrong, I think, to deprive her of the chance of improving her social services merely because she is about to get self Government. You need not admit other self governing Colonies, which are not in the same financial position. Malta could be dealt with separately, as a Colony previously within the scope of the Act, which ought not to be deprived of its benefits on a technicality. I should hope that the enabling legislation could be dealt with at the same time as the legislation which you will require to authorise the promise of the £20 millions. It would, I am sure, be a highly popular measure.

That would reduce your £25 millions to £22 millions, and I ask for a further reduction to £20 millions, because I do not feel it fair to ask the United Kingdom taxpayer to pay for reconstruction and replanning work to the extent which you propose, in addition to footing practically the whole bill for War Damage proper. I should be giving you at least £1.5 millions for work outside War Damage, and this I could justify, on the ground that some element of replanning is necessary when War Damage is being made good. But I am confident that, if Malta tackles properly the problem of carrying out War Damage repairs economically, and if, in particular, she introduces Mr. Rowe's proposals, she will be able to complete her War Damage work

¹ See 1.

well within the £28.5 millions which we are providing. It is up to her to make the saving as much as possible, and so to secure more money for reconstruction.

I fully recognise the political implications of the settlement; but the offer of just double the sum given by the Coalition Government is a handsome one, and just as likely to secure appreciation as the £25 millions which you propose.

I shall be glad if the Treasury could be consulted about the terms of the announcement. It will have to be made quite clear to Malta that this is the limit of the help that we can provide, subject to any further benefits under the Colonial Development and Welfare Act, and that it will be for the Maltese, by their own exertions and by the introduction of adequate taxation, to finance their own continuing expenditure in the future.

3 CAB 134/52, C(47)1

6 Jan 1947

‘Malta constitution’: memorandum by Mr Creech Jones for Cabinet Committee on Colonial Affairs

I circulate the draft of a statement about the Malta Constitution.¹ I am anxious to present this as a White Paper before the debate on the Malta (Reconstruction) Bill in the House of Commons on 24th January, 1947.

2. My colleagues will remember that a promise was given in 1943 that, after the war, responsible government would be restored in Malta within the same sphere as between 1921 and 1933. This promise was warmly welcomed in the Colony, and during the past two years an unofficial National Assembly has met regularly to consider the form which the new constitution should take. Last spring my predecessor appointed Sir Harold MacMichael as Constitutional Commissioner to visit the Colony for discussions with the National Assembly and other representatives of local opinion and to submit detailed proposals. My intention is that his report should be published simultaneously with the White Paper.²

3. The gratifying measure of agreement reached in the discussions between the Constitutional Commissioner and the Constitutional Committee of the National Assembly encourages me to believe that there is a reasonable prospect of securing general acceptance for the present proposals. I have not found it necessary to suggest any substantial departure from Sir Harold MacMichael’s recommendations. In substance, therefore, the intention is to restore responsible government in a form which differs in only minor respects from that enjoyed by the Maltese between 1921 and 1933: a brief description of the salient features of this constitution is contained in paragraph 6 of the draft White Paper.

4. I do not deny that, from the point of view of Imperial interests, I should have liked to remove some important defects in the 1921 constitution. Serious inconvenience, for instance, may well arise from the limited powers of amendment or revocation reserved to His Majesty, or from the absence of any provision enabling the Governor or His Majesty in Council to make such laws as may appear necessary

¹ Not printed.

² *Malta: Statement of Policy on Constitutional Reform* Cmd 7014, 1947. Sir Harold MacMichael’s report was published simultaneously as Colonial No. 207.

for securing and maintaining safety, order and the public services in case of emergency. (See paragraph 9 of the White Paper). On the latter point, the Chiefs of Staff (whose concurrence in my proposals I have obtained) have expressed some uneasiness with which I have much sympathy. But on both these points I have regarded myself as bound by the spirit of the 1943 promise: to attempt to force through substantial modifications of the 1921 constitution, which would unquestionably be wholly unpalatable to the Maltese, would, I consider, be quite inconsistent with that promise.

5. I seek the approval of my colleagues to the issue of a White Paper in the terms of the attached draft.

4 CO 158/580/89842/1

5 Nov 1947

[Elections]: minute by M L S Fisher¹ on the implications for Malta of the 1947 elections

At (6) are the final results of the Malta elections. We have not yet received any detailed information beyond that contained in Mr. Brannigan's letter to me at (5), which has already been seen by Mr. Bennett and Sir Thomas Lloyd.

2. It is, of course, satisfactory that the Labour Party has obtained a clear majority over all other parties,² so that there will be no awkward questions of coalition and of one of the other parties (e.g. the Gozitans or the Nationalists) holding the balance. But the significant feature of the election is, of course, the return of Dr. Mizzi³ to front-line politics. He will now presumably lead the Opposition.

3. The history of Dr. Mizzi's career may be found in full on 89426. It may be worth recalling the outline here. Mizzi's policy is Italianism and Italianism only. He was, I understand, anti-clerical until 1929, but after the Lateran Treaty⁴ became one of the devoutest sons of the Church: he was perfectly prepared to be a Fascist in the thirties and I have no doubt would be equally prepared to move to the extreme left if the Italian Government should take this turn in the future. It will be remembered that he was granted a free pardon for subversive activities after the first world war on promising loyalty for the future. This promise did not amount to much. It was Mizzi who turned the Nationalist Party under the 1921 Constitution from a perfectly respectable organisation to the hostile and intransigent body it became in the thirties. It will be remembered that the 1921 Constitution finally broke up on the question of using public funds to subsidise the teaching of Italian outside school hours: Mizzi was at the time Minister of Education. The suspension of the 1921 Constitution and its subsequent revocation in 1936 put Mizzi into eclipse; but there

¹ Temporary administrative officer, CO.

² The Malta Labour Party secured 24 seats out of a possible 40.

³ Dr Enrico (popularly known as Nerik) Mizzi (1885–1950); son of Dr Fortunato Mizzi, founder of the Nationalist Party; member of the Malta Legislative Assembly, 1921–30, 1932–33, 1947–50; leader, Nationalist Party, 1942–50; interned for alleged pro-Italian sympathies in May 1940 and deported to Uganda two years later; leader of the Opposition, 1947–50; prime minister, Malta, 1950.

⁴ The Lateran Treaty, or Pact, was signed between Italy and the Vatican in 1929. Under its terms, the papacy recognised the state of Italy with Rome as the capital, while Italy recognized papal sovereignty over the Vatican City.

is evidence of close contact with Italy and receipt of Italian funds for his Italian newspaper 'Malta' during the later '30s (papers behind (12) and summarised behind (36) on 89426/47). During the war Mizzi was interned in Uganda, but no sooner was he allowed back than he started to recover his former position among the faithful. For the last two years at least he has been writing weekly a full-page article in the 'Bulletin,' and he has established for himself the position of chief opponent to the present Constitution on the grounds that it does not go far enough and that its provisions do not reflect the will of the Maltese people. His programme at present is Dominion status and cultural freedom: his supporters are presumably to be found among the professional classes, particularly the lawyers (who have always had strong Italian leanings), and possibly among the generally disgruntled. He is a man of great ability and should not be under-estimated.

4. The failure of the Democratic Action Party⁵ cannot be separated from the success of the Nationalists. (I do not think it is any exaggeration to call the winning of 7 seats by the Nationalists at this juncture a considerable victory.) The trouble with the Democratic Action Party was that it had no programme. It was brought into existence by a handful of men of substance simply to oppose the Labour Party. The one substantial plank in its platform was resistance to direct taxation. The hope was that this party would draw together the moderate Nationalists (i.e. those who, while loyal to the British connection, nevertheless attached importance to the use of the Italian language and to 'cultural' ties with Italy) and the former Constitutionals. If it could have done this it would have performed a useful function in providing an opposition which accepted the framework of the Constitution. The Nationalists, of course, are far from doing this.

5. The fact that the Nationalists will now lead the Opposition may perhaps have the beneficial effect of making the Labour Party unequivocally pro-British. It may be recalled that in a personal letter to the Secretary of State ((38) on 89426) the Governor reported that the Labour leaders had stated privately that if they did not get a sufficient majority they would join hands with the Nationalists. We have learnt from conversation that subsequently they denied this publicly before the election, but the fact that it entered their minds should not be forgotten.

6. On the other hand, apart from the fact to which I have already drawn attention, that the opposition is opposition not only to a policy but to the constitution in general, there is the possibility that with the re-acceptance of Italy into the company of respectable nations Mizzi will seek and possibly succeed in diverting a certain amount of support from the Labour Party, particularly if, as we must suppose, Malta is in for a bad time economically. We must not forget Mr. Miller. There are, I think, only four men of any importance in Malta: The Archbishop, Mr. Miller, Mr. Mintoff (now Minister of Public Works), and Dr. Mizzi. Of these, the first two are out of politics at the moment, the first completely and the second remaining for the time being in the wings. Miller is, of course, the General Secretary of the General Workers Union, and I have myself little doubt that the ill-advised and inept attack on him by the editor of the D.A.P. paper just before the election had its influence in producing the D.A.P. debacle. It is only necessary to glance at Miller's articles in his newspaper 'Torch' to see that he is verging on megalomania, and that

⁵ The Democratic Action Party won only 4 seats.

he has every intention of playing the role of the man no party can dispense with. If, at some later date, it should seem profitable to him to do so I have no doubt that he will play off the Nationalists and the Labour Party skilfully and unscrupulously against each other. I do not think that this is likely to happen yet, or for some time to come, but I think it will be worth looking out for. As to the Archbishop, it will be remembered that he was largely responsible for the pastoral forbidding the Maltese to vote for followers of Lord Strickland during the constitutional deadlock of 1930: although the pastoral was in the end withdrawn, it was largely responsible for the sweeping Nationalist victory in 1932. During recent years the Archbishop has behaved with exemplary loyalty and discretion; and as long as the Vatican and the Italian State are each on guard against the other he is likely to continue to do so. The General Workers Union has taken the greatest care to remain on the best of terms with the Archbishop, however, and it is not difficult to imagine a situation in which the forces at the command of both might be put behind the Nationalists (though as I say, I do not think that anything of the sort is likely to occur for some time).

7. I think the moral of all this is that it is of very considerable importance indeed to make a success of this first Legislature, and to give the new Administration every possible help. If they fail it will undoubtedly be the pro-Italian and dissident element that will benefit in the long run.

5 CO 158/566/89036/9

11–16 Mar 1948

[Financial assistance]: minutes by J S Bennett, J M Martin and Sir S Caine on the compatibility of continuing subsidies with Maltese internal self-government

Mr. Butters

Mr. Martin

I am circulating this file to obtain a decision, at least in preliminary terms, on the attitude which the U.K. side should take up in the forthcoming discussions with the Malta Delegation¹ in regard to the item affecting further financial assistance from H.M.G. towards food subsidies. The material so far received from Malta is at Nos. 1 and 2, and Mr. Carter has added a factual note in his minute of 10th March above.

2. It will not be possible to settle the U.K. attitude finally until we have met the Malta Delegation and have heard the supporting arguments which they may wish to put forward. At the first meeting with them where this subject is raised, I suggest that we can only listen and undertake to go away and consider their requests. However, I think it will be desirable, so far as this can be done, to clear our minds in advance; first in the Colonial Office itself, and secondly in consultation with the Treasury (copies of the documents received from Malta have, of course, been sent to the Treasury, and the Treasury would naturally be invited to be represented at all

¹ From 17 Mar to 2 Apr, meetings were held in London between UK departments and a Malta delegation led by Dom Mintoff, and subsequently joined by Prime Minister Boffa.

discussions with the Malta Delegation on this subject).² The financial statement of July, 1946 made it quite clear that Imperial assistance towards food subsidies in Malta was to be tapered off and come to an end at the end of the financial year 1947–48, i.e. in less than three weeks time. In the memorandum enclosed with No. 2, the Governor has given us a well-argued factual case for saying that the Malta Government should be able to carry on without further subsidies. However good this case may be, a refusal by H.M.G. to meet the Malta request may, however, be expected to cause great disappointment to the Malta Delegation and I think it is necessary to consider what the implications of that would be and what arguments the U.K. side should put forward in turning down the request if that is the decision.

3. The first argument, as I see it, must be the constitutional one. Quite apart from any question of need or otherwise, the Maltese are asking for something which is incompatible with self-government as hitherto conceived. Even if the Treasury were willing to give Malta financial assistance (either specifically for food subsidies or generally for any other purpose), it would be necessary for H.M.G. to satisfy themselves that the money was being spent for the purpose for which it had been granted. However much it was wrapped up, this would mean in effect Treasury control. The annual Estimates of Malta would become subject to scrutiny by H.M.G. and any important financial proposals arising later during the financial year would similarly have to be referred to London for scrutiny. Since virtually all the services and activities of government involve finance in one way or another, this would mean that on all important matters of policy the Maltese Ministers and the Malta Legislative Assembly would be deprived of their self-governing powers. In effect if not in form, the constitution would be suspended. I think we must hammer at this point with the Malta Ministers.

4. They are likely to ask why, if H.M.G. is satisfied as to the need, they should not make a free grant without the ordinary procedure of Treasury control. I do not know whether there is anything in United Kingdom law to prevent this, but it would certainly be a breach of ordinary U.K. administrative practice. The only case which I can call to mind where a free grant has been made with no conditions attached is the subsidy paid during the war to Saudi Arabia, and very special circumstances operated in that case. I do not think special circumstances exist in the present instance. In any event, to establish a case for such unconditional grant, it would be necessary for the Maltese to build up such a case as would amount in effect to submitting the whole of their internal policy to London for approval, which brings us back to the objections noted in the previous paragraph.

5. The next argument which the Maltese are likely to advance is that H.M.G. will have to subsidise Malta *in any case*, and that if we decline to do it by a direct food subsidy, then the Malta Government will have no option but to allow wages to rise, and H.M.G. will have to pay a larger wages bill for Maltese labour employed by the Services. In No. 2 the Governor gives us figures indicating that the increase on the wages bill would not be as great as the present rate of food subsidy. I see no reason why this should not be stated frankly to the Maltese Ministers.

² At this point Bennett noted that 'In an off-the-record conversation, Col Russell-Edwards [temporary administrative assistant, Treasury] has reacted strongly against any further financial assistance, as I expected.'

6. The next argument the Maltese are likely to advance is that H.M.G. 'owes a debt' to Malta and has a moral obligation to continue these subsidies. I think the only way to meet this is to say quite frankly that we regard the moral obligation to Malta as having been discharged by the sums already voted by Parliament for reconstruction. Opinions may differ as to whether that sum is really adequate, but the decision about it has been taken, and we cannot go on admitting an unspecified moral obligation for ever.

7. Finally, I would expect the Maltese Ministers to launch an emotional appeal on the basis that a refusal to continue Imperial subsidies will necessitate them reducing their standards of social services and allowing the cost of living to rise, which will press hardly on the poorer sections of the population. All this may well be true. I think there is only one answer and that is that the United Kingdom itself is in such a bad way economically and financially that our generosity is exhausted, and that since standards of living are falling here there is no reason why they should not fall in Malta too. Since the Malta Labour Party have only just assumed office, I think they are likely to make considerable play with the argument about the social services side of their programme, but I feel that if we are to turn down their request we had better be brutally frank on this point.

8. It remains to consider what the results of this refusal will be. It is important that, if the decision to refuse further financial assistance is made, the implications should be recognised.

9. In the first place, I think there is no doubt that the Malta Government would carry out their threat to allow wages to rise. The Treasury must, therefore, be ready to authorise the Service Departments to pay higher wages for locally employed labour in Malta. There could be no question of H.M.G. trying to have it both ways, refusing subsidies and at the same time refusing to raise the wages paid by the Services if wage levels in general in Malta go up. Any stickiness on this issue would, I think, risk strikes in the Dockyard. If the Ministers are very disgruntled they might even go back determined to promote such strikes in any case, with the object of forcing Services wages up even higher than the general level to which wages in Malta may rise. We must be prepared for this.

10. Secondly, the rejection, of the request might so discredit the Maltese Ministers responsible that some of them would have to resign, or indeed that the whole Ministry might fall. The evidence from the local press³ is that great hopes have been built on the Delegation and that Dr. Boffa and his colleagues have little realisation of the difficulties they are going to encounter in London. They may even argue that the risk of political repercussions in Malta is a reason why H.M.G. should strengthen the hands of the present Malta Ministry by making a concession about subsidies. They may say that if they go back empty-handed they will be unable to face the people and that the result will be discredit to the British connection and a great access of strength to Mizzi and the Nationalists. To a considerable extent I think this is quite true. If the basis of our case for refusal is that the United Kingdom is too poor to help Malta, then to that extent the British connection is less worth while to the Maltese. Admittedly none of the alternatives at present open to them are particularly attractive either, but that would not offset the immediate local reaction.

³ J M Martin observed in the margin: 'There have also been warnings (eg. In "Times of Malta") in the opposite sense.'

11. In the final analysis, I doubt personally whether Malta can be run as a self-contained economic and financial unit, since its economy depends so much on external factors, and since it is so tiny. It may be that for the moment they could survive without financial assistance, as the Governor seems to think they can. But in the long run I doubt whether we shall be able to avoid the issue. Unless Malta is, and can remain, self-sufficing financially, self-government will become impossible and the constitution will break down. In such circumstances it will be necessary for H.M.G. to decide whether in effect to subsidise the constitution, to avoid the political trouble and disturbance to our defence interest in Malta which would result from a second withdrawal of self-government. I believe that nothing less than this is involved in the present discussions, although the results may not immediately become apparent.

12. Before we can approach the Treasury they will want to know whether or not the Colonial Office wish to press the case for considering further subsidies, and this minute is, therefore, submitted for instructions.

J.S.B.
11.3.48

Sir S. Caine

I see no sufficient reason to separate expenditure on food subsidies from other items in the Malta Budget. A contribution by H.M.G. towards the subsidies is in effect a contribution to general revenue. On the information before us, it does not seem likely that a case for this can be made out. There is still no income tax, and there are no municipal rates, and the figures supplied in the memorandum below (2) indicate that, unless there is any new extension of social services, existing balances, with the first contribution from income tax when introduced, should suffice to meet requirements until the end of the coming financial year. There might be something to be said for continuing financial assistance for a little after the introduction of self-government if there were a danger of a jolt to the financial position which would have awkward repercussions on the political situation generally, but an adequate cushion seems to have been provided by (a) our contribution to subsidies of £450,000 in the current financial year, and (b) the existence of an estimated balance at the beginning of the financial year 1948–49 of over £1,000,000, which may be regarded as representing savings from previous grants in aid. As regards Mr. Bennett's 'final analysis', Malta, being almost completely lacking in natural resources, depends on external financial assistance in the form of employment provided by the Admiralty for dockyard workers. The Admiralty must be expected to pay whatever rate of wages is necessary to provide a reasonable standard of living (a matter on which there can, of course, never be any finality). The Island community must content itself with the general standards which that industry can support. A complicating factor is the high rate of natural increase, but the answer to this cannot be subsidies from the U.K. but emigration and, to the limited extent possible, the development of new industries outside the dockyard (e.g. brewing, for which there appears to be a good market).

H.M.G. have already been exceedingly generous to Malta, generous far beyond the scales which are justified by our existing resources or by comparison with what we are able to do for other Colonial territories. I think that our most important objective in the forthcoming discussions must be to bring the Maltese Ministers down to earth, and leave them under no misapprehension on the point that, in the future which we

can foresee, there can be no question of increasing the assistance to which we are already committed. (In this connection it may be necessary to explain the fallacious character of the present budget surplus here.) We must, of course, also be prepared to say that, as the principal employer, we shall be ready to consider any reasonable proposals for wages increases based on established changes in the cost of living. It may be well, however, to refer (though without undue emphasis) to the fact that the comparative cheapness of labour in Malta is one of the reasons which attracts work to the dockyard there.

J.M.M.
13.3.48

I am sorry this has been delayed owing to my absence on sick leave yesterday. I agree with Mr. Martin that there is not sufficient reason for His Majesty's Government to offer any further assistance towards the subsidisation of the cost of living in Malta. There are I think very considerable objections of general principle to a permanent policy of subsidisation, and I do not think the countervailing considerations in favour of such a policy are anything like as strong in Malta as they are in the United Kingdom itself. Here the policy is part of a larger plan essentially of redistribution of wealth within a community. That is not the case in Malta if the resources necessary for the subsidisation have to be drawn from outside the Colony. I think, therefore, that the right thing is for Malta to allow the cost of living to rise if local resources cannot be found to check the rise sufficiently by subsidisation, and in that event His Majesty's Government will have to pay their share of the additional cost in the form of additional wages for the Admiralty and other Service employees in the island.

S.C.
16.3.48

6 CO 158/567/89036/11, no 29

5 Apr 1949

[Food subsidy]: letter from Lord Listowel¹ to Sir S Cripps on the validity of Malta's claim for repayment of money deducted from the food subsidies grant

I am writing in Creech Jones' absence to ask for your personal intervention in a matter which has been the subject of exhaustive correspondence between our Departments for nearly two years. It concerns a claim by His Majesty's Government against the Malta Government for a refund of £189,000 dating back to a transaction in 1944/45. The money was actually taken back by His Majesty's Government last year by deduction from the grant to Malta for food subsidies in 1947/48. The Malta Government contest the justice of that action and claim repayment. The Colonial Office support this view but the Treasury have been unable to accept it. Your people will be familiar with the details of the case, which is extremely tangled; but to save trouble I enclose with this letter a short historical memorandum.²

¹ Minister of state, CO.

² Not printed.

The Treasury view appears to have been argued almost entirely on grounds of strict normal grant-in-aid procedure. While I do not necessarily accept everything that has been said from this point of view, I admit that if it were supported only by the financial arguments so far employed the Maltese position would scarcely be tenable. We have, however, tried to make it clear that we regard the political considerations as dominant and that for that reason whatever decisions may be reached on this occasion could not be quoted as a precedent governing ordinary grant-in-aid procedure. It is on that understanding that I now earnestly ask you to reconsider the Treasury decision.

The error, if it was an error, was committed by the Crown Colony Government in 1945. We are now into 1949 and a new popularly elected Government has been in office in Malta, under the new Constitution, since the end of 1947. As you will see from the enclosed memorandum, the Imperial claim was unavoidably sprung on them after they had taken office, and in a most unfortunate manner. I fear that, whatever the rights and wrongs of the matter in abstract theory, it will be impossible to dispel their impression that His Majesty's Government deliberately took up this old claim to offset the grant for food subsidies for 1948-49. The Maltese claim that they should not be regarded as liable on account of a transaction which took place before the period of their own responsibility and, in view of the programme of new social services to which they are committed, the sum involved is in their eyes by no means unimportant. For reasons of internal politics it would almost certainly be necessary for them, if His Majesty's Government persisted in holding on to the money, to retaliate sharply, for example by stimulating further pressure from the dockyard workers for rises in pay at the expense of the Admiralty, or by passing minimum wage legislation (a project at which they have already hinted), to which the Service Departments would find themselves obliged to conform. Moreover, questions are constantly arising between the Malta Government and the Service Departments which cannot be satisfactorily settled in the absence of goodwill. Naturally the Secretary of State and the Governor wish to do their best to persuade the Malta Government to play fair with His Majesty's Government in matters of this kind, but they will have little influence if the Maltese feel, as they do in connection with this transaction, that we are not playing fair with them and that we are exercising our superior power, as they know that in the last resort we can, to extort our pound of flesh. Our relations with Malta can in fact be conducted only on the basis of friendly co-operation and it is on this ground that I seek your consent to abandon a claim which has already caused so much bitterness and recrimination and, if maintained, will, I am afraid, long poison our relations.

We have always realised that Parliamentary authority would be needed to refund the £189,000 to Malta, and the Colonial Office have suggested in previous correspondence that the authority should be sought openly on the grounds that this forms part of the final settlement of our financial relations with Malta on the restoration of self-government.

7 CO 158/567/89036/11, no 31

28 Apr 1949

[Food subsidy]: letter (reply) from Sir S Cripps to Lord Listowel rejecting Malta's claim for repayment of money deducted from the food subsidies grant. *Minutes* by J S Bennett, H T Bourdillon,¹ Sir C Jeffries, and Mr Creech Jones

Thank you for your letter of the 5th April² about the claim by the Government of Malta for repayment of £189,000 deducted from the grant for food subsidies in 1947/48.

2. It seems to me that in your analysis of the situation you ignore the very pertinent consideration that Malta was not, on a proper view of the position, being required to pay this sum out of existing revenues. The transaction was part of the settlement of the affairs of the previous Government and was in effect an adjustment of the large balances inherited by the new Government from their predecessors. Since they were naturally prepared to take over these balances amounting to about £1,500,000, they cannot legitimately object to such an adjustment as relating to the previous period.

3. I appreciate that difficult questions have arisen and will continue to arise between the Government of Malta and the Service Departments, but this does not seem to me relevant to the present issue. Indeed it is possible that acceptance of the Maltese demands on this point might rather encourage than discourage them to put their claims high on other matters.

4. It is ungracious to make repeated reference to the generosity shown by H.M.G. towards Malta, since this was given as a result of Malta's special dangers and services during the war. But the Maltese Government can hardly argue in the face of facts that our general attitude has not been³ generous.

5. I appreciate that this line may cause some disappointment to the Government of Malta but I do not think that this is a sufficient reason for adding this further item to the burden resting on the British taxpayer.

Minutes on 7

The Chancellor's letter is most disappointing and annoying. I hesitate to suggest that the Chancellor has not been adequately briefed on the subject or given Lord Listowel's letter sufficient attention, but I do find No. 31 an incomplete reply.

2. The point in paragraph 2 is I think almost entirely a debating point at the stage which we have now reached. Of course there was money in the till when self-government was restored and Maltese Ministers took over. No Ministers would have accepted office had the Maltese Treasury been bankrupt and they could not have been expected to do so. Indeed the major financial settlement with Malta, arising from Sir Wilfred Woods' Report,⁴ had to be got through before progress could be

¹ Assistant secretary, CO.

² See 6.

³ J S Bennett noted in the margin against this passage: 'They don't. They argue that in this particular instance H.M.G. have done them a dirty trick.'

⁴ See 1, note 2.

made with restoring the Constitution. Although in theory it may seem logical to argue that the new Malta Government should inherit the liabilities as well as the assets of the previous Government, it is hardly realistic to treat this £189,000 as a normal liability in view of all that has happened about it and all that we have laid before the Treasury.

3. I find paragraph 3 of the Chancellor's reply astonishing. The affair of the £189,000 cannot be treated in isolation and, as we have repeatedly emphasised, is bound to affect other matters arising between H.M.G. and the Malta Government whether the Treasury like it or not. To take only one example, an ugly question which is likely to rear its head soon is the cost of civil defence preparations. The Maltese Prime Minister has already entered a reservation that his Government do not consider themselves committed to this expense, which will be put on the Island for reasons of Imperial policy. Civil defence has been ruled to be a reserved matter and, again in theory, we could therefore instruct the Governor to appropriate from Maltese revenues whatever money was needed. But if only for the reason that the co-operation of the Malta Government and civil population is essential if civil defence is to be effective, such a course would obviously not be practical politics, and the incidence of the cost of civil defence will therefore be a matter for bargaining. If the Maltese receive what we know they will regard as bad treatment over the present claim, it will obviously stiffen their attitude about civil defence, as about other subjects; and the outcome may be to cost the Treasury a good deal more in the end. It is worth remembering that the things H.M.G. wants in Malta are defence things which we cannot usually afford to spend too much time arguing about. The cards in any negotiation are stacked against us. But above all this, the Chancellor's reply seems to assume that the only issues we had in mind were matters on which there would at least be negotiation. Lord Listowel's letter, however, made it clear that there were several ways in which the Malta Government could retaliate unilaterally without negotiating at all. If they send the Dockyard workers on strike for higher wages, and the Admiralty cannot afford to have the Dockyard out of operation for long, the Admiralty would have to put the wages up. This not only can happen, but to the best of my judgment it may well happen.

4. Paragraph 4 of (31) reveals what has I believe always been at the bottom of the Treasury attitude towards Malta. They have never forgiven Malta for receiving the £30 million war damage grant. In this instance at least, the Treasury have been unable to survive the monstrosity of being generous. From my contacts with them, it has induced in the officials concerned a bitterness towards Malta and a determination to rub in the astonishing generosity of H.M.G. towards Malta on every possible occasion, and to ensure that for years to come we deal as harshly as possible with Malta in all other financial matters. I regret to have to say this, but it is my considered opinion after nearly two years in the Department.

5. If the Chancellor's letter is accepted as the last word, we shall have to inform the Malta Government not only that the £189,000 will not be refunded, but that their counter-claims (amounting to over £200,000) are also rejected. We shall therefore be turning down something like £400,000.⁵

⁵ J M Martin noted in the margin against this passage: 'They can never seriously have expected £400,000.'

6. Apart from anything else, I think such action at this juncture would make it quite certain that the new delegation of Maltese Ministers to London, which has so far only been talked about, would come and would arrive soon. In the present shaky position of Dr. Boffa's Cabinet they might well make a major political issue out of it, and force a General Election on an anti-British ticket.

7. For all these reasons I should therefore be most reluctant to accept No. 31 as the last word. If the matter is to be pursued it can only be taken higher, and I suggest that the next step would be for the Secretary of State, who has so far not come into the matter himself, to talk to Sir Stafford Cripps personally (when both are back in London) and bring out the points noted above.

8. If the above suggestion is not acceptable, or does not succeed, I suggest that we should take the matter a step further by referring it to the Cabinet or to the appropriate Cabinet Committee—presumably the Commonwealth Affairs Committee, on which the Chancellor or his representative sits. I realise that this may seem making too much of the issue. But in my view it does, apart from its own merits, raise a major issue of principle in Colonial affairs. The Secretary of State's judgment of the political necessities in a Colony ought, I submit, to be deferred to by the Treasury. It is the Secretary of State, not the Chancellor, who is responsible to Parliament for relations with Malta. It cannot be contended that in this instance the sum of money is of such importance as to raise a major issue of Treasury responsibility to Parliament as well. Now that self-government has been restored in Malta, our relations with the Island and our continued peaceful use of it as a major base depend almost entirely on issues of finance and defence and the inter-relation of the two. The Colonial Office is in an almost impossible position in that, while carrying all the responsibility, it enjoys none of the power or executive control over either finance or defence. The Service Departments are frequently slow and tiresome but only occasionally positively obstructive. But if we are to get them to play we must have the goodwill of the Treasury. The issue as I see it is, who is to control policy in Malta—the Treasury or the Colonial Office?

9. I regard this as a test case. If we are defeated on it, I shall ask leave to submit proposals which I have been turning over in my mind for some time, on the basis of my experience in Mediterranean Department, for changing the existing arrangements for administrative and Parliamentary responsibility for Malta affairs, and handing it over from the Colonial Office to the Ministry of Defence and Treasury jointly, served by a joint Secretariat. I will not elaborate this now but I believe that it would correspond more to the realities, and might work more efficiently than continuing to do an utterly thankless task in the Colonial Office!

J.S.B.
14.5.49

P.S. I now attach an extract⁶ from the Financial Statement by the Maltese Minister of Finance when introducing the Budget on the 8th March, which has just come to hand.

I have much sympathy with Mr. Bennett, and I agree with him that the Secretary of State's position in relation to Malta, being largely a position of responsibility without

⁶ Not printed.

power, is far from enviable. I cannot of course express any view on the organisational proposal in Mr. Bennett's last paragraph.

As regards the present matter, I consider that the Treasury have a tenable case on strict accounting grounds and no others. I agree with Mr. Bennett in thinking, with the greatest respect, that the Chancellor's political arguments in No. 31 are wide of the mark and that a negative decision will cause much trouble between H.M.G. and the Malta Government over a wider field. I confess, however, that I think there is very little to be gained by taking the matter further. I certainly think that the papers should be submitted to the Secretary of State, and if he is willing to speak to the Chancellor I would by no means deprecate that course; but I am practically certain that the Chancellor would give the same reply as he has already given in writing, and I fear that we could expect no other result from the Cabinet or the Commonwealth Affairs Committee. The trouble is that this is a very tangled affair, and that Ministers, apart from our own, are likely to be swayed merely by the undeniable fact that we have been generous to Malta in other matters.

On the whole, therefore, I would reluctantly recommend that we should accept the position, in the sense that we should acknowledge that we cannot contest it further. I suggest that the Secretary of State should write to the Chancellor, saying that he notes the latest decision, which he has no alternative but to accept, but that he regards the decision as unfortunate and that he fears it will give rise to considerable difficulties.

The best method of conveying the decision to the Malta Government is a matter on which I cannot, of course, express any opinion.

H.T.B.
6.5.49

I am not, of course, familiar with the ins and outs of this case, but it does seem most unfortunate that we cannot show a little generosity to Malta over this relatively small matter. There can be no doubt that if one looks at the case on its purely local merits, and without reference to general principles governing grant-in-aid and all that, there is a good deal to be said for the Maltese point of view. But unless you feel that development since May justify you in a further attack on the Chancellor, we must let it go.

C.J.J.
10.11.49

I deplore this but I cannot see what we can do. The Treasury reject all our arguments and the Chancellor of the Exchequer endorses emphatically the Treasury view. Meantime the financial economy campaign has been flung across all plans for expenditure and no moment could be worse than this to go back to the Chancellor. The only saving point is that we have offered to consider with the Maltese Govt. at their request any new recommendation referred to us after an enquiry into the financial condition and economy of Malta but that gives no consolation in respect of this problem. These small things cause much later trouble. We have no alternative course open to us.

A.C.J.
15.11.49

8 CAB 129/36, CP(49)187

7 Sept 1949

'Discussions with the Malta government': Cabinet memorandum by Mr Creech Jones on the financial and economic position. *Annex*

My colleagues may like to have for information a note on the recent discussions with representatives of the Malta Government.

Background to the discussions

2. Malta is self-governing in internal matters and the Maltese Ministers have complete constitutional responsibility for the Colony's finances and economy. It is fully recognised that the economy of the Island, being largely dependent (as the Woods Report of 1945—Colonial No. 196—made plain) on invisible exports in the form of labour for the United Kingdom Service Departments, constitutes a long-term problem which in a few years time may present the Malta Government with serious difficulties. The rapidly increasing population, which continues to overtake the current rate of emigration, is a major factor in the problem.

3. On the information available to the Colonial Office, however, there is no immediate financial crisis. The reserves of the Malta Government stood at nearly £2 million (annual revenue about £5 million) at the end of the last financial year; and most of Malta's allocation under the Colonial Development and Welfare Act (£1 million) together with two-thirds of the grant of £31 million from His Majesty's Government under the Malta Reconstruction Act, remain unspent.

4. The Malta (Labour) Government, which took office in 1947 when self-government was restored, are, however, committed by their election programme to large measures of social improvement. They have introduced an Old Age Pensions Scheme, costing £365,000 a year, and wish to have a National Health and Insurance Scheme on the lines of our own. To help pay for these measures, they have successfully increased indirect taxation and introduced Income Tax. They have nevertheless grown increasingly concerned about finding the financial means to implement their programme. Against this background, Mr. Mintoff, the Deputy Prime Minister, conceived the idea that a solution to Malta's difficulties lay in—

- (a) claiming direct participation in the benefit of Marshall Aid on the grounds that Malta is a European territory with a war-shattered economy; and
- (b) seeking a continuation of His Majesty's Government's contribution towards the cost of food subsidies in Malta.

5. These ideas were tentatively put to the Colonial Office in June by Mr. Mintoff, who was then attending the Colonial Office Supplies Conference. Dr. Boffa and Mr. Mintoff returned towards the end of July to take up discussion on these and other points. The delegation chose their own time to come, submitted no papers on the major subjects (with the exception of food subsidies) and brought no expert advisers with them. The real substance of the delegation's request was to obtain financial aid from His Majesty's Government; the means they suggested for obtaining such aid were, in any case, inappropriate; moreover, any request for aid could be considered by His Majesty's Government only against detailed information regarding Malta's financial and economic needs.

Food subsidies

6. A total of £1,650,000 has been given by His Majesty's Government since 1946 towards the cost of subsidising food and other essential commodities. It was announced in 1946 that these contributions would end with the financial year 1947–48, but a further and final grant of £300,000 was made in 1948–49 in response to representations by the Malta Government. The delegation were warned before they came in July that His Majesty's Government had given their final answer on this point and, in agreeing to extend the contribution last year, had already gone beyond the period and amount originally determined. The Maltese Ministers now suggested that the contribution should be continued by the United Kingdom Service Departments, on the grounds that as a result of the policy of subsidisation the latter obtained labour at artificially low wage rates. They were told at a meeting on 29th July that this was virtually a request for financial assistance, in a form which could not be considered appropriate, particularly in view of the constitutional position in Malta; and that, if subsidies were lowered or removed in Malta, the Service Departments would continue to be guided by the general wage level in the Island. The delegation did not pursue their demand after receiving this reply.

Marshall Aid

7. The difficulties in regard to the request for Marshall Aid¹ were first explained to Mr. Mintoff at a meeting at the Treasury on 3rd August, and subsequently set out in the form of a memorandum which I handed to Dr. Boffa on 15th August. Mr. Mintoff wished to finance with Marshall Aid dollars a programme of capital works, including an electric power station and other utilities; and to be able to use the counterpart sterling, which would be deposited by Malta against these dollars, to finance emigration and new social services. Malta's essential dollar needs, however, are already met from the central dollar pool; she would therefore get no more dollars under Marshall Aid arrangements, as the same standards of essentiality would have to be applied to requests for finance from the United Kingdom share of Marshall Aid appropriations. The use of counterpart sterling (in addition to requiring the approval of the Economic Co-operation Administration) would involve a vote of Parliament. This in turn could only be considered against the background of a thorough examination of Malta's economic position, and in these circumstances there would be no real advantage to Malta in seeking assistance from this rather than from other sources of public funds.

Financial and economic situation of Malta

8. His Majesty's Government's views on the financial requests were thus made available to the Malta delegation at an early stage in the talks. Before Dr. Boffa and Mr. Mintoff returned to Malta on 5th August to consult their colleagues, I told them that on their return to this country I would make available to them further information regarding the conditions governing Marshall Aid. If they wished, I would also discuss the finances of Malta and the problem of its future economic viability; but I again asked for further information about the financial situation as without it

¹ Introduced in June 1947 by US Secretary of State George C Marshall, the European Recovery Programme, or Marshall Aid, provided American financial assistance for Europe's post-war reconstruction.

His Majesty's Government could not form an adequate picture of the situation in Malta. Despite my continued references to this point, no effort was made to present factual information to me until 10th August when Mr. Mintoff put in a memorandum to the Colonial Office. This, however, merely renewed the request for Marshall Aid and did not provide adequate background material.

9. When, therefore, Dr. Boffa took up the talks himself after Mr. Mintoff's resignation on 15th August, I again reverted to the general financial and economic issues which lay behind all the representations which the delegation had made to me. I made it plain that I had no wish to prejudice in any way the constitutional position under which finance lay within the complete responsibility of the Malta Government; but I added that if Malta was in difficulty His Majesty's Government would be glad to study the situation with the Malta representatives on the basis of factual information provided by them.

10. Dr. Boffa recognised that there was no immediate financial or economic crisis; but he took the view (which I share) that the longer-term outlook is not good and requires attention. The grants under the Malta Reconstruction Act and the Colonial Development and Welfare Act will be exhausted within four or five years; Service employment is also likely to fall; with the removal or reduction of food subsidies, the cost of living will probably rise; the population continues to increase, and the search for new economic activities (which in any event the Woods Report concluded could only slightly modify but not radically change the dependence on the invisible export of labour) has so far produced little results. The economic situation will be strained unless new enterprises can be started and, above all, the population reduced by emigration.

11. I suggested to Dr. Boffa that ways of meeting the present and future situation could only be properly considered after a careful examination of the whole economic and fiscal structure of Malta. It was for the Malta Government to institute such an enquiry if they wished; but such an objective study seemed to me to be a prerequisite if it were their desire to ask His Majesty's Government to assist in improving Malta's financial and economic position. Dr. Boffa therefore proposed, subject to consultation with his colleagues, to invite an independent expert to carry out this examination [sic] and advise on means of strengthening Malta's finances and of improving its economy. I said we would gladly lend our good offices in finding such an expert.

12. This position was reached with Dr. Boffa as early as 18th August; and comparatively little time or attention has been devoted by him in the talks to the fundamental economic and financial issues. He has throughout remained entirely preoccupied with the Dockyard discharges and his own political position.

Service employment

13. The Malta Government were informed in mid-July that discharges of workers in the Royal Dockyard would take place at the rate of 35 per week from 29th July onwards, to a total of 1,200–1,300 during the financial year. This announcement brought tension locally, and on 27th July Dr. Boffa and Mr. Mintoff asked in London for deferment of the discharges pending examination of Maltese proposals for modifying their effect. After urgent consultation with the Admiralty, they were informed that action could not be delayed while these proposals were being examined. At a meeting on 3rd August I offered to arrange for the delegation to meet the First Lord; but it was not until after the delegation's visit to Malta and Dr. Boffa's

resumption of negotiations on 15th August that further talks were possible. Since then the First Lord and myself have had many meetings with Dr. Boffa at his request.

14. It was made plain to Dr. Boffa from the outset that the Admiralty could not accept an obligation to maintain the present level of employment without regard to naval requirements or their own finances; and that any request for indefinite suspension of the discharges in fact implied that the economy of the Island should be artificially supported by subvention from Admiralty votes. This was an unacceptable and inappropriate way of providing United Kingdom assistance, if such assistance were in fact needed. Dr. Boffa accepted the cogency of this view, but remained exercised by the immediate political difficulties which arose from continuation of the discharges. The Admiralty also examined the Maltese suggestions for increasing the private work in the dockyard and other methods of modifying the effect of the discharges; but these did not afford any practical solution.

15. In an attempt to meet Dr. Boffa's difficulties, I suggested to him many times that I would be prepared to ask the Admiralty to consider suspending the discharges temporarily for two months or to reduce the rate of discharges in the earlier period, if this would be of help. Dr. Boffa always rejected this suggestion as being of no real value. On 23rd August, the First Lord again explained the insuperable difficulties which prevented the Admiralty from agreeing to any indefinite suspension of the discharges and, later the same day, I informed Dr. Boffa that no alteration of the Admiralty decision to reduce the personnel in the dockyards was practicable.

16. After seeing the Prime Minister on 25th August, Dr. Boffa had a further interview with me on 26th August, at which I confirmed that the War Office had now intimated that they could offer employment in Cyrenaica without delay for 1,000–1,300 workmen from Malta, of a variety of skills. In addition, the Air Ministry had found it possible to review their programme of work in the Island and hoped as a result to be able to stabilise the present level of employment up to the end of the financial year and thereby avoid approximately 100 discharges. His Majesty's Government were also seeing in what way the facilities needed for Malta's emigration scheme might be expedited. Despite these developments and the proposed arrangements for a financial enquiry, Dr. Boffa still saw no ground for considering the earlier suggestion for suspending the discharges for a limited period, but insisted on 'suspension until the proposed financial and economic enquiry was completed.' I informed him that the latter could only be regarded as a proposal for indefinite suspension, and that the implication that there could be some direct connection between the results of the enquiry and the discharges was completely misleading. Dr. Boffa on 27th August made a final appeal on this point by letter to the Prime Minister. In his reply dated 29th August the Prime Minister made it clear that there could be no indefinite postponement of the discharges, which was the substance of Dr. Boffa's demand.

17. Dr. Boffa again saw me on 30th August and intimated that, although his view in regard to the value of the suggestion remained unaltered, he now desired an approach to be made to the Admiralty asking that discharges be postponed for two months. I held out no hope that the proposition could be reopened at this late stage, particularly after he had repeatedly rejected the suggestion and the Admiralty had proceeded accordingly. The First Lord agreed, however, that, provided the Malta Government were prepared to assure us that it would be of material assistance to them in handling the situation in Malta and that the Malta Government would stand

firmly by this and the other arrangements resulting from the talks, an eight-weeks' suspension could be granted, as a maximum concession—on the understanding that when discharges were resumed they would be at an increased rate to attain by 31st March, 1950, the same reduction in the level of dockyard employment that had been provided for in the original programme. Dr. Boffa at first refused to come and discuss this point with me; but he subsequently relented and agreed to lay the proposition on this basis before his colleagues. The offers to assist in regard to employment in Cyrenaica and to the financial enquiry also remain open and await the results of Dr. Boffa's consultations in Malta. Dr. Boffa left for Malta on 6th September: in the last few days he withdrew from the position of constantly threatening his resignation which he had adopted throughout the talks, and seemed to be prepared to fight his political opponents in Malta. Up to the end, however, he continued to give unhelpful statements to the press, calculated to prejudice the discussions.

Political situation

18. The discussions were complicated by the friction between Dr. Boffa and Mr. Mintoff, who has long been the leader of the more extreme wing of the Malta Labour Party. He advocated 'toughness' in dealing with His Majesty's Government and attempted to keep his Prime Minister out of the talks. He was chiefly responsible for persuading the Maltese Cabinet to send the 'ultimatum,' a document signed by all Ministers (except the Minister of Justice, who was ill) which he presented to me on arriving back in London on 8th August: I attach a copy (Annex). It had been preceded by an earlier statement, threatening negotiations not only with the United States but also with 'another power,' which I had refused to accept. I decided, with the Prime Minister's concurrence, that this second document must also be withdrawn before the talks continued. Dr. Boffa, with whom I communicated in Malta through the Acting Governor immediately came to London and with the unanimous support of his Cabinet, except Mr. Mintoff, agreed to withdraw it. Mr. Mintoff at once resigned from the Cabinet and returned to Malta, where he has since been busy with a political campaign against Dr. Boffa's handling of the negotiations.

19. Mr. Mintoff has undoubtedly succeeded in splitting the Labour Party, and the outcome remains uncertain. If Dr. Boffa's Government do not feel able to stand firm on the results of the recent talks, or meet with strong opposition in the House of Assembly and collapse, a difficult political situation will result. There would then be a possibility that Mr. Mintoff's wing of the Labour Party, in unholy alliance with the pro-Italian nationalists, would contest a general election strongly on an anti-British basis.

20. These developments have given some cause for disquiet about internal security in Malta. I have kept the Minister of Defence informed, and appropriate precautionary arrangements have been made.

Annex to 8: Note presented by Malta government on 8 August

In the course of all the various and prolonged conversations held at all levels with the Colonial Office, the sorry plight of Malta as a result of the war and of the neglect of successive Colonial administrations has been made clear to the Authorities in Great Britain. The British Government must realise the impossibility of the Maltese people

solving their overwhelming economic difficulties with their own unaided resources. But the only response from the British Government so far has been their unilateral decision to accelerate the impending disaster by the discharge of 1,200 men from His Majesty's Dockyard in Malta.

Careful and earnest consideration of all the points at issue has led the Malta Cabinet to resist all further postponement and cavilling by making known to the British Government their intentions.

Should the British Government's decision on Malta's claim for direct participation in Marshall Aid (a question first raised in September 1948) be postponed to a date later than 22nd August, 1949, or should an inadequate reply be given by that date to Malta's just representations, the Government of Malta will lay the whole dispute before their people, who will be asked to state in a national Referendum whether in the changed circumstances they wish to submit Malta's case to the United States of America with a view to Malta receiving economic aid and, as a 'quid pro quo,' the United States making use of Malta as a base.

9 CO 158/589/89666/13

16 May 1950

'Maltese immigration into Northern Rhodesia': minute by C E Lambert¹

I mentioned to Sir Gilbert Rennie² and to Mr. Welensky³ separately the suggestion that the Government of Northern Rhodesia might consider the admission of Maltese into the Territory. I explained briefly that Malta was seeking outlets for her surplus population, that the men were in the main of the artisan type although there would no doubt be men well versed in the use of the land among them, that they were European and that they made desirable and law-abiding settlers. I also made the point that the Government of Australia was admitting European immigrants.

Sir Gilbert Rennie was not very enthusiastic but thought that consideration might be given to the admission of a 'trickle' of Maltese into skilled posts which would have been found for them before they left Malta. Mr. Welensky was, contrary to my expectation, not opposed to the idea. He reminded me that arrangements had been made during the war for the employment of small numbers of Maltese on the Copperbelt. So far as he knew the arrangements had proved satisfactory although the persons in question had now all returned to Malta. He would not favour a large influx of Maltese into Northern Rhodesia but would be quite willing to see considered in Executive Council any proposals that were put up from here. He said that he thought that the Copper Companies, who at present recruit most of their European staff from South Africa, might perhaps again recruit from Malta. At present they are considering whether they cannot recruit in larger numbers from this country.

I am personally doubtful about the desirability of again recruiting Maltese for the copper mines. We have a very difficult racial problem on our hands on the

¹ Head, Central African Department, CO.

² Governor, Northern Rhodesia.

³ Roy Welensky, member of the executive council, Northern Rhodesia, 1940–1953; prime minister and minister of external affairs, Federation of Rhodesia and Nyasaland, 1956–1963.

Copperbelt. At present the skilled and most of the semi-skilled posts are held by Europeans, and there is in fact an effective colour bar in operation at present. A Commission has recommended means by which Africans should be able to advance in skill and gradually take on semi-skilled and skilled jobs, it being provided that no European shall be discharged in order to make room for an African. I need say no more than that the problem is a very tricky one, that the Europeans are anxious about their future and that the Africans, who are now formed in a strong trade union, are pressing their demand for better work. While the continued recruitment of men from South Africa (and men from this country) does not exacerbate the situation, my fear is that if the Africans were to see Europeans from some other part of the Empire brought in to fill skilled posts at the mines, the African mine workers reaction would be bad and that there might be serious trouble—it takes very little to set the Copperbelt alight as has been shown by the shootings in 1935 and 1940.

If you wish to pursue this, I suggest that what is wanted is a despatch (or semi-official letter) to the Acting Governor, telling him of Malta's problem, the sort of people for whom it is desired to find openings and, if possible, the number of persons involved, accompanied by a reference to the brief talks with the Governor and Mr. Welensky (making it clear that neither committed himself to a definite statement of opinion), and asking Mr. Stanley⁴ if he would consider the matter and let us have his views. I suggest that our communication should also refer to Mr. Welensky's suggestion that the Copper Companies might again recruit Maltese but that we should include a statement of our own doubts about this suggestion: but we could ask for Mr. Stanley's views on it and say that if Government favoured it, the final word would, of course, be with the Companies with whom we shall not discuss the matter until we have the views of the N.R. Government.

In the meantime, I am asking my registry to look up the old papers about the employment of Maltese on the Copperbelt. Most of the openings for artisans are on the Copperbelt and I should make it clear that if the mines are non-starters, the number of openings in Northern Rhodesia for skilled men would not be great.⁵

⁴ R C S Stanley, acting governor, Northern Rhodesia.

⁵ On reading Lambert's minute, J S Bennett conceded: 'I doubt if it is worth making any approach to N Rhodesia if Central African Dept feel that they must give a lead against it' (CO 158/589/89666/13, minute by Bennett, 16 May 1950).

10 CO 158/589/89666/2

11 July 1950

[Emigration]: minute by J S Bennett on the possibility of Maltese emigration to Australia

Sir T. Lloyd

I hope that the Secretary of State will feel able to take the opportunity of his meeting with Mr. Menzies¹ on Friday (which I understand is mainly for the purpose of discussing South-East Asian affairs) to bring up the subject of Maltese emigration to

¹ Robert Menzies, prime minister, Australia, 1949–66.

Australia. You will see from Mr. Carter's minute above that the C.R.O., on second thoughts, suggested this method of approach.

2. Mr. Carter has put up a note at (10) for the Secretary of State's use. The following are some supplementary points.

3. The population of Malta is now over 300,000 in an area approximately the size of the Isle of Wight, and it is increasing at a net rate of about 8,000 a year. The economic resources of the Island, which are largely artificial anyway owing to their dependence on employment given by the Service Departments, are insufficient to support for much longer a population growing at this rate. Malta is already in receipt of a good deal of U.K. aid and unless the population can be kept down to reasonable proportions Malta is in danger of becoming a permanent pensioner. The alternative would be a steady and in the end severe fall in the standard of living, which would not be acceptable in a European colony, especially one which is of such strategic importance. There is also a more direct strategic interest in checking the growth of the population and if possible reducing it, since an excessive civil population in this fortress would be a liability in war, and there is a real danger of elementary necessities like the water supply proving insufficient.

4. Since Malta is essential to Commonwealth defence and to the line of communication between the U.K. and Australia through the Mediterranean and Middle East, there are thus grounds for saying that there is a broad Commonwealth interest in helping Malta to deal with her population problem.

5. Australia is the chief outlet to which the Maltese themselves look and has already done much more than any other country since the war to absorb Maltese immigrants; this should be acknowledged to Mr. Menzies. What we want to ask for now is that the Australian Government should adopt a friendly attitude in principle towards further requests, which cannot yet be formulated in detail, for the continuance and perhaps expansion of Maltese emigration to Australia. One example is the Assisted Passages Scheme referred to in paragraph 2 of Mr. Carter's note; the Maltese Government will probably soon be approaching the Australian Government for such an extension.² The present Scheme itself puts no limit on the numbers of emigrants but the Australian Government have hitherto insisted on 'nomination' by residents in Australia, which naturally does limit the numbers. This is another matter on which we may wish to approach Australia later after consultation with Malta. Mr. Casey, the Australian Minister for National Development, in a press interview published a few weeks ago in the 'Observer', stressed Australia's desire for new settlers, and we hope that the problem of Maltese emigration to Australia will be dealt with by the Australian Government within that broad concept.

6. We have deferred consulting Malta about a formal approach to Australia on these questions because the C.R.O. wished such an approach to be left over until after a conference on emigration from Europe which is to be held this month as a result of the communique on the subject made after the Tripartite meeting of Foreign Ministers in the Spring. The Maltese Government have been invited to send a representative to that conference. The invitation to them is at (7) on 89666/50 below.

² At this point, Sir Thomas Lloyd noted in the margin: 'and after the election in Malta, a Minister will probably visit Australia'.

11 CO 158/590/89844/22, no 7

25 Sept 1950

[Archbishop of Malta]: note by J S Bennett of a meeting between Mr Griffiths and Michael Gonzi on the archbishop's views on political developments in Malta. *Minute* by J S Bennett

Mgr. Gonzi, the Archbishop of Malta, called on the Secretary of State on Monday morning, 25th September. I was present. The talk lasted just under half an hour.

After indicating that he was speaking freely and confidentially as among friends, the Archbishop plunged straight into politics. 'What I am afraid of' he said 'is that the two branches of the Labour Party will unite; they are trying to. If that happens Mintoff will come out on top.' The Archbishop then launched into a measured tirade against Mr. Mintoff. He certainly had brains; he was the only Maltese political leader who had. He was 'spoiling' the youth of Malta by making extravagant promises. As time went on more of these young people would get the vote and Mintoff's chances of coming to power would increase. His chief strength was in the dockyard. He was claiming that the poor should have the same standard of living as the rich, an ideal with which it appeared that the Archbishop had little sympathy. Mgr. Gonzi believed that what Mr. Mintoff was after was to introduce elaborate social services 'which we cannot afford' and then to create a state of crisis in which he would call on the U.K. to foot the bill. Mr. Mintoff was also playing up racial animosity by making Maltese in the Services and in civilian employment under the Services want the same pay and conditions as their U.K. counterparts. Mr. Mintoff was an enemy of England. The Archbishop could not say that he was a Communist, but he was an extreme Left Wing Socialist. The Archbishop spoke darkly of a visit which Mr. Mintoff had paid to Italy just after the elections, where he had seen a Socialist Member of the Italian Parliament who was a personal friend, and hinted that this might be a channel through which Mr. Mintoff was receiving instructions from some more sinister source.

The Archbishop did not want to see a coalition between Dr. Mizzi and Mr. Mintoff. Mr. Mintoff would soon come out on top as Prime Minister. Both were extremists; but Mr. Mintoff was young, while Dr. Mizzi was old. Dr. Mizzi was a bit wild, and one had to put him down occasionally (from the way the Archbishop spoke it was to be inferred that it was he who did the controlling of Dr. Mizzi and that he felt confident of his power to do so). A coalition between Dr. Mizzi and Dr. Boffa, on the other hand, would work all right provided the language question could be put aside, as Dr. Boffa would undoubtedly insist. As for the language question, the Archbishop added that when it and pro-Italianism were a live issue between the two wars there was never any serious anti-British feeling(!). Now there was, because of Mr. Mintoff. (The impression I got from this part of the conversation was that the Archbishop was trying to put across the following line of thought: the only possible coalition that will keep Mintoff out is a Mizzi-Boffa coalition; H.M.G. has reason to distrust Mizzi because of his past history; but I, the Archbishop, will be responsible for keeping him in order if H.M.G. will bless and back such a coalition).

Immediately after the elections all the Party leaders except Mr. Mintoff had called on the Archbishop and he had proposed to them the formation of a National Government of all Parties except Mr. Mintoff's, to keep the latter out of power. This had been objected to on the grounds that it would not really be a National

Government, and the impression from the Archbishop's remarks was that Dr. Mizzi had not been willing to play. One gathered that Mgr. Gonzi had been very afraid of a Mizzi-Mintoff coalition but on his latest information thought that this was now unlikely to come off.

The Archbishop deplored the fact that the Constitutional Party had only got four seats. If they could have raised ten, they could have gone into coalition with Dr. Boffa, and both were moderate Parties. They had lost ground through the period during which the Party was dormant, and their election preparations had been sketchy, but even if they had prepared for the election thoroughly the Archbishop did not think they would have got more than six seats.

The Archbishop reverted more than once to the question of Communism. People occasionally said to him that there were no Communists in Malta and he was forced to put them right; he had often said that there were Communists in the Island. Members of Mr. Mintoff's Party had the Daily Worker sent to them from England. At present it was intercepted in the post under the powers given by the Post Office Act; the Secretary of State had probably heard that Mr. Mintoff had said that if returned to power he would repeal this illiberal Act.

'I know we live in a democratic age' said the Archbishop with a slight smile. But, he went on, would it not be desirable for H.M.G. to use all the influence they had, without breaking democratic forms, to keep Mr. Mintoff out of office?

In conclusion the Archbishop said that he could not help being sorry that Malta had self-government because of the danger to the future represented by Mr. Mintoff and his ideas. He (the Archbishop) was forced to wonder whether it would not be better to return to Crown Colony Government in order to keep Mr. Mintoff out.

The Secretary of State confined himself to remarking that to abandon the Malta constitution would be contrary to our whole Colonial policy, that it would be deplorable if the conflicts between the Parties as a result of this election led to a breakdown of the constitution, and that it was essential that the Government must go on somehow.

Minute on 11

I attach at (7) a note of the Archbishop's interview with the Secretary of State today.

It was the first time I had met Mgr. Gonzi, and I certainly got the impression of a redoubtable personality. It is interesting that he made no attempt to excuse plunging straight into politics, and appeared to think it perfectly natural for an ecclesiastical dignitary to tell the S. of S. what he would like to see happen in Malta's political life.

It will be known to higher authority that I venture to question very considerably the view of Mr Mintoff's policy and attitude presented by the Archbishop (which is shared, though perhaps less vehemently, by the Governor); that I believe, as Sir Arthur Dawe¹ did when the Constitution was being restored, that our interests will best be served a Labour Government in Malta; and that if this means a Mintoff Government (as it now does), I would take the risk. But of course one of the early actions of such a Government would be to try and diminish the wealth of the Church

¹ Deputy under-secretary of state, CO, 1945–7.

and its undue influence in secular affairs. It is not to be expected that a prelate like Mgr. Gonzi would not fight this to the death, and he seems to me far too astute a man for his remarks to be taken at their face value. I will not comment further now but hope to submit a general political appreciation when we know that a Government has been formed and has passed its test in the Assembly.

If the S. of S. approves the record of the interview I suggest that I should send a copy to the Governor; I have a spare.

J.S.B.
25.9.50

12 CO 158/588/89666 11 Nov 1950
**[Emigration]: minute by J S Bennett advocating Maltese emigration
as a means of checking population growth**

I attach a draft despatch to the Governor¹ about emigration which speaks for itself. The papers referred to in it are attached.

2. I have thought for a long time that we ought sooner or later to stir this question up. It has been difficult to do so both because of the constitutional position and because the Boffa Government were, until the very end of their term of office when it was too late, surprisingly reluctant to tell us what they were doing or to ask our good offices to assist them with Australia and other Commonwealth Governments. They confined their requests about emigration to financial aid for the emigration of ex-Servicemen (which we had to refuse) and to occasional matters of shipping facilities (where we were usually able to help).

3. The fact that the present Nationalist Government, of all people, while being only a minority government, have come out in favour of emigration is both remarkable and encouraging. The reference to it in the Speech from the Throne gives us an opening which I think we should take.

4. It is only now becoming clear that the shock to the economy and employment levels of Malta caused by the post war cuts in Service employment have so far been cushioned in Malta; first by U.K. subsidies, and subsequently (after those ceased) by what seems to have been reckless spending by the Boffa Government during this last year to keep itself in office. The day of reckoning has got to come and with expenditure at the present rate Malta will either be bankrupt within a year or 18 months (which presumably means the collapse of the constitution with all that that implies both for them and H.M.G.) or else considerable bodies of men will be left without work. The latter is no solution because, apart from the humanitarian aspect, Malta has no unemployment insurance or relief and the new 'Schuster aid'² has been specifically tacked down to an understanding that new social services will not be created. After the Dockyard discharges last year the General Workers Union (which balances itself politically between the Boffa and Mintoff Labour groups and is by no means 'extreme') was already talking in no uncertain terms of the 'traditional British policy of creating a pool of skilled but underpaid labour in Malta for the Service Departments'. If an army of unemployed, without relief, grows up, it will be said

¹ Not printed.

² See 13, note 3.

much more vigorously that H.M.G. are out to drive wages and living standards in Malta down. Politically, the kind of things with which Dr. Boffa and Miss Strickland and the Archbishop have tried to make our flesh creep (so far unjustifiably and for local political purposes) would then enter the realm of real probabilities. Even if we could afford a collapse of the constitution politically, it would cost us just as much if not more financially to keep a crown colony government afloat. It may be maddening that the Maltese should create this problem by their failure to check the growth of the population, but until a party arises in Malta strong enough to challenge the dominant position of the Church there is no remedy to that. The only solution I can see is a concerted drive on emigration. Even that may be a broken reed because, apart from the practical difficulties in the receiving countries, H.M.G. must constitutionally play second fiddle to whatever Maltese Ministers happen to be in office. But I think we must try, and the draft despatch opposite is as much an effort to get the Governor thinking on the subject himself as anything else.

13 CO 158/567/89036/10/1 25 May–1 June 1951
[Financial situation]: minutes by P A Carter¹ and J S Bennett linking impending Maltese bankruptcy with Malta's future constitutional and political development

The above minute by Mr. Peckham² shows clearly that Malta is on the downward path to almost certain bankruptcy. There was a deficit of some £489,000 on last year's budget as compared with a deficit of some £353,000 in the previous year. The similarity between this picture and that of Hogarth's 'Rake's Progress' is practically complete; the nearer Malta approaches bankruptcy the dizzier her spending appears to become.

2. It is not difficult to put one's finger on the main cause of Malta's impending crisis. It is a problem of having too many mouths to feed with no natural resources and her dependence on the employment of her man power by the service establishments in Malta. Her administration suffers greatly from the lack of real expertise, from the inadequacy of her political leaders, their propensity for intrigue, their unwillingness to take unpleasant decisions, and in general their total incapacity for dynamic leadership along rational lines.

3. Examples of the many defects in their financial system are (a) the failure of the authorities to institute a rating system and (b) the failure to keep revenue producing projects such as electricity and water supply in self-contained apartments. The locals have long been conscious of the need to put such matters right, but there is not one with sufficient energy or enthusiasm to give a lead.

4. Although the island is not yet technically bankrupt she has now reached a state where she has insufficient financial resources such as are normally required by a Government for their day to day financial needs. This plight was illustrated when the Governor in answer to an enquiry from the Colonial Office as to why Malta

¹ Principal, CO.

² CO 158/567/89036/10/1, minute by A J Peckham (assistant principal, CO), 23 May 1951.

should not produce the necessary money in order to finance stock piling requirements, stated that there were no surplus monies available for such purposes.

5. Although Malta is not a dominion, nevertheless her constitutional status is sufficiently advanced to merit some comparison with the situation in 1933 when Newfoundland was forced to submit to a measure of imperial control in return for financial assistance from the United Kingdom. Newfoundland was, however, at the time in a far more serious economic state. There was genuine hardship and distress amongst her inhabitants. The salaries of her Civil Servants had been reduced to bare subsistence level in a good many cases and she had no further taxable capacity. In this connection one should mention that Sir George Schuster in his recent Malta report³ gave it as his opinion that the prospects of increased revenue from taxation were poor. After the example set by this country one wonders however whether the Maltese could not, perhaps, be constrained to submit to a little further taxation.

5. [Sic] H.M.G. has agreed to make available to Malta a further 1½ million pounds from C.D.&W sources, and we have now asked the Governor to discuss with the Maltese Government the sort of machinery which we have suggested should be established to ensure that these monies are wisely spent. It was always implicit in this concession by H.M.G., the Maltese Government would make a genuine attempt to put their house in order. Over the last 18 months there has been every sign of a total incapacity, on their part, to run their finances properly and any normal money lender would be perfectly justified in withdrawing any offer such as H.M.G. have made. Politically, however, such a step would require the fullest thought before it could be risked. The question is when are we to face up to the situation that in a very short time Malta will be bankrupt. Are we to take any steps now or shall we leave it until bankruptcy is an actual fact? Malta has virtually no internal public debt, and I suppose it might be argued that she could resort to borrowing for some time to come before she could be termed accurately a bankrupt. The local government has never attempted to float an internal loan, and I am informed that no Maltese would ever subscribe to one. Perhaps Mr. Hulland, through whom I am passing these papers can advise what might, if need should arise, be done in this direction. If Malta has to come to us for assistance, would the Treasury sanction the raising of a Government Loan? Would it have to be underwritten by H.M.G?

6. Mr. Peckham has suggested that we might inform the Treasury of the present state of affairs. In accordance with the existing procedure a copy of the latest Estimates was sent to them some time ago and since the war they have always had a copy of the Approved Estimates. The Treasury have therefore had an opportunity to make themselves aware of the deteriorating financial position in Malta; but Mr. Hulland may feel that more active steps should be taken.

7. I think however we should clarify our own ideas about the Maltese problem before we approach any other department. I should moreover draw attention to the anxiety voiced by the Crown Agents in 1949 about Malta's finances—see correspondence on 89036/12 attached. Our response at the time was that we did not feel there was any grave danger, and that any danger signals would be received by the Crown Agents soon enough. Mr. Hulland may care to consider that aspect also.

³ Sir George Schuster, a director of the Westminster Bank, visited Malta at the request of the Malta government in 1950 to advise on economic and financial policy. For the resulting study, see *Interim Report on the Financial and Economic Structure of the Maltese Islands* Col No 260, 1950.

8. The day is not far off when we shall have to consider whether the almost certain financial assistance which Malta will expect of us will not involve some modification of her present constitutional status. The ablest politician in Malta, Mr. Mintoff has voiced the possibility of incorporation with the United Kingdom as a possible solution to Malta's problem. Perhaps something on the lines of the Commission set up after 1933 to administer Newfoundland consisting of both United Kingdom and local officers responsible to H.M.G. may offer a solution? It seems to me that carrying on under the present unsatisfactory constitution and injecting spasmodic financial assistance into Malta's economy is but scratching at the problem. The fundamental causes of Malta's crisis would remain neglected and the United Kingdom tax payers' money would be spent for no purpose at all. Malta's position can only be improved by (a) reducing her population substantially, and (b) the execution of a long range policy of reconstruction. It is doubtful whether these drastic measures could be undertaken under the present Constitutional set up. The Maltese themselves are incapable of carrying out these measures; the lead would have to be given from here.

9. Contrary though it may be to the goal of our colonial policy I venture to suggest that a system of 'Government by Commission' similar to the Newfoundland Commission may possibly afford the best means of restoring Malta to a sound basis.⁴ Such a step would be, it is hoped, but temporary, though, for all one knows, the Maltese might prefer that system of government to the present dyarchical system which, in many ways creates an illusion rather than a reality of self-government. These are but thoughts about the future. Nothing can be done yet about changing the constitution until bankruptcy stares Malta in the face, but in view of the inevitability of this development, we should forewarn ourselves.

P.A.C.
25.5.51

The analysis of Malta's gloomy financial situation contained in the previous minutes speaks for itself. For immediate purposes I think we have no option but to wait and see what kind of budget for 1951–52 will be produced by whatever Government emerges from the party consultations now going on as a result of the recent election. But I do not wish to seem a Macawber, and there are, I feel, no real grounds for hoping that Mr. Carter's forecast of early bankruptcy for Malta will be disproved. If so, it is not too soon to start thinking what steps we should have to take to deal with it, although in my view a great deal would have to depend on the precise way in which the bankruptcy occurred and on the political circumstances at the time in Malta and in the world at large.

2. It is significant that the descent into the abyss has become marked since the failure of the 1949 Maltese delegation to get what they regarded as an adequate response from H.M.G. and the consequent split in the Malta Labour Party. Since then, politics in Malta have been paralysed and for practical purposes there has not been a Government capable of taking a grip of the situation. I remain of the opinion (which I have held for some time) that if Malta is to disprove these gloomy prognostications and save herself, the key is to be found in the internal political

⁴ At this point, Carter noted in the margin: 'I appreciate that there are formidable political difficulties implicit in such a proposal, but is political expediency always to override this economic necessity?'

situation and not in external economic analysis and advice. These figures, and the last 18 months experience, show that solvency can only be assured by measures which will hit the standard of living and of public services, i.e. measures distasteful above all to organised labour. These may need to be reinforced by increased taxation on the well-off. I believe experience shows that, if anyone can do this at all, the only kind of government which can be a strong one which holds the confidence of organised labour. Interpreting this in the terms in which the Maltese parties have sorted themselves out during the last two elections, it means a majority Government formed by the Malta Labour Party under Mr. Mintoff. Equally I think that only a Maltese Government, and one of the Left, could fight the Church about the control of population. I am sure this is something which H.M.G. could never do and on which the Maltese must work out their own salvation.

3. Even a Labour Government might not do the trick, because it is arguable that Mr. Mintoff would like to drive Malta to bankruptcy in the confidence that H.M.G. would have to take over and maintain what he had created. But I see no grounds for hoping that any other party or coalition could even make the attempt.⁵ We have seen already how the parties of both Centre and Right are compelled, by political logic, to curry favour with organised labour in order to out-bid Mr. Mintoff. Thus in 1950 the Boffa Government pushed up public works and in 1951 the Nationalist Government pushed up the cost of living bonus. The Centre and Right parties have also to out-bid Mr. Mintoff in demanding aid from H.M.G.; they differ from him simply on tactics, and hope to get our backing in return for 'loyalty'. In the last paragraph of my memorandum of December, at (15) on this file, I suggested that the Imperial authorities in Malta themselves, if forced to step in, would be placed in the same political dilemma as the Centre and Right parties and would thus be no more able (however good their economic advice and administrative ability) to keep Malta from bankruptcy. I suggest that this has already been borne out to a significant extent by Sir G. Creasy's attitude at the time of the February and April Orders in Council. He shrank from taking responsibility, even 'in Council', for an austerity budget or for not granting the labour demands for an increased bonus.

4. Mr. Mintoff's Labour Party has steadily gained in strength at each election but is still a few seats short of being able to form a Government. If the present Assembly leads (as it well may) to the early extinction of the Boffa Party, Mr. Mintoff might pick up enough from the wreck to force another election after which he could then form a Government. H.M.G. cannot influence this, but it may be our only hope. Even so it may be too late, if only because the Mintoff of today may no longer be the Mintoff of 1948; events since then have soured him.

5. One specific thing we might do is to ask the Governor, either in writing or by discussion when he comes home, to give us his own estimate of the minimum financial reserve necessary (as Mr. Peckham suggests) and of the minimum level of social services which he thinks acceptable. I would like to draw him on the last point because at the time of the Schuster Report he was all in favour of austerity and against 'Mintoffian extravagance', but since then, in connection with such things as Malta's claim for the U.K. to bear the cost of civil defence, he has spoken of the inadequacy of present social services.

⁵ Bennett noted in the margin against this passage: 'That was Sir G. Schuster's mistake. He put his money on Dr Boffa, and was proved wrong in three weeks.'

6. It is also for consideration at what stage the danger of a financial collapse in Malta, with its constitutional implications, should be brought to the notice of Ministers. I doubt if we have all the facts to go on yet, but a preliminary warning Cabinet paper before the summer is out might be desirable.

J.S.B.
1.6.51

14 CO 158/586/89036/1

22 Aug 1951

[Economic situation]: minute by J S Bennett on the reasons for Malta's economic weakness

Mr. Martin

As Mr. Peckham's minute explains, the memorandum at (6)¹ attempts to prepare the ground for the probable visit of a Maltese delegation in the autumn, by showing how things have got to their present sorry state. It is bound to be incomplete; we do not get as much help from the Governor in the way of regular information and appreciations as might be expected, and that must be the excuse for the length of the memorandum and of these accompanying minutes. Mr. Peckham is to be congratulated on the researches which have made this memorandum possible.

2. The Maltese are only too ready to claim that their economic and financial problems are beyond their control and that they must be helped out. How true is this?

3. With a population of 300,000 packed on a tiny island with no natural resources, Malta's economy is doubly vulnerable. The Island cannot feed itself and is therefore hard-hit by the present trend of world prices in favour of primary producers. It has nothing to sell in exchange except its labour; and that does not have the advantage of a free market, being dependent on the U.K. Service Departments whose consumption of Maltese labour is governed not by the efficiency and productivity of the labour itself but by what U.K. defence needs require and can afford from year to year. The Service Departments have a long-standing vested interest in cheap labour in Malta.

4. These two basic weaknesses *are* beyond Malta's control. Unfortunately the Maltese have wilfully aggravated them. In the social sphere, they refuse to control the alarming growth of population.² Politically, since the split of the Labour Party in 1949, they have fallen short of their self-governing responsibilities by failing to throw up a strong majority Government capable of getting to grips with the country's finances. The difficulty is to disentangle the genuine from the artificial elements in Malta's present financial crisis.

5. The memorandum, and Appendix A in particular, show that the approaching bankruptcy is not due (as is sometimes supposed) to Malta deliberately living beyond its means by indulging in extravagant social services and the 'trimmings' of administration which can be retrenched in bad years. The gap arises not in ordinary

¹ CO158/586/89036/1, no 6, memorandum by the Mediterranean Department, 21 Aug 1951.

² At this point J M Martin remarked: 'But have done a good deal to promote emigration.'

recurrent expenditure but³ in the mounting cost of subsidies, wages and public employment, i.e. the basic standards of living of the people. These problems have their roots in the real economic weaknesses of Malta, however much Maltese irresponsibility has aggravated them. They are the real problems which were at least put to us, however clumsily, by the 1949 Delegation. They were hardly touched on in the Schuster Report of 1950. They will certainly be brought to the fore again by any new delegation in 1951, and I think H.M.G. will soon have to decide its attitude to them.

6. The answers will not be easy, but the questions for decision can I think be stated fairly simply:—

(i) Economic forces, left to themselves, will drive Malta's standards of living lower and lower, and the Maltese Government will very soon run out of money to hold them in check. Does H.M.G. care, or shall we let them stew? This is not only a moral problem but has obvious security implications in a Fortress Colony.

(ii) If we decide that we cannot stand aside and must bridge the gap to enable minimum acceptable standards of living to be maintained, can a way be found of doing this while preserving Malta's self-governing Constitution? The assistance needed will be analogous to grants-in-aid and not the kind of thing that further C.D.W. assistance (even if available) could meet.

(iii) In order to measure the gap under (ii) above it would be necessary (a) to agree with the Maltese Government broadly what *are* the 'acceptable standards' that must be paid for (which means facing various vexed questions like that of equal pay for Maltese and U.K. workers in the Dockyard) and (b) to determine what is the maximum that Maltese self-help can contribute. So long as the Constitution lasts, these are political questions that can, I think, only be settled in negotiation with responsible Maltese Ministers and not by outside economic experts.

7. The purpose of this minute (as of the memorandum itself) is to try and show that there *is* a real problem and to define it. I will not take further space by trying to suggest answers at this stage, though the Department is very ready as always to have a shot. Meanwhile I submit the memorandum for information and advance study, and suggest that we should be authorised (as Mr. Peckham proposes) to send a copy to the Treasury in order to put them in the picture, in pursuance of your minute of the 4th June on 89036/10/49.

³ 'I don't quite understand the antithesis', complained J M Martin at this point.

15 PREM 11/196, PM(53)19, ff 9–12 24 June 1952 **[Financial assistance]: minute from Mr Lyttelton to Mr Churchill on progress in talks with the Maltese delegation**

We have now had further meetings with the Maltese.¹ We have done our utmost to meet their point of view. We have dropped the proposal for a Financial Adviser, and have suggested instead that Malta's financial and economic progress, as well as other

¹ A delegation from Malta led by Prime Minister Borg Olivier had arrived in London in June 1952 to discuss British financial assistance.

matters of common interest, should be considered by a Malta-United Kingdom Consultative Committee meeting once a year, or more often if necessary, in London. This is a revival of an old suggestion, and is in itself acceptable to the Maltese. While not accepting their proposal that we should contribute directly towards food subsidies, we have offered £500,000 to meet the deficit on the current financial year and to restore the cash position, subject only to a further joint examination of the position which can take place immediately. In addition we have offered to contribute for, say, three years towards a sustained emigration programme which the Maltese would now work out: the contribution would either be on a basis of help in accordance with need or on a percentage basis. We have not acceded to the Maltese request for £3 million over the next five years for building schools, hospitals, etc., but half of this sum has in fact already been granted (in 1950) and has not yet been spent. We have made it clear to the Delegation that there is nothing to prevent this money being used from now on. It should last three or four years, given the maximum rate at which Malta can spend it on really desirable projects; and in any case we are prevented by the terms of the Colonial Development and Welfare Acts from looking further ahead than March 31st, 1956 (though the Maltese reply to this is that we can always pass a special Act).

2. At the latest meeting the Maltese objected strongly to these proposals. They have gone away to think, but they gave us to understand that there was no hope of acceptance. This may or may not be bluff. They still insist that Her Majesty's Government has an obligation to give them long term assistance, and that help for just one year at a time does not enable them to plan. We have replied that our obligation is to stand behind Colonies in the event of need, that we will faithfully fulfil that obligation and that this should be sufficient assurance for the future. We have also pointed out our willingness to assist emigration and the building of schools, hospitals etc. on a long term basis. Finally, we have offered to carry in future the running costs (comparatively small in themselves but politically important) of the Imperial side of the 'Dyarchy'.

3. In the Chancellor of the Exchequer's view and my own, there is nothing more which Her Majesty's Government can offer. We have already given Malta £31 million for War Damage and reconstruction. The assistance proposed for this year is very much what the Maltese themselves have asked for. In the present financial circumstances of the United Kingdom we should be failing in our duty to the United Kingdom tax-payer if we entered into specific commitments about general budgetary assistance for the future, when the fortunes of Malta are so unpredictable. We must maintain the position that it is our job to stand behind Malta in the event of need, and that it is our right to review that need annually. The Maltese have no grounds for regarding this as humiliating, since we have taken the utmost pains to point out that need will be interpreted in the broadest possible way and to devise special machinery which will safeguard Malta's prestige.

4. If negotiations break down, as they may, there will undoubtedly be political repercussions in Malta. Feeling may run high, and the present Government may be replaced by a Government much more to the left. There might even be a constitutional crisis with no party prepared to form a ministry. Moreover, the delegation while still here are likely to try and rouse Parliamentary and press support in this country. We have, however, made an offer which we can defend publicly as representing the utmost that is reasonable. I think it would be politically as well as financially wrong to go

further. The position of the present Maltese Government is in any case insecure, and attempts to bolster them up would have no certainty of success.

5. Since this was drafted the Maltese have asked for another meeting to-morrow afternoon. I propose, if you agree, that we should adhere to the present offer and, if that is rejected, that I should bring the matter before the Cabinet (as directed in your minute M. 343/52) in a Paper which would reproduce the first four paragraphs of this minute and would seek authority to make in Parliament a statement to that effect.

6. I am sending a copy of this minute to the Chancellor of the Exchequer.

16 CO 926/108, no 86a

5 July 1952

[Malta delegation]: letter from Sir G Creasy to J S Bennett on Borg Olivier's negotiating tactics

I am sorry I have worried you this week for news of the Delegation but you will appreciate that, as the residuary legatee of what may be a very unpleasant 'baby', I am always anxious for news!

I am afraid that you have found Borg Olivier just as tiresome and exasperating to deal with as I have!¹ In your letter of 2nd July you refer to his liking of negotiations by correspondence—arising out of that you will bear in mind, I know, the necessity of tying him down in writing to any agreement reached. He is perfectly capable of agreeing to something in the course of discussions and then of repudiating it later because 'he had not got the file by him' or some such excuse! Indeed I should not put it past him even to reach an agreement in writing in London and then to try to go back on it later in Malta on the ground that anything he agreed to in London was necessarily subject to discussion with the Cabinet here.

Incidentally my spies tell me that the Ministers here are not being told by Borg Olivier of what is going on in London and are furious at being kept in the dark.

¹ J S Bennett admitted that 'His obstinacy compels a certain grudging admiration, but I am finding this Delegation a considerable strain on my good will to Malta' (CO 926/108, no. 86b, letter from Bennett to Creasy, 9 July 1952). Showing his frustration, Lyttelton told Borg Olivier that 'he had never met another negotiator like him in all his 59 years' (Joseph M Pirota, 'The strategy of unruffled persistence: Borg Olivier's 1952 negotiations with the British Government', *Melita Historica* vol IX no 2 (1985) p 179).

17 CO 926/124, no 11

15 Oct 1952

[Elections to Malta Assembly]: letter from J M Martin to Sir G Creasy suggesting the dissolution of the Malta Assembly as a means of triggering an election

In view of the continuing stalemate about Borg Olivier's acceptance of financial aid, we have been giving some further thought to the possibility of a constitutional breakdown, correspondence on which at present rests with your letter of the 26th September.¹

¹ CO 926/124, no 9, letter from Creasy to Martin, no 139/50, 26 Sept 1952.

One further thought has occurred to us which may be worth passing on, although it is not possible to foresee whether circumstances will bring it into the realm of practical politics. I think one of the things which has been worrying you is the possibility that Borg Olivier would simply hang on to power, doing nothing decisive either to rescue the administration of the Island from the slough into which it has fallen or to reach a settlement with H.M.G., and play out time until—as forecast in paragraph 3 of your telegram No. 256²—the kitty is completely empty. Previous correspondence about emergency powers has stressed the importance of the Governor preserving a strictly constitutional role and leaving it to the Maltese politicians to work out their own salvation if they can or to go bust their own way if they can't. The restraint which this role of non-intervention imposes might become almost intolerable if it were quite apparent that Borg Olivier was simply playing out time as suggested above.

It may therefore be worth recalling that there is one way in which, while keeping strictly within the Constitution, it is open to the Governor to take the initiative. I refer to the power to dissolve the Assembly, which by Section 20 of the Constitution Letters Patent is conferred on the Governor 'as he shall think fit'. If you felt that circumstances—i.e. the complete inaction of your Ministers—warranted it, you could in the last resort dissolve the Assembly even though you had not been advised to do so by the Prime Minister, and thereby put the issues to the country to decide.

We realise that it would be difficult to dissolve against the Prime Minister's advice since it might lead to his resignation and you would want a caretaker Government in office during the period of the election campaign. But it does not seem impossible to envisage a situation where it would be justifiable and truly 'democratic' to appeal to the country by a dissolution of the Assembly initiated by the Governor even if that meant that, for the duration of the election campaign, the Governor could find no Ministers willing to remain in office and had to govern by emergency powers.

An election of this nature would amount to something like a referendum, in which the Maltese electorate would in effect be asked to pass judgment on the present Government. The electorate would be having their last chance to keep the present Constitution going by throwing up a Parliament and a Ministry capable of working it.

This is no more than an idea to keep in the back of our minds and I am far from suggesting that such a wholly exceptional step should be taken. No doubt you yourself have been thinking of such possibilities already and we should be interested in any comments you may have.

P.S.

This letter was drafted before receipt of your telegram No. 265. I am sending it unaltered, though it seems possible from your telegram that the situation may now change rapidly.

² CO 926/124, no 10, telegram from Creasy to Lyttelton, no 256, 9 Oct 1952.

18 PREM 11/475

18 May 1953

'Malta: representation at the coronation': minute by Sir N Brook to Sir W Churchill on the implications of admitting that Malta and Southern Rhodesia have the same standing

Whatever concessions may be made to prevent a boycott of the Coronation by Malta, I hope we can avoid appearing to admit the claim that Malta is in the same position within the Commonwealth as Southern Rhodesia and Northern Ireland.

An admission that Malta has equal rights with Northern Ireland would not hurt us very much in practice, as the two are not really comparable at all. But it will certainly be awkward, from the point of view of Commonwealth relations, to admit the claim that Malta and Southern Rhodesia have the same standing. A Cabinet Committee is now beginning to consider how we should handle applications for Commonwealth membership by the Gold Coast, Nigeria and other Colonies which may in future attain the status of 'independence within the Commonwealth'.¹ It is already clear that one of our difficulties will be the somewhat anomalous position already reached by Southern Rhodesia—whose Prime Minister has for some time past attended meetings of Commonwealth Prime Ministers, not as of right, but by invitation. It will be difficult enough to find a basis for preserving an 'inner ring' of important Commonwealth members; but our chances of doing so will be very much reduced if Malta is given any further grounds for arguing that she has the same claims as Southern Rhodesia to admission to such an 'inner ring'.

¹ BDEEP series A, vol 3, D Goldsworthy, ed, *The Conservative government and the end of empire 1951–1957: part II: politics and administration* (London, 1994), pp 13–14, document no 179.

19 CO 926/130, no 2

21 May 1953

[Coronation]: inward telegram no 127 from the officer administering the government of Malta to Mr Lyttelton on the treatment for Malta during the forthcoming coronation of Elizabeth II

My telegram No. 126.

Coronation.

Following is text of announcement made by Dr. Borg Olivier in Legislative Assembly today, which was very well received by all parties.

Begins. As I promised recently, I felt that I should keep the House informed of developments that have taken place concerning the representation of Malta at the Coronation celebrations, and for this purpose I have today asked you, Mr. Speaker, to convene this extraordinary urgent sitting. On the 11th May, I gave the House and the people an account of the circumstances that had led me to decide not to attend the Coronation festivities in London, where Malta was not going to be accorded its rightful place as her Prime Minister was not being accorded the same treatment as other Prime Ministers of the Commonwealth, and I mentioned particularly those of Southern Rhodesia and Northern Ireland. I also said that I was excluded from all functions to which the Prime Ministers of Southern Rhodesia and Northern Ireland

were specially invited. Since that date, as I have already informed the House, new approaches have been made, in which the Prime Minister, Sir Winston Churchill took an active interest. As a result of this, I am now in a position to announce to the House two decisions which I am sure will be welcomed by all sections of the House. I am pleased to say that during these festivities, the flag that will be flown in London as the flag of Malta, among the flags of the Commonwealth that will be flown at Whitehall, will be only our white and red flag. In all these celebrations Malta is going to be accorded a treatment identical with that given to Southern Rhodesia and Northern Ireland. This means that in these celebrations, and particularly in Westminster Abbey and in the official procession from Buckingham Palace and back, the Prime Minister of Malta will be taking his place with the other Prime Ministers of the Commonwealth. From this it is clear that the unfortunate circumstances that compelled me to reach the decision, which was concurred in by the other Ministers, to abstain from attending the London celebrations, have ceased to exist. For this reason, I was happy to inform Her Majesty's Government—and in this also all Ministers have concurred—that in my capacity as Prime Minister, and as such to represent these Islands, I shall be attending those celebrations where, I am sure, Malta—as one—wishes to take its due part on this solemn occasion of rejoicing with the great family of nations in the Commonwealth gathered around the august person of their head, Her Majesty Queen Elizabeth II. *Ends.*

20 CO 926/93, no 14

26–27 May 1953

[Departmental responsibility for Malta]: minutes by Sir C Jeffries and Sir J Martin on the possible transfer of responsibility for Malta from the Colonial Office to the Home Office

This may have been thought of already, but I put it forward in case it may help.

The P.M. of Malta is apparently going to press for transfer of Malta to C.R.O., who I don't suppose want to have Malta on their plate.

Might it not be better to propose transfer to H.O.? This would be putting Malta in line with N. Ireland, the Channel Islands and Isle of Man, which seems more suitable.

C.J.J.

26.5.53

Sir T. Lloyd

I do not think that transfer of Malta to the Home Office would prove satisfactory in practice and it would establish a precedent which might be found embarrassing.

So long as the present diarchical relationship with Malta persists there is a considerable amount of work to be done by the responsible department in Whitehall, particularly in connection with the relations between Malta and the Service Departments and the periodical requests from Malta for financial assistance—quite apart from the routine business of acting as post office between Malta and United Kingdom departments and making available to Malta our various specialist services. Although the Maltese may be dissatisfied with our handling of their affairs, I believe this is more on account of status and prestige than on more practical grounds and I

do not believe that the Home Office is qualified by its experience to handle satisfactorily the responsibilities which at present fall on the Colonial Office.

Further, a good many Colonial territories are, in constitutional advance, following on the heels of Malta and I do not believe that the Home Office, unless its character is greatly changed, is qualified to take on responsibility for our relations with such territories.

It is true that transfer of responsibility to the Home Office may appear consistent with Mr. Mintoff's suggestions that Malta should be treated as part of the United Kingdom, but these are at present very vague and it is very doubtful if they are practicable or indeed if they would be generally acceptable in Malta unless in the form that Malta derived all the benefits of the welfare state in the United Kingdom, while escaping United Kingdom taxation.

My own feeling, for what it is worth, is that the time is approaching when it will be necessary to obliterate the distinction between the Commonwealth Relations Office and the Colonial Office; but the present volume of work of both offices seems too great to be the responsibility of a single Secretary of State and we can carry on as we are for some time longer. After all, the Maltese demand in this respect is only part of the demand for equality of status with Southern Rhodesia, which is not supported by the facts of the situation.

J.M.M.
27.5.53

21 CO 926/93

17–18 June 1953

[Departmental responsibility for Malta]: minutes by W A Morris and Sir J Martin on the possible transfer of responsibility for Malta to the Commonwealth Relations Office

I have put Mr. Oliver Woods's¹ message of the 11th June from Malta to the 'Times',² and Miss Strickland's letter of the 15th June, on this file. The 'Times' article stated that (as we know from demi-official correspondence from Mr. Trafford Smith) the concessions made to Dr. Borg Olivier over his Coronation arrangements have been widely interpreted in Malta as an advance towards full Commonwealth status. According to Mr. Woods, H.M.G. will not be able to put off defining the true constitutional position of Malta, although he goes on to say that the idea that a place of Malta's size and standing in the world can progress towards full Commonwealth membership is a quite unreal conception. The two ideas he supports are that Malta might nevertheless be transferred to the C.R.O., or alternatively that there should be some high-level inter-departmental committee to keep in touch with Maltese affairs.

2. Miss Strickland's letter advanced both these suggestions, saying that transfer to the C.R.O. would reflect Maltese desires, but she seems to have some doubt about the implications of this, and puts forward as another possibility transfer to the Home Office, by analogy with the Channel Islands.

3. Mr. Trafford Smith has told us, in a personal letter to you, that he thinks that some statement would be desirable to make it plain in Malta whether or not there has been any change in her constitutional status, as the result of the Prime Minister's

¹ *Times* correspondent.

² Extract from *The Times*, 11 June 1953, CO 926/93, no 11.

being equated with the Prime Ministers of Southern Rhodesia and Northern Ireland in the Coronation arrangements. In our own minds, of course, there has been no question that the concessions made to Dr. Borg Olivier were made *ad hoc*, and related only to Malta's unique position among Colonies as holder of the George Cross on the special occasion of the Coronation. But the Maltese Prime Minister for his part succeeded in stressing in Malta that he had been accorded similar treatment to that given to the Prime Minister of Southern Rhodesia, and in implying that this reflected Malta's constitutional position. My own feeling, and I think yours, has been that it would be inadvisable to make any formal statement along the lines Mr. Trafford Smith suggested, but that the fact that the constitutional position is unchanged will have to emerge.³ There is no doubt, however, that something has been stirred up in Malta, and that all the main political parties, spurred on by the wild talk of Mintoff and the Malta Labour Party will keep this issue to the forefront. I think it not unlikely that Dr. Borg Olivier might try to cash in on his enhanced prestige by having an election, in which case he may have to commit himself to further statements about his intention to press on with recognition of some development in Malta's constitutional status.

4. I do not believe that the transfer of Malta to the C.R.O. is a starter, as long as the division of responsibilities between this Office and the C.R.O. remains as it is at present. It is true that there is no clearly defined stage at which a territory becomes ripe for falling within the C.R.O.'s ambit. Southern Rhodesia is not a Commonwealth member in the fullest sense, and there are odds and ends such as the High Commission Territories which fall to the C.R.O. by historical accident. Malta could, therefore, be transferred to the C.R.O. without its automatically becoming a full Commonwealth member. The S. of S. for Commonwealth Relations has said in Parliament that no territory can graduate as a full Commonwealth member without the assent of all the other members, and mere transfer to C.R.O. responsibility would not bring this about. All the same, the C.R.O. are not likely to welcome responsibility for a territory which is as little economically viable as Malta. Indeed, one common characteristic of all the territories which fall under the wing of the C.R.O., apart from the High Commission Territories, is that they stand on their own feet financially. Not only this, but transfer of Malta to the C.R.O. would make it more difficult to handle the exclusion of the Maltese Prime Minister from Commonwealth Prime Ministers' conferences, in view of the concessions which the C.R.O. have made, not in strict logic, to the Prime Minister of Southern Rhodesia. And if Malta was so transferred, why not Jamaica and the Gold Coast?

5. But all this does relate itself to the question of the future treatment of these places which emerge from Colonial government into internally self-governing territories, but can never hope to attain full nationhood in the same sense as the big Commonwealth countries. Long term thinking has been going on about this, and I believe that currently this has been related to the future of a Central African Federation. It may be, therefore, that what has happened over Malta will give a stimulus to the problem of defining the constitutional position of second class members of the Commonwealth, and of deciding whether they will ultimately remain under the C.O., or whether some separate administrative arrangement will have to be devised for them in Whitehall.

³ 'I agree', concurred Martin in the margin.

6. At this point I should say that, although my own knowledge of Malta is limited, basically what chiefly gets under the skins of the Maltese is that they are lumped in under the C.O. with a lot of African and Eastern territories, whilst they regard themselves as part of European society. Hence Dr. Borg Olivier's insistence in his London broadcast on Malta's ancient traditions, and her having come voluntarily into the British Commonwealth group 150 years ago. (I am not sure that this is true but that was what he said.) Of course, other threads are all tangled up with this, chiefly the Mediterranean temperament which disposes to endless talk and political argument, rather than getting on with practical administration; and the hopeless feeling of Maltese that their Island has really got no economic future, and that there is nothing they can achieve by their own unaided efforts to become economically prosperous. There are other complaints about the slow speed of control from the C.O.,⁴ and about lack of co-ordination with Service Departments' interests, but I believe that for all that the Maltese complex is against whatever constitutional advance they achieve under the C.O. being in common with the advances of West Africa and the West Indies. Hence, in my view, their present efforts to push out ahead of those other territories.

7. I might record that yesterday I had a visit from Mr. Robinson, of the Canadian High Commissioner's Office, when Mr. Morley, of the C.R.O., was also present. Mr. Robinson sought information about the Maltese constitution, because he said that his High Commissioner was greatly interested in the long term problem of the right place in the Commonwealth of these advancing territories. I gave him some factual information about the Maltese constitution, and our conversation was of course very informal. But he said, with relation to some statement recently made by two Nigerian Ministers, that he thought it ought to be made even clearer than it had been that full Commonwealth membership was something which needed the approval of all existing Commonwealth members. He said, speaking off the record, that he thought that if any territory such as the Gold Coast, of large size and resources, could graduate to full nationhood, there was no reason why it could not ultimately be received into the Commonwealth family. But he indicated that Canada would not be disposed to accepting minuscule territories, with no effective strength in the world, as equals in conference with the great Powers of the Commonwealth. All this was quite general conversation, but Mr. Robinson said that the High Commissioner personally was deeply interested in the problem as a whole in the context of the future shape of the Commonwealth.

8. To return to the 'Times' article, I think it must be admitted that there are strains and stresses in the 1947 Maltese constitution, which seem likely to cause continuing trouble. The Consultative Committee recommended by Sir Harold MacMichael would be a valuable piece of administrative machinery, but the Maltese Government themselves have objected to it.⁵ One of the present difficulties is the existence of what I think of as the 'gap in the constitution'. This arises from the fact that some actions of the Imperial Government under the dyarchy require the

⁴ At this point J M Martin noted: 'We are no doubt not blameless; but there are also great delays at the other end. Mr B. O. [Borg Olivier] is said to have a vast accumulation of files on his office.'

⁵ In the margin J M Martin observed: 'i.e. in the full form. They have accepted a committee limited to the CO and the Treasury.'

co-operation of the Maltese side, without machinery of enforcement. Thus, there are numerous opportunities for the Maltese Prime Minister to be obstructive, unless the constitution is worked in a co-operative spirit. The present Prime Minister has seized on these opportunities with relish.

9. I have been wondering whether there was any room for a Royal Commission to report on Malta and its constitutional and economic problems, but I feel sure that this would not be wise. The members might make proposals, including minority proposals, which might arouse expectations which could not be fulfilled. I think, however, that a report, in some shape or form, by a single investigator into the working of, and weaknesses in, the 1947 constitution, would be of great value.

W.A.M.
17.6.53

I agree generally with Mr. Morris' comments. Anything like full self-government for Malta is ruled out both by its character as a fortress and the dominating position of the Services (which cannot be submitted to local control) and also by its financial weakness and need for subsidisation from the United Kingdom. The Maltese besides have not yet proved that they are sufficiently adult politically to work even the present Constitution, and H.M.G. have already had to intervene, by means of Orders in Council, to ensure provision of necessary services when the squabbling parties refused to recognise the principle that 'The Queen's Government must be carried on'.

A diarchy is an uneasy form of government and it can only work if there are good personal relations and a spirit of give and take. The latter is conspicuously absent on the side of the Maltese Ministers, whose methods of dealing with H.M.G. are those of a Levantine carpet-seller. But that does not absolve us from continued effort by our own sweet reasonableness to induce a better spirit. In all this the Governor is in a key position and Mr. Woods has some justification in his remarks on that subject. Much could, I believe, also be achieved by occasional visits by our Colonial Office Ministers.

I doubt if anything more specific can be suggested. I understand that Dr. Borg Olivier handed the Minister of State yesterday a memorandum about transfer to the C.R.O. and that can be considered separately. We did our best to persuade Maltese Ministers to agree to a Consultative Committee on which the Service Departments would be represented. As regards migration, it is primarily the responsibility of Maltese Ministers to initiate plans. We have already offered substantial financial assistance, but only within the last few days, after many months delay, have any specific proposals been received. Increased water supply is again a matter for Maltese initiative, but progress seems to have been held up by difficulties over finance, the Maltese Ministers being persistently unwilling to consider a loan for this purpose. As regards civil aviation, it is possible that some alleviation of the present reservation to the Maltese Imperial Government might be arranged, but it seems doubtful if Malta, with its small population, will ever be a very important air junction.

I think we are getting near the time when an investigation of the kind suggested at the end of Mr. Morris' minute will be required. In any event some authoritative assessment of financial requirements will almost certainly be needed as a preliminary to agreement on the further assistance from the United Kingdom which seems

unavoidable over the next few years. The first step is, however, I suggest, a visit by a Minister from the United Kingdom perhaps in the autumn, when the immediate excitement over the Prime Minister's participation in the Coronation has passed. Meanwhile

? Put by.

J.M.M.
18.6.53

22 CO 926/93, no 8

24 June 1953

[Departmental responsibility for Malta]: minute by Mr Hopkinson¹ on discussions with Borg Olivier, including the transfer of Maltese affairs from the Colonial Office to the Commonwealth Relations Office

Sir John Martin

1. The Prime Minister of Malta called to see me to say goodbye on Wednesday the 17th June. After saying how much he had enjoyed the Coronation we got on to the question of his plans on his return to Malta. He said that as regards the budget he would be asking Parliament for an extension of the Treasury and Audit Act for three months from the end of June. This would enable a decision on the budget to be postponed. Meanwhile, he hoped that H.M.G. would be able to make an offer of financial assistance to Malta substantially the same as last year. He referred to his request for 'an impartial investigation' and said, off the record, that if we were able to meet the Maltese wishes in regard to finance for this year the investigation could be deferred.

2. I said that his request raised all sorts of questions. We should first of all want to know how Malta stood financially and I hoped that he would be able to let us know in due course what the budgetary position was likely to be. Then again, in reply to his proposal to us that an attempt should be made to find a new basis of long term assistance to Malta on the grounds of her military necessity to Britain and N.A.T.O. from a strategic point of view, he had been asked to let us have his own suggestions on the subject. He had not done so. I felt that the next move really must come from him.

3. He then got on to the question of the appointment of a Deputy Governor. The Maltese Government were, as I knew, anxious to change this to that of Chief Secretary but it felt unable to tender any advice to the Governor as to the pensionability of the latter unless H.M.G. were prepared to pay the pension. He referred to our offer last year to bear the cost of the Imperial side of the dyarchy. Though the question of pensions as opposed to salaries had not been raised at the time his Government felt that this should follow automatically.

4. He also said, though he emphasised that this was not a condition of acceptance, that the Chief Secretary should not have precedence over Ministers. He hoped that they might be consulted on the local precedence table before a decision was taken. He recognised the difficulty in regard to the Service Chiefs but hoped that

¹ H L D'A Hopkinson, minister of state, CO.

they might be either placed below Ministers or else taken out of the list altogether. He also drew attention to the fact that the Bishop of Goza was placed below the Anglican Bishop of Gibraltar, which I must confess seems to me a curious arrangement as the Roman Catholic Religion is the established religion in Malta.²

5. He said however that the question of the Chief Secretaryship was not so much one of finance or *amour-propre* but of the interpretation of last year's agreements to which the Maltese Government attached importance.

6. Finally he got round to the question of the transfer of Maltese affairs from the Colonial Office to the Commonwealth Relations Office and handed me the attached letter and memorandum.³ I said that he would of course not expect me to give him any kind of answer at our meeting as the matter would require study not only by the Colonial Office but by the Secretary for Commonwealth Relations and, indeed, would have to go to the Cabinet. Meanwhile, I said that without having studied his memorandum I felt bound to warn him of what the consequences would be, assuming such a proposition were acceptable to H.M.G., which I thought very doubtful. The Commonwealth Relations Office acted essentially as a Foreign Office, that is to say, they passed on reports and expressed their views and gave advice, but they were not, except in the very special circumstances of the High Commission territories, responsible for looking after any actual country or territory. In other words, the Malta Government could never expect the Commonwealth Relations Office to fight their battles with the Treasury, the Services and other departments here, in the same way that the Colonial Office do. They would also certainly not have the same advocacy in regard to financial assistance as they had hitherto enjoyed. I felt that he really ought to think about it before putting forward such a request.

7. I went on to say that in any case I assumed that a request on a matter of major importance of this kind would be put forward formally through the Governor. He seemed reluctant to do this and asked what there could be more formal than the Prime Minister of Malta handing the Minister of State a memorandum during the course of an official visit to London. I am bound to say I found this a bit difficult to answer.

8. He went on to say that the question quite frankly was purely political. The Maltese Government felt that the fact that they were under the Colonial Office and not under the Commonwealth Relations Office was being used against them from the point of view of their constitutional status. I finally said that we would have a look at the memorandum and let him have any comments we had to make unofficially in the first instance.

9. He did not raise the question of civil aviation, nor did he touch on such matters as the Malta water supply which Miss Strickland, who came to see me a few days later (Monday the 22nd June) and repeated most of the arguments which he had used, said he had intended to do. He did however say that he hoped that the Secretary of State or I would take an opportunity of paying an early visit to Malta, and Miss Strickland, endorsing this, also advocated a visit of Conservative M.Ps. I explained to her that if this was to be under C.P.A. auspices it would have to be all party.

² At this point Hopkinson noted: 'I explained to him that the whole question of precedence in the colonies was under discussion with the Services Ministries and that the Maltese precedence must be to some extent dependent on agreed decision.'

³ Not printed.

10. I have already suggested to the Secretary of State that we ought to have a talk about Malta at an early date. I am inclined to think that behind all the smoke screen of party manoeuvre put out by Dr. Borg Olivier, and the complicated psychological warfare carried out behind him by Miss Strickland, a rather dangerous situation is developing in Malta. This was confirmed to me the other day by Lord Mountbatten.⁴ I suggest we arrange a meeting at an early date.

⁴ See 28, note 1.

23 CAB 129/62, C(53)218 **28 July 1953**
'Departmental responsibility for Malta and the Gold Coast':
Cabinet memorandum by Mr Lyttelton **[Extract]**

On 8th July, Mr. Wyatt¹ asked the Prime Minister in the House of Commons² whether he would arrange for responsibility for Malta and the Gold Coast³ to be transferred from the Colonial Office to the Commonwealth Relations Office. The Chancellor of the Exchequer replied that this proposal had very recently been put forward by the Prime Minister of Malta; and might be submitted later in the year by the Gold Coast Government. He was not prepared to make any statement at present.

2. Although neither request has yet been made with full formality there is sufficient authority in each for me to submit to my colleagues proposals for a response.

Malta

3. My colleagues are aware of the difficulties which arose from the insistence of Dr. Borg Olivier, the Prime Minister of Malta, that (in the words of a Resolution passed without a division by the Legislative Assembly) he should be 'accorded his rightful place alongside the other Prime Ministers of the Commonwealth' in the Coronation festivities. In the event we accorded the Prime Minister treatment identical with that of the Prime Minister of Southern Rhodesia, but explained that this was done in recognition of Malta's unique position in having been awarded the George Cross, and was not to be taken as implying a willingness to entertain his constitutional claims. On the last day of his visit to London, Dr. Borg Olivier handed to the Minister of State

¹ Mr Woodrow L Wyatt, MP (Lab), Aston Division of Birmingham, 1945–55.

² *H of C Debs*, vol, 517, col 1243, 8 July 1953.

³ Contrasting the two territories, Lyttelton stressed that 'One real difference between Malta and the Gold Coast is that, whereas the former is unlikely ever to qualify for a state of independence within the Commonwealth which would make it properly the responsibility of the Commonwealth Secretary, the Gold Coast is entitled to look forward before very long to complete self-government. Nevertheless it would be wrong to anticipate the achievement of this complete self-government by a premature transfer of responsibility to the Commonwealth Relations Office, and if and when the request is formally made I would propose to refuse it' (BDEEP series B, vol 1, R Rathbone, ed, *Ghana* part II (London, 1992) p 60, para 13, document 136). The Cabinet endorsed Lyttelton's recommendation with respect to the Gold Coast (*ibid*, pp 62–3, document no 138.) In relaying this decision to the governor, Sir C Arden-Clarke, CO Assistant Under-Secretary of State Gorell Barnes remarked: 'For your strictly personal information the Malta proposal has also been discussed by the Cabinet and I can say that you will not be embarrassed by the prospect of Malta going to the Commonwealth Relations Office. It may go to the Home Office' (*ibid*, p 66, para 7, document no 140).

for Colonial Affairs a memorandum⁴ claiming that the affairs of Malta, as a dependency enjoying responsible government, should be transferred from the Colonial to the Commonwealth Relations Office which, he hoped, 'would help bring about a more adequate recognition of Malta's constitutional status'. Mr. Hopkinson undertook to study the memorandum and to let Dr. Borg Olivier have any comments we had to make unofficially in the first instance.

4. The demand from Malta was expressly put forward on political and not on practical grounds. The Maltese, as a European people boasting a civilisation older than our own, resent their 'Colonial' status, more particularly their inclusion in the same constitutional category as the peoples of the African Colonies. Their dependent status is expressed in practical terms in the present dyarchical constitution under which they enjoy autonomy in internal affairs, but defence, foreign relations and related matters are reserved to the Imperial Government. Some slight alleviation of the constitutional restrictions on self-government might be contrived, but reservation to Her Majesty's Government of control over the broad field of defence interests is imposed by the fact of Malta's situation as a fortress. Nor is she a sufficiently sizeable territory or qualified financially and economically to be a fully self-government [sic] Commonwealth country. She lacks minerals and is poor in other natural resources, and her whole economy therefore depends, directly or indirectly, on expenditure by the Services and could be disastrously affected by contraction of defence requirements in the Mediterranean. Even at a time of full employment in the dockyard and while large sums are being made available annually by Her Majesty's Government for reconstruction and repair of war damage, the financial solvency of her Government is precarious. Substantial assistance from Her Majesty's Government was required to balance the budget last year. A table summarising the different forms of financial assistance given to Malta by Her Majesty's Government is annexed.⁵ A request for further assistance in the current year was put forward by Dr. Borg Olivier during his recent visit. It may be assumed that assistance will continue to be required over the next few years, particularly when our payments for war damage are exhausted. The system of parliamentary government might again break down, involving either, as has happened before, reversion to government of 'Crown Colony' type or else government by a Commission as tried in Newfoundland.

5. Thus Malta cannot now qualify for acceptance as a full member of the Commonwealth and therefore properly fall within the province of the Secretary of State for Commonwealth Relations, nor is she likely to do so in the future. Yet retention among the territories for which the Colonial Secretary is responsible is no longer regarded in Malta as tolerable. Recent events revealed clearly the strong and widespread feeling which exists in the Colony on the subject of Malta's status and the sympathy with which it is answered in Parliament, Press and public in this country. Dissatisfaction with their constitutional status is poisoning our relations with a people to whom we owe much and whose loyalty to the Crown is perhaps as strong now as it has ever been.

6. My suggestion is that responsibility for Maltese affairs should be transferred to the Home Secretary, who has relationships with the Channel Islands and the Isle of Man similar to those which exist between the Colonial Secretary and Malta. So far as the Islands are concerned, the constitutional position is that legislation requires the

⁴ See 22.

⁵ Not printed.

approval, not of the Home Secretary but of the Privy Council, and the Home Secretary acts vis-à-vis the Islands in his capacity as that member of the Council who is specially charged with the affairs of the Islands. Malta could likewise be placed under the care of the Privy Council and the Home Secretary would then take responsibility for Malta in the way in which he accepts responsibility for the Islands. The justification for treating Malta in this way would be that she, being a fortress island in Europe, could logically be detached from the Colonial Empire and treated as one among these nearer territories. Of the other Colonies, only Gibraltar and Cyprus are comparable. In neither is there any local demand for a change and no genuine demand is likely to be made from any responsible quarter. If ever Gibraltar and Cyprus reach a similar stage of development to that attained by Malta, the device of bringing them under the umbrella of the Privy Council could be applied, although such a course might well cause difficulties with Spain and Greece respectively.

7. Transfer to the Home Office would not in itself alter the constitutional status of Malta. It might not completely satisfy Malta, but it ought at least to remove any existing resentment at being lumped together with the African territories. There have been suggestions in Malta (for example from the Leader of the Opposition) that her only salvation lies in union with the United Kingdom. Such ideas are nebulous and based largely on the view that the Maltese should participate in the social services provided in the United Kingdom; but their currency at least suggests that transfer to the Home Office might offer attractions to Maltese opinion. Dr. Borg Olivier's claim at the Coronation was that his treatment should be assimilated to that of the Prime Ministers of *Northern Ireland* or Southern Rhodesia.

8. By transfer from the Colonial Office, Malta would forgo the benefit of the machinery and expert advice we provide to help Colonial territories with their financial, development and other problems. The Home Office has, however, the experience of representing the interests of the Channel Islands and the Isle of Man and could, I have no doubt, satisfy Malta's requirements.

9. As regards finance, there is no doubt that, as I have indicated above, Malta will for years continue to need financial assistance. At present, as is shown from the Annex to this paper, she receives help under the scope of the Colonial Development and Welfare Acts and also grants in aid from monies voted by Parliament. Legislation would be required to provide for periodical subsidies from the Exchequer, whether or not Malta remains within the scope of the Colonial Development and Welfare Acts.⁶

⁶ Section on the Gold Coast not printed.

24 CAB 128/26, CC 47(53)3

30 July 1953

'Commonwealth relations': Cabinet conclusions on departmental responsibility for Malta

The Cabinet had before them a memorandum by the Colonial Secretary (C. (53) 218)¹ commenting on recent suggestions that responsibility for the affairs of Malta and the Gold Coast should be transferred from the Colonial Office to the Commonwealth Relations Office.

¹ See 23.

The Colonial Secretary recalled the difficulties which had arisen over the claim of the Maltese that their Prime Minister should be accorded at the Coronation privileges comparable with those extended to the Prime Ministers of Southern Rhodesia and Northern Ireland. Although care had been taken to explain at that time that the concessions made were based on Malta's unique position as the George Cross Island, the Prime Minister of Malta had submitted before leaving London a memorandum claiming that the United Kingdom Government should recognise Malta's constitutional status by transferring responsibility for her affairs to the Commonwealth Relations Office. It would clearly be most inexpedient to grant this request; for there was no early prospect of Malta's achieving financial and economic independence and, even if she did, she was not of sufficient size and importance to warrant the status of a fully independent member of the Commonwealth. If responsibility for her affairs were transferred to the Commonwealth Relations Office merely on the basis of her political independence in the conduct of domestic affairs, this would create an awkward precedent for the future when a similar stage of development was reached by the Gold Coast and other Colonial territories. At the same time, he was satisfied that the Maltese, as a European people boasting a civilisation older than our own, would not tolerate for long their inclusion in the same constitutional category as the peoples of the African Colonies. He therefore proposed that steps should be taken to assimilate the constitutional status of Malta to that of the Channel Islands and the Isle of Man. On that basis Malta would be placed under the charge of the Privy Council, and the Home Secretary could be the member of the Council charged with the responsibility for handling the relations of the United Kingdom Government with Malta.

*The Home Secretary*² said that he would be prepared to accept this responsibility on the basis indicated in paragraph 6 of C. (53) 218.

In discussion the following points were raised:—

(a) Before assenting to this proposal the Cabinet should be satisfied that it was consistent with a considered long-term pattern for the development of Commonwealth relations. The position of the Channel Islands and the Isle of Man, as Dependencies of the Crown in relation with the Privy Council, was founded on history. If we were to make an entirely new use of that relationship as a means of resolving current difficulties with Malta, we must be sure that this was a constitutional status to which other small Colonial dependencies could aspire without distorting the general pattern of Commonwealth relations.

(b) There was support for the view that this might be found in future to be a suitable status for Colonial territories which acquired independence within the Commonwealth but were too small to qualify for full Commonwealth membership. With a view to future developments, however, it would probably be wise to lay more emphasis on the jurisdiction of the Privy Council than on that of a particular Minister—on this occasion the Home Secretary. For while the Home Secretary might appropriately handle the affairs of Malta, it would be much less suitable that he should in future be given such charge of the affairs of more distant Colonies, *e.g.*, Mauritius, which might become eligible for a comparable constitutional status.

² Sir David Maxwell Fyfe (Viscount Kilmuir, 1954), secretary of state for the Home Department and minister for Welsh affairs, 1951–1954.

(c) Responsibility for Malta's affairs would involve an administrative burden much heavier than that arising from the Home Secretary's duties in respect of the Channel Islands and the Isle of Man. An assessment should be made of the additional administrative work which would be thrown on the Home Office as a result of this transfer of responsibility and of the means by which these new duties would be carried out.

The Cabinet:—

(1) Agreed in principle that means should be sought of assimilating the constitutional position of Malta to that of the Channel Islands and the Isle of Man, on the general lines indicated in paragraph 6 of C. (53) 218.

(2) Invited the Colonial Secretary to arrange, in consultation with the Home Secretary and the Commonwealth Secretary, for further study to be made of the points noted in paragraphs (a)–(c) above, with a view to framing specific plans for giving effect to the proposal outlined in Conclusion (1) above.

(3) Took note that, when these studies were complete, the Chancellor of the Exchequer would consult with the Prime Minister before any communication was made to the Government of Malta.

25 CO 926/403, no 65

23 Sept 1953

[Status of Malta]: outward circular telegram no 204 from CRO to UK high commissioners relaying Home Office offer and indicating limitations on Malta's progress towards full self-government

As was reported in Press at the time Dr. Borg Olivier, Prime Minister of Malta, just before his departure from London in June after Coronation functions, left with Minister of State for Colonial affairs, Memorandum requesting transference of responsibility for handling Maltese affairs from Colonial Secretary to myself. After careful consideration Dr. Borg Olivier has now been informed that function of Commonwealth Secretary is that of handling relations with fully independent members of the Commonwealth and that though Commonwealth Secretary is at present charged with responsibility for relations with Central African Federation and South African High Commission territories, these are wholly exceptional arrangements for which there are special historical reasons. We are very clear that we cannot agree to any further extension of Commonwealth Secretary's functions beyond his proper sphere. In view however of unique position of Malta as a fortress in Europe with a long history in civilization and of service in peace and war, most recently recognized by the exceptional award of the George Cross, we consider that it would be appropriate to transfer responsibility for Malta business to Home Secretary who is Secretary of State immediately concerned as the Queen's Minister in relation to United Kingdom and neighbouring islands. Formal arrangement would be that Malta would be under authority of Queen in Council with Home Secretary as responsible Minister.

2. Just before we were ready to send Dr. Borg Olivier message on above lines he informed Acting Governor (in context of arrangements for stationing United States

naval air forces in Malta) that Maltese Ministers had set themselves the aim of full autonomy within the Commonwealth in all fields of Government. While this demand reduced prospect of acceptance by Dr. Borg Olivier of proposal outlined in paragraph one (for which some support had publicly been expressed by influential persons in Malta) we decided nevertheless to make it. At the same time Dr. Borg Olivier has been informed that, in view of position of Malta as a fortress, which while it has given her a famous place in history and is also the source of her livelihood must unavoidably entail some constitutional restriction on full self-government in the fields of defence and external affairs, her relative size and the disabilities imposed by her lack of natural resources, Malta is not, in our view eligible to be considered for full independent membership of Commonwealth.

3. Please inform Commonwealth Governments adding that while it is intention to publish United Kingdom Government's message to Dr. Borg Olivier before long, it remains meanwhile strictly secret. We will inform them of date of publication and of tenour of any reply from Maltese Prime Minister.

4. Commonwealth High Commissioners have been informed.

26 CAB 129/67, C(54)141

14 Apr 1954

'Future status of Malta': joint Cabinet memorandum by Sir D Maxwell Fyfe¹ and Mr Lyttelton. *Annex*

The Prime Minister of Malta (Dr. G. Borg Olivier), when he was in London for the Coronation, requested that responsibility for handling the affairs of Malta in London should be transferred to the Commonwealth Secretary.² In C. (53) 218 of 28th July, 1953³ it was proposed that, whilst this request should be refused, Dr. Borg Olivier might be informed that Her Majesty's Government would be prepared in principle to arrange for responsibility for the handling of Malta's affairs to be transferred to the Home Office. This proposal implied a future place for Malta analogous with that of the Channel Islands in relation to the United Kingdom, without involving any substantial alteration in Malta's present constitution. It was hoped that this change of relationship, whilst probably not completely satisfying the Maltese Government, might at least go far to removing the feeling in Malta that the Island's affairs are being dealt with on the same footing as those of the African territories.

2. The Cabinet decided that transfer to the Home Secretary should be accepted in principle, that means should be sought of assimilating the constitutional position of Malta to that of the Channel Islands and the Isle of Man, on the general lines indicated in C. (53) 218, and that we should further study certain points in consultation with the Commonwealth Secretary (C. C. (53) 47th Conclusions, Minute 3).⁴ The text of the message of Her Majesty's Government, conveyed to the Prime Minister of Malta on 19th September, is annexed.

¹ See 24, note 2.

² See 22.

³ See 23.

⁴ See 24.

3. After a General Election, Dr. Borg Olivier secured a majority by a coalition with Dr. Boffa's Malta Workers' Party and was returned to office. He has not made any formal reply to this communication, beyond indicating a preliminary view that the offer did not much appeal to him and his Party. He and one of his Ministers now propose to visit London on about 18th May to discuss it and questions about emigration from Malta. He will obviously seek first an explanation of precisely what changes would follow from acceptance of the offer. The Governor thinks that Dr. Borg Olivier is likely to reject the offer, unless it is accompanied by substantial constitutional concessions (which the Governor does not recommend).

Meantime, Mr. Mintoff, the Opposition Leader with the largest Party, has been seeking support for a different solution. Whilst Dr. Borg Olivier and his Nationalist Party want greater constitutional freedom, including the removal of most of the subjects reserved to the Governor under the present dyarchical constitution, and a status comparable with that held by Southern Rhodesia before Federation, Mr. Mintoff and his Malta Labour Party profess to be more concerned with economic realities than with questions of prestige. He advocates some form of closer integration with the United Kingdom, and seems prepared to face a diminution in political autonomy, and the application of United Kingdom rates of taxation, provided Malta gets in return United Kingdom social services and rates of pay, and representation in the United Kingdom Parliament.

5. Mr. Mintoff recently paid a short private visit to this country, during which he had informal meetings with some Members of Parliament and Ministers and with Labour Party leaders, under the auspices of the Commonwealth Parliamentary Association. He interested himself particularly in the relationship of Northern Ireland to the United Kingdom Parliament, and appears to have gained sympathy amongst all Parties for the idea that closer relationship on this pattern might be a solution.

6. We think it desirable to seek the approval of our colleagues, at this point, to the general lines on which discussion with the Maltese Prime Minister can be carried forward next month.

7. The offer will first have to be fully explained to him. He is almost certain to reject it, and press for his suggestion that Maltese affairs should be transferred to the Commonwealth Relations Office. But that would bring us back where we were, and we should miss the chance of doing something to satisfy Maltese aspirations. If nothing is done now, we might find a revival, of which there are already signs, of a movement in Malta for integration with Italy.

8. Basically, the trouble is that we have tried to give complete self-government in internal affairs (including finance) to a territory which does not, and probably never will, have a viable economy. The financial situation is not acute at the moment, as Malta is currently able, with the artificial assistance of the grant for war damage reconstruction, to balance its own budget. But the respite is only temporary. Whenever Malta asks us for financial aid, while we are unable to influence the financial policies of Maltese Ministers and satisfactorily control the expenditure of grants once they have been made, the insistence that such grants should be limited to the immediate need and hedged about with restrictions only increases the feeling of bitterness in Malta that they have to come to Her Majesty's Government in the role of beggars.

9. Dr. Borg Olivier's solution of this dilemma is to claim that Malta should be entitled to a sort of annual rent from Her Majesty's Government for the Island's

strategic value. Whether there is anything to be said for such a concept is one of the things that might be examined if a Royal Commission on Malta was appointed. The Island's economy already depends upon what is spent by United Kingdom and allied forces in the Island.

We thus have for Malta the two opposite conceptions: Dr. Borg Olivier's that Malta should be paid an annual rent and then be given even more complete self-government, by the reduction of reserved powers, together with the placing of Malta under the Commonwealth Secretary; Mr. Mintoff's that there should be a closer integration with the United Kingdom economy. Against this background, we set out below four possibilities.

The Home Office offer

10. In approving the existing offer, our colleagues sympathised with the resentment felt by many Maltese, as European people boasting a civilisation older than our own, against a 'Colonial' status, and more particularly their inclusion in the same category as the African Colonies. The offer implies little more than a change in the United Kingdom Minister dealing with their affairs, to satisfy this argument of prestige, though it might qualify them for the United Kingdom Emigration Quota to the United States. The proposal is that Malta should be placed, like the Channel Islands, in a special relationship to the Queen in Council, through the Home Secretary as responsible Minister. The Channel Islands status, however, would be more restrictive on local autonomy than the present constitution of Malta. In the Channel Islands, although there is a large degree of local self-government, the Royal Assent to all legislation is given by the Privy Council, and the Home Office are frequently consulted about important Bills in the formative stages. United Kingdom officials now play no part in framing legislation within the powers of the Maltese Government and ordinary legislation automatically receives the Royal Assent through the Governor. The Home Office offer, therefore, allows a certain, although limited, room for manoeuvre. For example, it would presumably be necessary to tell the Maltese Prime Minister that the parallel with the Channel Islands would not be followed so closely as to bring about any effective restriction in the Maltese Government's present powers. Dr. Borg Olivier might also be told that the Home Office offer is a first step, that for many reasons the status of Malta could not be wholly assimilated with that of the other territories dealt with under the Home Office, and that the best thing would be for a clean cut to be made first of all by transfer from the Colonial Office to the Home Office under the present constitution. This would be on the understanding that it would not preclude the Maltese Government and the Home Office from working out eventually a new system which would correspond more to the political and economic requirements of the situation. Even so there seems little likelihood of Dr. Borg Olivier's accepting the offer and the question is whether there are any developments of it which can be seriously considered.

Closer integration with the United Kingdom

11. Some attention has been paid in Parliament and the Press here to Mr. Mintoff's ideas. This has led us to consider whether there is any practical possibility of offering Malta some form of integration with the United Kingdom. The solution would be a radical one, as it would mean bringing Malta into a position similar to that of Northern Ireland within the United Kingdom.

12. All United Kingdom legislation applies to Northern Ireland, unless otherwise stated. Certain services (usually referred to as transferred services) are within the jurisdiction of the Northern Ireland Parliament and Government, other important services are reserved to the United Kingdom Parliament. The effect of this is that the major taxes, both direct and indirect, are outside local jurisdiction. In return, Northern Ireland receives sufficient funds, taken together with the proceeds of local taxation, to enable it to maintain social services at approximately the United Kingdom level. At first sight, the Northern Ireland arrangement might be expected to be unacceptable to the Maltese. The status and powers of the Maltese Parliament would be considerably reduced. Not only would there be a much wider field of control from London, but a number of important Departments would be directly responsible to London and not to the local Government. In the sphere of finance, the whole of the real power would be transferred from Malta to London, and Maltese citizens would have to pay United Kingdom rates of taxation. Nevertheless it is some such relationship for which Mr. Mintoff is pressing. It is apparently his view that the practical advantages to the Maltese economy would more than compensate for the derogation from local autonomy. The return for having to pay United Kingdom rates of tax (which might not affect the majority of the population very seriously) would be a close approximation to United Kingdom social services and, in many spheres, United Kingdom rates of pay. On the constitutional side, the reduction of status of Malta's own Legislature would be offset by representation at Westminster. This solution would undoubtedly present serious difficulties. Not only would it increase the burden on the United Kingdom Treasury, and on the Service Departments for the payment of wages at United Kingdom rates, but there would be the difficulty of securing administrative efficiency. Northern Ireland officials are recruited from the same source as United Kingdom officials, and have the same background. The good will and understanding between officials in Belfast and London contribute much to the successful operation of the Northern Ireland constitution, and the proximity of the two capitals facilitates swift and regular exchange of views and renewal of personal contact. These favourable factors would be absent in the case of Malta.

13. For the moment, the idea of integration with the United Kingdom depends very largely on whether representation of Malta at Westminster can be seriously considered. The number of Maltese representatives would be about three, judging by the size of their present electorate. There are massive arguments against such a system. First, a precedent would be created and other territories might claim the same privileges. If, for example, Gibraltar asked for a similar status, it would not be possible to resist on any reasoned argument. Secondly, such a system which has some resemblance to the Union Francaise has the inherent defect that the Members elected from these territories soon lose touch and influence with their constituents and have little or nothing to contribute in the day to day life of Parliament at Westminster. Thirdly, in a Parliament where there is a small balance between the two great Parties the few 'overseas' Members might have a power over our domestic affairs out of all relation to their knowledge or responsibility. It would indeed be a farce if on such a subject as commercial television in the United Kingdom, the balance of power, as it well might have, had rested with the Maltese Members. On the first point above, however, there might be few other territories that would, in fact, seek the same position. It was only recently that Gibraltar, for instance, was strongly resisting having any income tax at all. We should like to know whether our

colleagues consider that some form of integration with the United Kingdom on this basis should be further studied, or whether it must be ruled out *ab initio*.⁵

14. *Some Form of Special Status under the secretary of state for Commonwealth relations*

If we assess correctly Dr. Borg Olivier's probable line when he comes here, he will begin by putting up a fight for what he originally asked for, namely transfer to the Commonwealth Relations Office. He may try to claim that, logically, there is no such great difference between the Maltese Constitution and that of Southern Rhodesia (now the Federation of Rhodesia and Nyasaland) that Malta could not similarly be administered under the Commonwealth Relations Office. The answer to that is that there were special historical reasons why Southern Rhodesia (and also the High Commission Territories) came under the Commonwealth Relations Office, and that this was a wholly exceptional arrangement. The function of the Secretary of State for Commonwealth Relations is that of handling relations with independent Commonwealth countries. Malta, because of its size and lack of resources, can never hope to achieve full independence. If the previous decision were to be reviewed, it would seem necessary to try to evolve for Malta some kind of mezzanine status, under the Secretary of State for Commonwealth Relations, coupled with the grant of an annual sum within which Malta would have to live. We assume that our colleagues still feel that a solution along these lines must be ruled out.

15. *Appointment of a Royal Commission*

The forthcoming talks with Dr. Borg Olivier are likely to lead to a stalemate, unless our colleagues consider that any of the possibilities mentioned above can be seriously thought about, and that the Secretary of State for the Colonies can hint as much to the Maltese Prime Minister. Otherwise, we shall get nowhere, and as we have indicated, we do not believe that the subject can be let drop altogether. We therefore endorse the Governor's recommendation that, in these circumstances, the best solution would be to tell the Maltese Prime Minister that a Royal Commission will be appointed. This would examine the working of the present 1947 Constitution of Malta, the financial problems of Malta, and the question of some change in its present status. A Royal Commission would not, of course, be itself an answer to the problem, and there would be some risk that it might make proposals which were not very acceptable, but which it might be then more difficult for us to refuse. Nevertheless, we believe that, subject to what Dr. Borg Olivier says when he comes here, the appointment of a Royal Commission would probably be the best course. We should be glad to know if our colleagues agree. While the Royal Commission was at work, there might well be advantage in giving more detailed study to any of the possible solutions discussed above which may be held to merit further consideration.

Annex to 26: Following is the text of the message from the secretary of state for the colonies to the prime minister of Malta (Dr G Borg Olivier), conveyed through the governor on 19 September 1953

'I have been considering very carefully in consultation with my colleagues the Memorandum which you handed to the Minister of State on the 17th June, and am

⁵ From the beginning.

now able to let you have our comments as promised by him. I must say at once that I am very sorry that we do not find it possible to meet you on your proposal for transfer of responsibility for handling business relating to Malta in London to the Commonwealth Relations Office. In the allocation of responsibilities of Government here, the function of the Secretary of State for Commonwealth Relations is that of handling relations with the fully independent members of the Commonwealth. It is true that he is also charged with the responsibility for relations with the Central African Federation and the South African High Commission Territories, but these are wholly exceptional arrangements for which there are special historical reasons. We are very clear that we cannot agree to any further extension of his functions beyond the proper one which I have indicated. I have noted what you say of Malta's constitutional status and that in your recent response to the Acting Governor's letter about the stationing of American Airmen in the Island (on which you will very shortly receive my comments) you indicate that you have been considering a radical revision. I must however say in all frankness that it seems to me that the position of Malta as a fortress (which has given her a famous place in history and is also the source of her livelihood) must unavoidably entail some constitutional restriction on full self-government in the fields of Defence and External Affairs. On account of this and of her relative size and the disabilities imposed by her lack of natural resources, Malta is not, in the view of Her Majesty's Government, eligible to be considered for full independent membership of the Commonwealth. We have however considered with the utmost sympathy the arguments in your Memorandum and we appreciate the unique position of Malta as a fortress in Europe with a long history of civilisation and of service in peace and war most recently recognised by the exceptional award of the George Cross. In these circumstances we consider that it would be appropriate to transfer responsibility for handling business relating to Malta here to the Home Secretary, who is the Secretary of State immediately concerned as the Queen's Minister in relation to the United Kingdom and neighbouring Islands. I am authorised to inform you that Her Majesty's Government are prepared to agree in principle to such a transfer. The formal arrangement would be that Malta would be under the authority of the Queen in Council with the Home Secretary as the responsible Minister. There could not be more signal recognition of Malta's unique character, and I commend this proposal to the consideration of yourself and your colleagues. I need not say that I should be very ready to provide any further explanations which you may require. To me personally it is a matter of regret that it should fall to me to put forward a proposal that will sever the long association between Malta and the Colonial Office, but if the change would accord better with the aspirations of the people of Malta and contribute to closer and more cordial relations between us, I shall gladly defend it'.

27 CAB 128/27, CC 29(54)6

15 Apr 1954

'Malta': Cabinet conclusions on the island's future status

The Cabinet had before them a memorandum by the Home Secretary and the Colonial Secretary (C. (54) 141)¹ seeking guidance on the line they should take in

¹ See 26.

forthcoming discussions with Dr. Borg Olivier, the Prime Minister of Malta, about Malta's future status.

The Colonial Secretary said that the offer was still open that Malta should be brought under the authority of the Queen in Council, on the analogy of the Channel Islands and the Isle of Man, with the Home Secretary as the responsible Minister. It seemed likely, however, that the Maltese would be unwilling to accept this offer. The possible alternatives appeared to be:—

- (i) to accede to Dr. Borg Olivier's desire that Malta should be accorded a status comparable with that enjoyed by Southern Rhodesia before Central African federation;
- (ii) to develop a closer relation between Malta and the United Kingdom on the lines favoured by the Labour Party in Malta;
- (iii) to appoint a Royal Commission to examine the working of Malta's present constitution, her financial problems and the question of some change in her present status.

As regards (i), a request that responsibility for handling the affairs of Malta in London should be transferred to the Commonwealth Secretary had already been rejected. The idea of closer integration of Malta with the United Kingdom, implicit in (ii) above, must depend very largely on whether Parliamentary representation of Malta at Westminster could be seriously considered. He himself did not consider that it could and he understood that his view was shared by the Labour Opposition in the House of Commons. The Opposition were also doubtful about the wisdom of any arrangement which might make this country's social services available to the population of Malta, which the island's economy could not wholly support. There were risks in the appointment of a Royal Commission, which might submit recommendations which the Government could not accept. It seemed possible, however, that Ministers might find themselves in a position in which the appointment of a Commission was unavoidable.

In discussion there was general agreement that representation of Malta in the Parliament at Westminster could not be contemplated.

The Commonwealth Secretary said that further reflection had confirmed him in the view that the Cabinet had been right to reject the request that responsibility for handling Malta's affairs should be transferred to him. He was, however, apprehensive about the possible consequences of the appointment of a Royal Commission and he hoped that the two Secretaries of State would find it possible, in their discussions with Dr. Borg Olivier, to explore the position and report further to the Cabinet before a decision was taken to appoint a Royal Commission.

The Prime Minister said that it did not seem necessary at this stage to rule out the possibility that it would eventually be necessary to adopt a negative attitude towards Malta's present attempts to obtain some change in her constitutional status.

The Colonial Secretary pointed out that Malta's claims tended to evoke special sympathy and support in this country on account of her unique position in having been awarded the George Cross.

The Cabinet:—

- (1) Took note of C. (54) 141 and of the views expressed in discussion.

(2) Authorised the Home Secretary and the Colonial Secretary to initiate discussions with the Prime Minister of Malta and invited them to refer the matter again to the Cabinet before bringing these discussions to a conclusion.

28 CO 926/287, no 63, enclosure 14 July 1954
[Status of Malta]: letter from Trafford Smith to Lord Mountbatten¹ on possible constitutional paths for Malta, including integration

You told me that Mintoff may be seeing the First Lord during his coming visit to London, and asked me to let you have an outline of the current situation for the First Lord's information. You will, of course, already know a great deal of what follows, but it seems best to cover the whole ground briefly, as I am not quite sure to what extent the First Lord is already in the picture.

2. The Home Office offer, made last autumn, was to the effect that, if the Maltese wished, Malta could go over to the Home Office thus enjoying a closer tie with the United Kingdom and with the Crown, but that H.M.G. could not contemplate transfer to C.R.O. or aspirations towards full Dominion Status. This left a lot of questions open, notably as to changes (if any) in the present constitution and the future financial arrangements between Malta and the United Kingdom.

3. To discover more clearly what H.M.G.'s intentions were on these and other points, the Maltese Prime Minister went to London in the middle of May and saw Ministers at the Colonial Office. It was agreed that on return to Malta he would formulate the desiderata as regards constitutional change and finance which his Government felt they must attach to their reply to the Home Office offer, give the Assembly an opportunity of debating the whole subject and then send on the reply without too much delay. On return, however, his first move was to adjourn the Assembly until September the 28th.

4. Now that this has happened, Mintoff as Leader of the Opposition and of the largest single party in the Assembly, feels that he should be given a similar opportunity to elucidate the Home Office offer at the Colonial Office and try to ascertain what H.M.G.'s likely reactions are to his own solution of 'integration' of Malta with the United Kingdom. The Colonial Office are, however, not prepared to enter into discussion with the Leader of the Opposition while the Maltese Government's formal answer to the offer is still outstanding: they consider that the proper place in which Mintoff should develop his views at this stage is the Maltese Assembly.

5. Mintoff protests, however, that there is nothing he can do in the Assembly as the Prime Minister has closed that avenue by adjourning it. He fears that meanwhile something is happening behind the scenes which will effectively rule out integration. Once he is convinced of this, he says, he will have no alternative but to throw in his lot with the Nationalists in a programme of extorting the maximum degree of independence from H.M.G.

¹ Commander-in-chief, Mediterranean, 1952–1954.

6. In fact, H.M.G. recognise the necessity of finding some means of consulting all shades of opinion in Malta before a final decision is made as regards transfer to the Home Office: but it is not possible at this stage to say anything, either publicly or to Mintoff, although of course the possibility of a Royal Commission (a solution which Mintoff thinks would waste too much time) has been fairly widely canvassed both in London and Malta.

7. In this situation, it is important to keep Mintoff in play, i.e. to prevent him from feeling that the integration game is up and that his only chance is to resort to extremes. If the First Lord gave him a sympathetic hearing and allowed him to expound his case for integration, it might help in this process. But as there may be developments in London by the time he sees Mintoff, it might be well to ascertain the latest position from Sir John Martin (to whom I am sending a copy of this letter) in the Colonial Office before seeing him.

8. I hope this will serve your purpose.

29 CAB 129/69, C(54)243

20 July 1954

‘Future status of Malta’: Cabinet memorandum by Mr Lyttelton

In C. (54) 141¹ which the Cabinet considered on 15th April (C.C.(54) 29th Conclusions, Minute 6),² the Home Secretary and I reported that Dr. Borg Olivier and one of his Ministers were coming to London during May, to discuss the ‘Home Office Offer’ (as well as Maltese emigration problems). We indicated that the constitutional talks with Dr. Borg Olivier seemed unlikely to get us anywhere, unless the Home Office offer could be developed. We thought that the appointment of a Royal Commission to examine the working of the present 1947 Constitution of Malta, and to make proposals, might in the end prove to be the best course.

2. We were authorised by our colleagues to initiate discussions with the Prime Minister of Malta, and asked to refer the matter again to the Cabinet before bringing these discussions to a conclusion.

3. I now report the outcome of these talks, and propose what should be done to avoid the stalemate which seems to be developing.

4. The Minister of State for Colonial Affairs and I, supported by the Permanent Under-Secretary at the Home Office and other officials, held meetings with the Maltese Prime Minister and Minister for Emigration and Labour during the last ten days of May. Dr. Borg Olivier said that he had come to London to find out more about the implications of the transfer of Maltese affairs to the Home Office. He did not want to commit the Government and people of Malta to any decision at that stage, but had promised to consult his Legislative Assembly fully after his return to Malta.

5. Previously he had asked for transfer to the Commonwealth Relations Office. I made it plain to him that discussion of this would not be profitable, and he appeared to accept this. He said that Her Majesty’s Government’s offer of transfer to the Home Office, whilst appreciated, fell short of Maltese aspirations. It might be acceptable if it could be accompanied by an undertaking by Her Majesty’s Government to consider

¹ See 26.

² See 27.

proposals for a long-term financial settlement, and for a revision of the 1947 Constitution, especially over matters reserved to the Imperial side of the Dyarchy.

6. We explained to Dr. Borg Olivier that, although the suggested transfer to the Home Office was not intended by itself to make any change in Malta's constitutional position, the Maltese Government would be just as free under the Home Secretary as they are now to put forward constitutional or financial proposals if they so wished. Whilst I could not commit myself in advance to the view that proposals of the kind indicated by Dr. Borg Olivier would be acceptable to Her Majesty's Government, he was quite free to put them forward in making his formal reply to the Home Office offer.

7. It was made clear to Dr. Borg Olivier that I expected to receive from him a formal reply to Her Majesty's Government's offer of transfer to the Home Office (made last September) within a reasonable time after his return to Malta, accompanied by any proposals of his own that he wanted to put forward. Our discussions were left on the note that Dr. Borg Olivier would have further consultations in Malta, in the light of the information he had obtained in London, and would then make his reply.

8. The Maltese problem is basically economic and financial. A 'long-term financial settlement', in Maltese minds, means a payment by Her Majesty's Government to Malta, representing a kind of rent for the strategic facilities of the island. I urged Dr. Borg Olivier not to pursue the question of a subvention on these lines since the proposition that such payments were due as of right would not be acceptable. But I added that this need not preclude the Maltese Government from proposing a long-term financial arrangement. Malta is unlikely to be economically viable after payments for war damage cease. If the island will have to be financially supported by Her Majesty's Government in any event, I should myself (although I did not tell Dr. Borg Olivier this) think that there is a good case for promising some reasonable long-term financial assistance, as part of an arrangement by which the Maltese accept a status under the Home Office as satisfying their constitutional ambitions. Some amendment to the present Maltese Constitution need not be ruled out.

9. I now learn that the Maltese Prime Minister has adjourned his Legislative Assembly until 28th September. It looks as if no early reply will be forthcoming from him. In the meantime, Mr. Mintoff (Malta Labour Party), the Opposition leader, has been getting restive about his party's proposals for integration with the United Kingdom. He has been claiming that Dr. Borg Olivier's Coalition Government, having a majority of only one seat, has no mandate to commit Malta to a final constitutional solution; and wants to explore in London the practicability of his own proposals.

10. There is thus a good deal of political ferment in Malta about constitutional changes, as well as public interest in this country over the Home Office offer. I consider that we cannot let this situation drag on, and that if there is no reply from Dr. Borg Olivier in the next few weeks, or if his reply is unsatisfactory, Her Majesty's Government should take a fresh initiative.

11. The steps which might be taken would be to call a conference of representatives of all the chief Maltese political parties, together with representatives of the Imperial side of the Dyarchy. There is something in the contention that major constitutional changes would affect all parties, and should therefore be discussed in

this way. (The two major parties are very evenly balanced, but the Opposition are in fact the largest party in the Assembly). Alternatively we could, without attempting such consultations, at once proceed with the appointment of a Royal Commission, or other suitable form of enquiry into Malta's constitutional and financial problems. I propose to discuss the relative merits of these courses with the retiring Governor, Sir Gerald Creasy, as soon as possible after his return to this country on about 25th July.

12. I should like to have my colleagues' agreement that, if the Maltese Prime Minister has not replied in the near future, I may proceed with whichever of these courses seems best in the light of information I have from the Governor or Acting Governor at the time.

30 CO 926/287, no 66

23 July 1954

[Home Office offer]: note by W D Sweaney¹ of a meeting with Mr Mintoff in the minister of state's room on 22 July

Mr. Mintoff referred to Dr. Borg Olivier's letter of June, 1953,² requesting transfer of Maltese affairs from the Colonial Office to the Commonwealth Relations Office, and said that that request had the support of all parties in Malta. The request was turned down and H.M.G. had made an offer to transfer Maltese affairs to the Home Office. Mr. Mintoff was not interested in the mere transfer of the handling of Maltese affairs from one office to another in London. He was interested in the question of the constitutional status and progress of Malta. No explanation had however been given of what the Home Office offer meant.

That offer had been made ten months ago and the Maltese public were still no wiser as to the significance of the offer. Dr. Borg Olivier had come to London last May to seek elucidation but neither his report to the Legislative Assembly, nor the Secretary of State's statement in Parliament in June³ had materially added to public knowledge on the subject. Now Dr. Borg Olivier had put the Legislative Assembly into recess until the end of September.

The Malta Labour Party was the largest single party in Malta. On the constitutional issue the Boffa Group⁴ agreed with them and he felt sure that they would leave the present coalition government and join with the Malta Labour Party if this could be done without precipitating another general election which would be suicidal for the Boffa Group. Mr. Mintoff had tried to ascertain from the Acting Governor whether if the Boffa Group left the coalition and Dr. Borg Olivier advised a dissolution that advice would be accepted. Dr. Borg Olivier's advice for a dissolution last October was accepted although this was against the wishes of the other parties. In Mr. Mintoff's view the Governor should not feel bound to accept similar advice if it were tendered to him a second time in the circumstances he had in mind. The Acting Governor had however quite properly declined to commit himself. But it was the fear of an election

¹ Assistant secretary, CO.

² See 22.

³ *H of C Debs*, vol 528, cols 1272–3, 2 June 1954.

⁴ This is a reference to former prime minister, Paul Boffa's, Malta Workers' Party which in 1951, and again in 1953, had entered a coalition with Borg Olivier's Nationalist Party.

which was keeping the present coalition intact even though on the constitutional issue the coalition was divided. Hence it was obviously in Dr. Borg Olivier's interest to play for time. By waiting for Dr. Borg Olivier to make the next move H.M.G. were also apparently playing for time and were apparently mainly interested in bolstering Dr. Borg Olivier's position.

Mr. Mintoff stressed that on the constitutional issue Dr. Borg Olivier did not represent the people of Malta. The Maltese Labour Party had been advocating a policy of integration but they could not continue to do so in the absence of further information regarding the content of the Home Office offer. The Maltese Labour Party were losing patience and unless he could take back to Malta some definite news of H.M.G.'s intentions his party would draw the conclusion, which he would be unable to refute, that H.M.G. were not sincere in the offer they had made. He suggested that the best way to take the matter forward was for H.M.G. to convene in London a conference representing all parties in Malta to discuss the constitutional issue in the light of the Home Office offer. H.M.G. had convened a conference of Nigerian political leaders to discuss the Nigerian constitutional problem. It would not be inappropriate to convene an all-party conference to discuss the Malta constitution.

Mr. Mintoff then handed to the Minister of State a memorandum under a covering letter dated the 22nd July. He said that he hoped to have the Secretary of State's answer before returning to Malta.

The Minister of State thanked Mr. Mintoff for his memorandum but said that he could not undertake to comment on it. Mr. Mintoff would, he was sure, understand that H.M.G. must observe the constitutional proprieties and avoid anything in the nature of negotiations with the Leader of the Opposition. H.M.G. must deal with the Prime Minister of Malta. At the same time they were very glad to have Mr. Mintoff's views on this important matter. If his party wanted official information in regard to discussions between the Maltese Government and H.M.G. his right course was to press the Maltese Government by question or debate in the House of Assembly. Similarly if they felt anxious about the policy of the Maltese Government on the matter or considered that there had been undue delay their proper course was to pursue the matter locally in the House of Assembly. This was what the Opposition would do in the House of Commons.

Mr. Mintoff said that the Assembly was in recess. Moreover the matter had already been debated there. The Home Office offer had not been amplified and there was therefore nothing further that could be debated. It was necessary to know more about the content of the offer before it would be fruitful to pursue the matter further locally. Mr. Mintoff had no desire or intention to negotiate behind Dr. Borg Olivier's back. It was however essential to know whether H.M.G. were sincere in this matter. He was therefore putting forward, in his letter and memorandum, the suggestion of an all party conference. He hoped that he could be given a reply before he left London that H.M.G. would at least consider this suggestion. He would fully understand if H.M.G. said that they would have to refer the suggestion to Dr. Borg Olivier.

The Minister of State said that H.M.G.'s offer of transfer to the Home Office was certainly meant sincerely, 'It was not our intention to allow the question to be delayed. Mr. Mintoff's suggestion for all party talks was not a novel one. We ourselves had not been inactive but had in fact already been studying a number of ideas for solving Malta's problem. It would not be appropriate to discuss those possibilities

with Mr. Mintoff as Leader of the Opposition, but there seemed to be good reason to believe that a solution acceptable to all could be reached. We had every intention of pressing on and he hoped that Mr. Mintoff would be patient and would also counsel his followers to patience. The end all were aiming at was the good of Malta. We were really at one on this important matter and hasty action would certainly be most unwise.

The Minister of State said that he would report his talk with Mr. Mintoff to the Secretary of State and bring Mr. Mintoff's letter and memorandum to the Secretary of State's attention.

During the meeting Mr. Mintoff at times expressed himself strongly and indeed violently, though, after he had calmed down a little more, in a manner more of sorrow than anger. The meeting was, however, not unfriendly and ended on a cordial basis.

31 CAB 128/27, CC 56(54)1

29 July 1954

'Malta': Cabinet conclusions on a possible conference of Maltese political parties to discuss the island's future constitutional status

The Cabinet considered a report by the Colonial Secretary (C. (54) 243)¹ on his discussions with the Prime Minister of Malta on future constitutional development in Malta.

The Colonial Secretary said that the Cabinet should now consider what action should be taken if, as now seemed likely, Dr. Olivier's reply to the offer to transfer responsibility in London for Maltese affairs to the Home Office was indefinitely delayed. On further reflection he did not now favour the appointment of a Royal Commission on the constitutional and financial problems of Malta; and he recommended that no public mention should be made of this possibility without further reference to the Cabinet. The better course, in his view, was to seek to promote a conference of representatives of all the chief political Parties in Malta, together possibly with certain other local personages, to consider these problems. Such a conference would be presided over by a Colonial Office Minister, who would steer it towards sound conclusions. If, however, such a conference were to fail in its purpose, the Government would be free to adopt whatever course might then seem appropriate. The root of the problem lay in the facts that Malta's problems were basically economic and financial, and that the Maltese Government aimed at combining constitutional and political independence with continued financial support from the United Kingdom Government. He did not, however, exclude the possibility that further discussions might lead to some financial arrangement which would satisfy Malta's needs without involving the United Kingdom Government in additional financial commitments.

The Commonwealth Secretary agreed that it would be inexpedient to appoint a Royal Commission on Malta's constitutional problems. Such a Commission might

¹ See 29

well recommend that responsibility for Malta's affairs should be transferred to the Commonwealth Relations Office, a solution which should certainly be avoided.

The Cabinet:—

(1) Authorised the Colonial Secretary to explore the possibility of arranging a conference of representatives of Maltese political Parties on the future constitutional status of Malta.

(2) Agreed that, without further reference to the Cabinet, no encouragement should be given to the idea that a Royal Commission might be appointed to consider Malta's constitutional and financial problems.

32 CO 926/156, no 2

3 Aug 1954

[British Council in Malta]: despatch no 258 from Trafford Smith to Mr Lennox-Boyd on growing Italian influence in Malta and the efforts of the British Council to arrest this development

I have the honour to refer to my despatch No. 309 of the 5th August, 1953, and to transmit to you a copy of the Annual Report¹ of the British Council Representative in Malta for the year 1953–54. This Report was submitted shortly before his departure by Mr. J. A. O'Brien, the Representative since October, 1950, and I should like to take this opportunity to pay a tribute to the excellence of his work in Malta in delicate and frequently trying circumstances. I know that Sir Gerald Creasy would wish to be associated with this recognition of Mr. O'Brien's services.

2. The Report brings out some of the difficulties under which the British Council carries on its work in Malta. The present Nationalist Government, while not overtly obstructive, except in the matter of the signing of the lease for the Council's premises, studiously avoids participation in the Council's work. The only exception to this general rule which has come to my knowledge is the interest shown by the Minister of Education, Dr. Paris, in the foundation of the Malta Archæological Circle, referred to in page 7 of the Report.

3. From mention which has been made of the matter from time to time, you are already aware of the increasing recrudescence of the 'Italian language' question in recent years. This has not as yet reached proportions which give cause for serious concern, but a careful watch is being kept upon it. The present manifestations differ of course considerably from the more virulent form before the outbreak of war, when Mussolini expended large sums of money in Malta in an attempt to create a cultural and political link with Italy. At that time certain of the more irresponsible anti-British elements here may have had dreams of closer political ties with Italy. Now, however, it is very doubtful whether even the strongest pro-Italian elements contemplate anything so radical as political union with Italy, which would obviously in present circumstances bring about a marked change for the worse in the Maltese standard of living as in many other matters.

¹ Not printed.

The present pro-Italian tendency is much more in the cultural sphere, and in my view it must be recognised that this is a natural tendency which is perfectly legitimate up to a certain point. Two main elements contribute to this tendency. The first is the natural affinity which the people of Malta, a Mediterranean people, feel for their close neighbours, the Italians, from whom in the past as at present they have received their greatest cultural influence. Such literature, music, painting, drama, and so on, as exists in Malta is quite naturally for the most part based on Italian models. Almost all the theatrical and operatic companies that visit Malta are Italian (the operatic companies are subsidised by the Italian Government), and a large proportion of Italian films are shown in local cinemas. These are not the best that Italy produces, but they are by and large probably not so abysmally bad as the average run of second-class British and American films which are all the Cinema Renters Association finds it profitable to bring here. At one point last year the introduction of one or two excellent Russian films, in which the propaganda element was quite unobjectionable, aroused hopes of improved standards, but these were dashed when the importation of further Russian films was banned, with the approval of the Church, by the Maltese Government. Not least among Italian influences, the Church, which is all-powerful in Malta, trains its priesthood in Italian seminaries and universities, and maintains very close contact with the Vatican and all its institutions. It is thus natural and inevitable that cultural ties with Italy are the closest and most intimate which the Maltese possess.

4. The second element, really the other side of the same picture, may be seen in the difficulties the Maltese very naturally encounter in fully understanding English culture, based as it is on the English language with its Teutonic and French elements, on Protestantism, and on the totally different climate, landscape, temperament and way of life, which have developed in England. As the Report points out, it is extremely difficult to get a Maltese who has not travelled to visualise a river, a lake, a forest, a London fog, or a December afternoon in Manchester. How much more difficult is it to make him believe that a social system is possible in which, for example, public business can be conducted without wire-pulling, nepotism, or corruption. The point need not be laboured further. In this situation it is inevitable and natural that the propagation of British culture and the improvement of understanding between the British and Maltese peoples, which is one of the principal functions of the British Council, should be relatively uphill work and should suffer grave disadvantages which do not affect those whose mission in life is to spread Italian culture.

5. Politically, as in many other matters, the Maltese lag behind developments further north in Europe and elsewhere in the world: and it is doubly unfortunate that their nationalist movement should be gaining impetus just at a time when, from the broader standpoint of world developments, nationalism has become an out-dated and impracticable philosophy. Nevertheless, those responsible for maintaining British interests in Malta have to deal with the Maltese situation as it is, and their day-to-day task is primarily to wean the Maltese from their present over-indulgence in contemplation of their own Catholic virtues towards some realisation of the relation which their achievements bear to those of other peoples, and to attempt to divert the powerful forces of Maltese nationalism into more fruitful channels. This cannot be done by any form of direct action, and it is here that the work of the British Council is all-important, in that it contributes towards what is most necessary of all in a small

community, the broadening of the local all too parochial view by the introduction of the ideas and standards of the outside world. As has been made clear above, the natural tendency of the Maltese is to accept unquestioningly what comes from Italy and to take too rosy a view of their own political and cultural maturity. It is the vital task of the British Council to attempt to establish some sense of proportion by providing a balancing element of British culture. At the present stage of Maltese political development it is impossible to overrate the importance of the Council's work in this field.

6. It is in many ways a pity that this work cannot be extended, but the problems in the matter of securing additional funds are understood. A number of fields in which activities could with advantage be increased are mentioned in the Report: but from my personal experience of sixteen months' close contact and participation in the Council's work, I would emphasise the importance of increasing as far as possible especially the number of visiting lecturers and musicians from overseas. Local lecturers and musicians are all very well up to a point, but most of them lack the all-important element of bringing in the standards and viewpoint of the outside world. The best example that has occurred since I have been in Malta is the visit of Father Darcy in October 1953. As a Jesuit, Father Darcy could not be dismissed by the Maltese as a mere heretic to whom the true light had not been vouchsafed. On the other hand, the contrast between his Catholicism in particular and his culture in general, and that of the local Italian-based priesthood must have been evident to all who heard him, and his incursion into Maltese intellectual life opened new horizons. The same is true in that other sphere in which, with their religion, the Maltese are most sensitive to cultural influences—the world of music. As the Report indicates, the Maltese are musically a naturally gifted people. Their experience of music, however, scarcely extends beyond 19th-century Italian opera, and the more hackneyed piano repertoire between Chopin and Rachmaninoff. The concerts given by local artists are of high technical standards but lack any of the interpretative quality which would come from a wider knowledge of music in the outside world. As the Maltese are therefore, so to speak, culturally vulnerable in the sphere of music, it is important that the British Council should be enabled to produce concerts by artists from outside, so that the many Maltese performers may have opportunities of comparing their own standards with those internationally accepted. This unfortunately has not been possible hitherto for the reasons brought out in the Report, but I would emphasise the great desirability of arranging more frequent visits by non-Maltese artists from time to time in the future. A subsidiary point in this connection is the benefit which would accrue to the prestige of the British Institute in the present rather tiresome campaign by the Maltese Cultural Institute to absorb it or cripple its activities.

7. I regret having written at such length: but I hope I have adequately demonstrated the reasons for my view that, with the recurrence of the Italian language question and the present rise of nationalism, the Maltese are at a critical stage of their cultural and political development; that everything possible should be done to increase British influences if the undue predominance of those from Italy is to be avoided, and that the British Council is by far the best instrument at hand to achieve this object.

33 CO 926/287

23 Dec 1954

[Integration]: minute by J A Sankey¹ on Mr Mintoff's proposals for
Malta's economic integration with the UK

[Extract]

The Maltese economy is at present bolstered up by considerable direct and indirect contributions from the United Kingdom. The principal direct contributions at present are those to Colonial Development and Welfare, emigration and civil defence/stockpiling, which together amount to approximately £1 m. per annum. There is in addition the War Damage Fund, which is being drawn on at the rate of £3 m. per annum and will probably be exhausted by the end of 1957. Then there are the wages of the employees of the Service Departments in Malta and the invisible exports arising from the considerable expenditure by U.K. domiciled citizens temporarily resident in Malta. With all this money flowing into Malta, the budget is just balancing, and Mintoff is alarmed at what would happen when the War Damage Fund is exhausted and the Service Departments cut down their staff. The Borg Olivier solution for Malta's economic dilemma is that H.M.G. should make an annual subvention without any strings attached in consideration of the strategic facilities afforded by Malta. No figure has been mentioned, but the sort of figure that the Nationalists have in mind is probably about £5 m. a year.

Mintoff is strongly opposed to any suggestion that U.K. aid or payments to Malta should be linked to mere strategic value; as he points out, the strategic value of Malta may well decline rapidly in the next few years and H.M.G. would no longer wish to pay for the use of facilities. His proposal of economic integration is a long term one and would be independent in any rise or fall in Malta's strategic values. However, he has not publicly attempted any sort of estimate of the probable cost to H.M.G.

In my opinion, one of the most important considerations in this matter of Malta's relationship with the United Kingdom is that whatever the amount of aid that is given to Malta, even if a 'Mintoff solution' is adopted, the total sum involved will probably not be above the £5 m. suggested above; Malta's total expenditure in one year is only about £8 m. I think we may well have a Mintoff Government after these elections and therefore we should if possible favour a Mintoff solution. Mintoff does after all want to draw closer to the United Kingdom which should surely be preferable to independence or 'enosis' with Italy. Furthermore, though Mintoff's demands appear to make a formidable list, he does not himself expect that they should be granted immediately. He envisages a 15-year plan. The great advantage of the Mintoff solution is that he is apparently prepared to accept closer U.K. control and less local autonomy; Malta will in fact be governed by a County Council instead of having alleged self government. This demand by a Colony to become even more closely connected with U.K. is surely unique and should not be discouraged.

One solution which has been mooted is that some form of special treatment of Malta in the industrial/commercial sphere should be attempted. Malta's industries are in a very backward state and it should be possible for new industries to be set up and existing ones modernised and enlarged. The Maltese Government (in whose sphere the matter now lies) has neither the resources nor the ability to carry this out.

¹ Assistant principal, CO.

The lines on which I am thinking are that some sort of industrial commission should visit Malta from the United Kingdom, who would not attempt such an ambitious task as Sir George Schuster² but would confine their investigations to Malta's industry. The Federation of British Industries might supply a suitable leader. The development and equipment of all these industries might be the subject of a special Malta Development and Welfare Act with suitable funds over a longer term period than C.D.& W. money would run. The Board of Trade here and the Ministry of Trade and Commerce in Malta would work in close conjunction and Malta would in fact be treated as a 'development area'.³ This would be a real contribution to Malta's long term economic needs and would also be more or less satisfactory to Mintoff. At the same time, we should make another longterm agreement to finance emigration as this is still vital for Malta's future. I think that some sort of solution on these lines would not only be to the long term advantage of Malta but also be the most economical solution for H.M.G. If we can concentrate in the forthcoming discussions on financial and economic matters and steer clear of constitutional intricacies, we may well produce a worthwhile result.

² See 13, note 3.

³ Sankey noted in the margin against this passage: 'i.e. pre-war "distressed area" '.

34 CO 926/287, no 115

3 Mar 1955

[Home Office offer]: letter from Sir Charles Jeffries to Sir T Padmore¹
on the proposed round table conference to discuss the Home Office
offer

I am writing to you about the proposed round-table talks with Maltese political leaders to discuss the 'Home Office' offer and its implications.

You will remember that in 1953 the Prime Minister of Malta, Dr. Borg Olivier, made a formal request that the affairs of Malta should be transferred from the Colonial Office in the Commonwealth Relations Office. The then Colonial Secretary replied that Malta was not, in the view of Her Majesty's Government, eligible to be considered for full independent membership of the Commonwealth, and therefore that Dr. Borg Olivier's request could not be granted. He added, however, that in recognition of Malta's unique character, H.M.G. were prepared to transfer the responsibility for handling Malta's affairs to the Home Secretary. Dr. Borg Oliver came to London in May 1954 to obtain clarification of the 'Home Office offer', and promised to give his Government's reply in the near future.

There seemed in fact to be no prospect that he would be willing or able to give a reply, since he headed a coalition Government which was itself divided over acceptance or rejection of the offer. In order to break the deadlock, my Secretary of State subsequently suggested that representatives of all political parties represented in the Maltese Legislative Assembly should discuss the implications of the Home Office offer in London.

¹ Second secretary, Treasury.

In October 1954 Dr. Borg Olivier gave an equivocal reply to the Home office offer, but did not give his views on the suggestion of a round-table conference. After being pressed for a reply to this suggestion also, he finally agreed to it; but immediately afterwards his government fell and the Assembly was dissolved.

An election campaign is now in progress and polling takes place on February 26th to 28th.² The results will be known by the first week of March and a Government should be formed shortly after. As the three political parties contesting the election have now agreed to attend round-table discussions in London, we can expect party leaders to be ready to come here in all probability towards the end of April. We therefore have in mind a date about the end of April or early in May for the start of the talks.

Although the *raison d'être* of this round-table conference is the Home Office offer, which might appear to involve directly only the Home Office and the Colonial Office, the indications are that the discussions will range over a wider field. The Nationalist Party has stated that it will insist on some form of long-term financial assistance and a revision of the present constitution before considering acceptance of the offer; and the Malta Labour Party has stated that it is in favour of the transfer in principle, provided that it means United Kingdom rates of pay and conditions of service for Maltese employees of the Service Departments, United Kingdom social services, extension of United Kingdom economic planning and full employment measures to Malta and Maltese representation in the House of Commons.

It is manifest that these demands touch the Service Departments nearly, still more the Treasury; and I am writing in order to acquaint you with the present position. The discussions will be held in the Colonial Office under the chairmanship of one of my Ministers, and it is hoped, if you think it desirable, that your department will be appropriately represented, though of course not necessarily at all the meetings. The Colonial Office is engaged in preparation of draft papers, and I should be grateful if you would let me have the name of the officer in your department to whom such papers should be circulated in draft.

I have written in similar terms to Lang, Barnes, Newsam, Parker and Turner.

² The election result gave the MLP 23 seats to the Nationalists 17.

35 CO 926/292

10 Mar 1955

[Malta's strategic value]: minute by J S Bennett calling for an assessment of the strategic role of Malta in the thermo-nuclear age

I see from the telegrams that the new Maltese Prime Minister is expected in London fairly soon for the long-postponed discussions about the future relationship of Malta with the U.K. I wonder whether, in preparation for his visit, it would be useful to ask the Chiefs of Staff for an appreciation of the strategic role of Malta in the thermo-nuclear age, which has recently been brought into the public arena by last month's Defence White Paper¹ (Cmd. 9391—copy attached for reference)?

¹ The first paragraph of the Defence White Paper observed: 'Overshadowing all else in the year 1954 has been the emergence of the thermo-nuclear bomb. This has had, and will continue to have, far-reaching effects on the defence policy of the United Kingdom. New and revolutionary problems are posed requiring courage and imagination for their solution' (*Statement on Defence* Cmd 9391, 1955).

2. Ever since Nelson's time, the real governing factor in Malta's checkered relations with this country, whether in the constitutional or the economic and financial field, has always been the British need for a base in the Island and the saleable value of this asset to the Maltese. But all strategy succumbs in the end to new weapons, and paragraphs 4 and 5 of the White Paper are enough to make even the layman ask himself whether a base on a small congested island within easy range of potential enemy aircraft is not now an anachronism. The repair facilities of the Malta Dockyard might still admittedly be useful to the Royal Navy in time of peace, but if it were true that Malta was now useless as a base in time of war there would be little sense in putting many eggs into the basket; and if this is the new strategic assessment it ought presumably to lead to some pretty fundamental changes in our real interests in the Island and consequently in our long-term political and financial relations with it. To take the extreme case, if after 150 years the Navy now has little further use for Malta, it would seem an odd moment to choose to link the Island permanently with this country by some form of incorporation, and there might be a case for giving the Maltese freedom to sell themselves elsewhere if they wish (which I understand Mr. Mintoff has advocated as the alternative).

3. From what I remember of Mr. Mintoff, he is a realist who likes to get down to fundamentals in negotiation. He has always been aware of the saleable value of Malta's strategic position, and even in the later '40's he had an instinct that it was a wasting asset. He has no doubt read the Defence White Paper, and will not have failed to notice the statements by the Prime Minister and other Government spokesmen in connection with the recent Anglo-Egyptian settlement—namely that the Suez Canal base had lost most of its former value because of its vulnerability to new weapons.² (If that strategic assessment had been arrived at earlier, might not Anglo-Egyptian negotiations have been easier?) It would be surprising if Mr. Mintoff did not want to know whether H.M.G. foresaw their strategic need for Malta diminishing or even disappearing altogether in the years ahead; and I suggest that the task of those who will have to negotiate with him would be eased if they were armed with an authoritative and up-to-date appreciation on the subject, whether or not it were deemed desirable to disclose all of it to the Maltese Prime Minister.

² During the Commons debate on the proposed British withdrawal from the Suez canal base, Prime Minister Churchill remarked: 'I have not in the slightest degree concealed in public speech how much I regretted the course of events in Egypt. But I had not held my mind closed to the tremendous changes that have taken place in the whole strategic position in the world which make the thoughts which were well-founded and well knit together a year ago utterly obsolete, and which have changed the opinions of every competent soldier that I have been able to meet' (*H of C Debs*, vol 531, col 750, 29 July 1954).

36 CO 926/249, no 7

30 Apr 1955

[Financial situation]: outward telegram no 76 from Mr Lennox-Boyd to Sir R Laycock on Mintoff's attitude towards financial assistance from HMG

Begins. I have noticed with increasing disquiet recent developments in Malta in the financial sphere and particularly Mintoff's attitude towards assistance from H.M.G. We are ready as we have always been to stand behind Malta financially if the need

arises, but we cannot agree to consider piecemeal proposals (such as request, in your telegram No. 67, for payment of half of considerably increased war pensions) or to rescue Maltese Ministers from the financial consequences of policies on which they choose to embark on their own responsibility. I recognise difficulties by which Maltese Government are faced on account of forthcoming exhaustion of War Damage money and, assuming that I am still Secretary of State, I shall be ready to consider whole financial position, long-term and short-term, with Mintoff when he comes to London for the round-table talks, for which I suggest we should now provisionally fix the middle of June. Meanwhile I fear I cannot agree to suggestion that a representative of H.M.G. should be sent to Malta to 'negotiate interim financial aid' in advance of these talks.

2. I shall be glad if you will see Mintoff and convey my views to him as above. While I cannot agree to send a negotiator I should be ready, if you think this would help, to consider sending an official to discuss the position (and, though it would no doubt be tactless to say so to Mintoff, to assist in putting Maltese proposals in proper shape), in preparation for the London meeting, though of course without any commitment. *Ends.*

37 CO 926/288, no 158

6 June 1955

[Progressive Constitutional Party]: inward telegram no 119 from Sir R Laycock to Mr Lennox-Boyd on the exclusion of the PCP from talks in London

Your telegram No. 109.

London Talks.

I saw Miss Strickland on Saturday and give her your message.¹ Whilst she was personally both friendly and understanding, her official reception of the news that P.C.P. representatives are not to be invited to talks was cold.

2. She says she considers Her Majesty's Government short sighted to exclude a party which polled a higher percentage of votes than the Liberal Party in the United Kingdom election and contends that P.C.P. represents moderate Labour element and that in three years time it will also absorb many of present Nationalist Party.

3. I personally think she is indulging in wishful thinking and that P.C.P. is moribund, which is unfortunate as their views are more reasonable than Labour Party or Nationalists.

4. Miss Strickland thinks blow might be softened if you could send her formal message to the effect that although it has not been possible to invite P.C.P. representatives to talks as they have no seat in Legislative Assembly, you would nevertheless be prepared to accept a memorandum from the Party which would be circulated and considered at the talks. I can see no objection to this though I expect Mintoff, and possibly Borg Olivier, will refuse to read it or to listen to discussion on it.

¹ CO 926/288, no 156, outward telegram no 109 from Lennox-Boyd to Laycock, 2 June 1955.

38 DEFE 4/77, COS 46(55)1

16 June 1955

'Strategic importance of Malta': COS Committee minutes¹

The Committee had before them a report by the Joint Planning Staff on the strategic importance of Malta.²

Rear Admiral Goodenough (representing V.C.N.S.) said that, in discussion with the Maltese, we should guard against exaggerating the strategic importance of the island lest they be tempted to demand too high a price in the shape of subsidies etc. We must also be careful to avoid giving them the impression that Malta was especially vulnerable or they might evacuate the island on the threat of war, a time when labour there was most needed. It should also be made clear that the paper under discussion represented purely the strategic point of view, and presumably the Colonial Office could deal with the political aspect. In this connection the Admiralty, as the main employer of local labour, would like to be consulted by the Colonial Office.

Lieutenant General Oliver said that although the paper was designed for the use of the United Kingdom representatives, and should not be shown to the Maltese delegation, it was important not to mislead the Maltese as to the likelihood of nuclear attack. He felt that the island presented an attractive nuclear target.

Sir Ronald Ivelaw Chapman said that the enemies' stock of nuclear weapons would be limited and he did not believe that Malta would be high on the list of target priorities, unless it was to be used as a base for the main allied air offensive, which was at present unlikely.

In discussion *the Committee* agreed:—

- (a) Certain amendments to the paper
- (b) That the paper as amended should be circulated to them for final approval
- (c) That the paper when approved should be forwarded to the Colonial Office as an expression of their views. It should be made clear that it was for the use of the United Kingdom representatives only and was limited to the strategic aspect of the importance of Malta.

The Committee:—

Instructed the Secretary to take action as agreed in their discussion above.

¹ The meeting was attended by Lieutenant-General W P Oliver (vice chief of the imperial general staff), Chief Marshal Sir Ronald Ivelaw-Chapman (vice chief of the air staff) and Rear-Admiral M G Goodenough (representing vice chief of the naval staff). J S Bennett (CO) and A J Newling (CRO) were also present for discussion of item 1.

² JP(55)47(Final).

39 DEFE 5/58, COS(55)137, *Annex*

17 June 1955

'The strategic importance of Malta': COS Committee paper

[Subsequent to their meeting on 16 June (see 38), the Chiefs of Staff approved the following paper. They were keen to stress, however, that 'this paper deals only with the strategic aspect of the importance of Malta, and is for the use of the United Kingdom representatives only during their forthcoming discussions with Maltese Ministers'.]

Introduction

The importance of Malta in our strategy is directly related to the strategic value of the Mediterranean as a whole.

The importance of the Mediterranean

2. Command of the Mediterranean allows access to all the countries of Southern Europe, North Africa and the Middle East. It also permits the use of the sea and air routes through the Mediterranean to the Middle East and Far East and thus greatly assists the strategy of the Free World.

3. The United Kingdom has a particular concern and responsibility in the Middle East because of our long established economic interests and treaty obligations. It is no coincidence that the Mediterranean and Middle East countries have, with the exception of Albania, been able to resist Soviet domination.

4. In war, Allied air and maritime forces, with nuclear capability, operating in the Mediterranean will pose a direct threat to the heart of Soviet Russia and will give effective support to the countries of the NATO alliance.

Strategic requirements

5. To meet our strategic requirements our forces must be so stationed that, in peace, they can best exert a general stabilising influence, safeguard our interests and support our treaty obligations. In war they must be able immediately to play their part in support of NATO and our allies. To support these forces throughout the world, we need efficient, contented and economically stable bases. Malta meets many of these requirements.

Value of Malta in peace

6. The bulk of our land and air forces in the Mediterranean and Middle East are at present stationed in Cyprus and Libya. These locations have inadequate port facilities. Gibraltar and Malta fulfil this need, but Gibraltar is badly placed for exerting influence on the Eastern Mediterranean; also it is vulnerable to unfriendly action by Spain. Malta, however, admirably fulfils our requirements as a base for our maritime forces in peace because of the existing extensive facilities for command, supply, repair, training, and recreation, which cannot so readily be found elsewhere in the Mediterranean. The above facilities moreover are enhanced by a supply of technically trained labour. Its strategic importance has been relatively increased with the loss of the ports in Palestine and Egypt. The island is a most important link in our air routes to the Middle and Far East. It is at present being developed as the Middle East Army Signals Centre to replace that hitherto at Fayid.

7. The value of the British contribution to NATO in the Mediterranean depends to a great extent on the CINCAFMED organisation. CINCAFMED's headquarters is strategically well sited in Malta and the forces under his control together with the facilities available in Malta form an important part of the deterrent against Soviet aggression. In addition to the British forces in Malta, some NATO forces assigned to CINCAFMED are stationed in the island.

The threat to Malta in war

8. The threat to Malta in the initial stages of a war will be from air attack. An attack using nuclear bombs would be likely only:—

- (a) If the island was being used as one of the bases for the main Allied air offensive. This is not the present intention.
- (b) Because of Malta's importance as a naval base, and in this case only if the Soviet High Command could spare any nuclear bombs from their main offensive against the Allies.

The role of Malta in war

9. Under NATO war plans CINCAFMED's headquarters will be in the Island, whence command and control of NATO maritime forces can best be exercised. The effort being expended in peace in strengthening the facilities for command is only justified if they can be used for war and, although alternative arrangements for headquarters must be made, Malta will remain first choice as the centre of maritime command in the Mediterranean.

10. Nuclear war requires a wide dispersal of our forces and bases and, to achieve this, we would have to make the maximum use of all our overseas bases. Malta is one of these bases. We do not believe that the increased availability of alternative NATO bases under CINCAFMED decreases the importance of Malta. We hope by dispersion of forces among numerous bases to avoid turning Malta into a worthwhile nuclear target. We do not consider that the likelihood of this form of attack is such as to justify the selection of an alternative location for our main maritime base and Allied Headquarters in war.

40 CO 926/249, no 19

22 June 1955

[Integration]: letter from Sir H Brittain¹ to Sir T Lloyd expressing Treasury objections to Malta's integration into the UK

We have not yet had an opportunity of discussing with the Chancellor of the Exchequer the progress of the Malta Round-Table talks or the issues that are likely to arise in connection with them; but I thought I ought to write to you about the financial aspects as we see them.

2. As Malta can never be given Commonwealth status, because of defence considerations, attention will no doubt be concentrated on the proposals for integration with the U.K. which have been put forward by the Maltese Prime Minister. The Cabinet last year ruled against the representation of Malta in the U.K. Parliament, and as, presumably, complete integration or integration on the Northern Ireland model would involve representation at Westminster, it is not perhaps necessary to elaborate the financial objections to the inclusion of Malta in the United Kingdom. Nevertheless, I should like to mention some of the objections, which are very formidable.

3. The essence of the Northern Ireland arrangement is that one is dealing with people of our own standards of living, and, equally important, there is a determination in Northern Ireland to make a substantial contribution to the Imperial Exchequer. None of these elements is present in the case of Malta and any suggestion that U.K. social services should be extended to Malta would impose a

¹ Second secretary, Treasury.

burden on the U.K. Exchequer which seems to be quite unacceptable and might well be highly injurious to the economy of Malta. As you probably know, these views are held strongly by the Ministry of National Insurance and by the other Social Departments, quite apart from ourselves. In these circumstances, it would be undesirable from the Treasury angle to state, or even to infer, that integration with the U.K. is possible, even in the future.

4. We are so apprehensive about the financial consequences of integration that we hope that nothing will be said, in terms of a closer association between this country and Malta, which might be taken to represent an acceptance by this country of the ideas put forward by the Prime Minister of Malta.

I fully realize that you do not wish the present talks to break down, but neither, of course, would you wish to give impressions that might lead to misunderstandings in the future, or to allegations in the future of a breach of faith.

5. We shall, of course, have to examine with you the extent to which financial assistance of the more normal kind should be given to the Government of Malta by way of straight Exchequer assistance and payments from Colonial Development and Welfare Funds; but I hope that you will agree that no suggestion should be made that the U.K. would underwrite any scheme of social insurance or other social welfare developments. Not only might any suggestion of this kind appear to represent some acceptance of the idea of integration, but, even by itself, it would represent a financial commitment and burden of undefined extent which would be quite unacceptable to this country and would, in the long run, not be in Malta's own ultimate interests. I suggest that at this stage the offer should be to provide technical help in working out self-supporting schemes within the financial capacity of Malta.

6. I thought that I ought to send you this note to show the way in which our minds are working, because, if by any chance you had it in mind to make concessions to Malta with wider financial repercussions than are here suggested, I am sure that we ought to warn Treasury Ministers at an early stage.

41 CAB 128/29, CM 19(55)10 30 June 1955 **'Malta': Cabinet conclusions on the proposals of the Malta government for closer association between Malta and the UK**

The Cabinet considered a memorandum by the Colonial Secretary (C.P. (55) 53) on the proposals of the Malta Government for closer association between Malta and the United Kingdom.¹

The Colonial Secretary said that Malta was now at the parting of the ways. It was inevitable that some change should be made in her constitutional status. She could not aspire to independent nationhood, and could not, therefore, expect to become a full member of the Commonwealth. That being so, she must look to some form of closer association with a stronger Power. If we rejected her suggestion of closer association with us, the possibility could not be excluded that she would move towards a closer association with Italy. Such a development would be gravely

¹ CAB 129/76 CP(55)53, 'Malta: claim for representation in Parliament at Westminster': memorandum by Lennox-Boyd, 27 June 1955.

embarrassing, especially at a time when Cypriots were agitating for union with Greece. He was, therefore, disinclined to reject out of hand this Maltese proposal for closer association with the United Kingdom and representation in the Parliament at Westminster. Outright rejection of this claim would be the more difficult now that the Labour Opposition in the House of Commons had indicated their intention to support it. At the same time he recognised that this would be a considerable constitutional innovation, and that the details would need careful examination. It would be appropriate that they should be studied by some independent body. The appointment of a Royal Commission would be regarded by the Maltese as a device for delaying action. If, however, the Government were willing to indicate that they accepted the principle of Maltese representation in the Parliament at Westminster, it would be reasonable that the detailed means of applying the principle should be remitted for study by a Speaker's Conference or a joint Select Committee of both Houses of Parliament.

In discussion there was much support for the view that this was the right moment for an imaginative gesture which would satisfy the constitutional aspirations of the people of Malta. Faced as they were with constitutional difficulties in various parts of the Colonial Empire, the Government could ill afford to risk a serious constitutional crisis in Malta. Moreover, when awkward negotiations were to be opened about Cyprus and criticism might be expected of the forthcoming transfer of the naval base at Simonstown, it would seem anomalous that the Government should reject a request by a Colonial people for a closer form of association with this country. Were we to quarrel with the Cypriots because they wanted to leave us and with the Maltese because they wanted to draw closer towards us? If it seemed likely that some form of closer association between this country and Malta was inevitable, there was much to be said for welcoming it in principle without delay. The detailed means of giving effect to it would need prolonged examination, and there would be ample time to devise such safeguards as were necessary. Meanwhile, however the goodwill of the Maltese people would have been secured. If their overture were rejected outright, the two Maltese Parties would probably unite in presenting a demand for full independence coupled with a defence treaty and considerable financial assistance from the United Kingdom. It would be inexpedient to provoke such a demand at the present time.

On the other hand some Ministers were seriously concerned at the risks involved in admitting the principle of Maltese representation in the Parliament at Westminster. A Maltese Lobby in the House of Commons might be very troublesome. At times when there was only a small balance between the two main political Parties at Westminster, a few overseas Members might have an influence in domestic affairs which was quite disproportionate to their numbers or to their knowledge or responsibility. Was it not desirable that, before such a novel constitutional expedient was adopted, further thought should be given to the possibility of devising alternative concessions which might satisfy Maltese aspirations? If the present diarchy had to be abandoned, would it not be possible to appoint a Council of Ministers, drawn from both the United Kingdom and Malta, to which the Governor would submit recommendations on international or defence questions which were outside the competence of the Malta Government? Such a development could be coupled with generous provisions for financial and economic aid. The proposals at present before the Cabinet were those which had been put forward by the Maltese Government. As

they stood, they were full of difficulties. It was evident that much further study was required before a practical plan could be drawn up for closer association between Malta and this country. Was it necessary that, in advance of this detailed study, the Government should declare their acceptance of the principle of Maltese representation in the Parliament at Westminster? Would it not be preferable to remit the subject for detailed study by a joint Select Committee of both Houses of Parliament, or some other appropriate body, without prior commitment on the question of principle?

The Colonial Secretary said that, while he respected the anxiety felt by some of his colleagues, he doubted whether he could secure the co-operation of the Maltese in an independent examination of their proposals unless the United Kingdom Government had at least welcomed those proposals as a valuable contribution towards a solution of the problem of Malta's constitutional development. He fully recognised the need for further examination of the constitutional and practical problems involved; but, if Malta's goodwill was to be retained, this examination must be carried out on the basis of Government acceptance of the principle underlying the Maltese proposals.

In further discussion it was suggested that a possible alternative course would be to convene a more formal conference, modelled on the Round Table Conferences which had discussed constitutional developments in India between the wars, to consider means of promoting a closer constitutional association between the two countries including a link with the Parliament at Westminster. If this course were adopted, an early announcement could be made of the Government's intention to convene such a conference.

The Cabinet:—

Invited the Colonial Secretary to prepare, in the light of their discussion, considered proposals on the procedure to be followed in the further examination of the Maltese proposals for closer association with the United Kingdom; and agreed to resume their discussion of this question as soon as those proposals were available.

42 PREM 11/1432, f 552

2 July 1955

[Integration]: minute by Mr Macmillan to Sir A Eden expressing support for the idea of Maltese members in the House of Commons

I shall not (as you know) be at Tuesday's Cabinet when the question of Malta will be discussed. Although the proposal to have Maltese members in the House of Commons is novel, or even, to use Lord Salisbury's¹ expression, eccentric, I hope the Cabinet will accept it; at least in principle. Of course there will be a lot of work to be done before all the detailed arrangements can be made for Malta to continue to enjoy a separate legislature of its own as well as representation in Parliament. Nevertheless, I feel that at this moment in our history the voluntary and patriotic desire of Malta to join us is something we ought not to repel. Centrifugal forces are very strong at the moment. Let us cherish any centripetal movement that we can find.

¹ Leader, House of Lords, 1951–7; lord president of the Council, 1952–7.

43 PREM 11/1432, ff 537–8

4 July 1955

'Malta': minute from Sir N Brook to Sir A Eden raising objections to allowing Malta to be represented in the Westminster Parliament

I think that the Cabinet should weigh very carefully the possible long-term consequences of allowing Malta to be represented in the Parliament at Westminster.

2. This proposal has been provoked largely by the realisation that Malta cannot expect to take the normal road of constitutional development—the road to full Commonwealth membership. But Malta is not alone in this. When we pictured the long-term lay-out of the Commonwealth, we identified 21 small Colonies which, because they could not achieve independent nationhood, could not aspire to full Commonwealth membership. The full list of these is given in paragraph 3 of the report annexed to C.(54) 307 (copy attached).¹ In paragraph 4 of that report we envisaged that some, at least, of these might wish in time to escape from 'Colonial' status, and we thought that some of them might then be brought into the same relation with the United Kingdom as are the Channel Islands and the Isle of Man. We proposed, for them, a 'Privy Council' status. But, if Malta were now to achieve a status marked by representation at Westminster, several of these smaller Colonies might, sooner or later, demand the same. Gibraltar, Cyprus, Bermuda, Bahamas and Mauritius—to name only five—might well do so. And if the Channel Islands and the Isle of Man sought the same status, after it had been given to Malta, they could hardly be denied it.

3. What effect would this have on the Parliament at Westminster? It is not enough to measure the effect in terms of three Maltese Members. Once this pattern was set, we must assume that a number of small Colonies would secure similar representation. We should then be headed towards a Parliamentary Assembly representing, not the United Kingdom, but 'the United Kingdom and Colonies'. The fact that we have accepted this concept of 'United Kingdom and Colonies' in our nationality law may make it more difficult, once the first step is taken for Malta, to escape the ultimate logical conclusion that the Parliament at Westminster should represent—and contain representatives of—all those Colonial territories which are ripe for full self-government but are not big enough to stand alone as independent members of the Commonwealth.

4. Is it really necessary to accept the principle of Maltese representation at Westminster?

It is, of course, very desirable to avoid trouble in Malta at the present time. But is it necessary to make a *constitutional* concession for this purpose? What the Maltese really want is an assurance that their economy will be made viable—or, more honestly, as that is impracticable, that there will be subventions from outside sufficient to produce the same result. They ask for representation at Westminster because they think that it will mean, or at least will enable them to press more effectively for, economic integration with the United Kingdom—in which they hope to have all the special advantages of a 'depressed area'. Representation at Westminster *per se* will not satisfy them. Indeed, it may make them *agrier[sic]* than

¹ Reproduced in series BDEEP series A, vol 3, D Goldsworthy, ed, *The Conservative government and the end of empire 1951–1957* part II (London, 1994), pp 29–42, document no 192.

ever if they find that, in spite of this constitutional concession, they have not secured the economic advantages which they expect from it.

5. The Chancellor of the Exchequer said, at the last Cabinet discussion on this question, that he was ready to make generous financial and economic provision for Malta. That, I believe, is what the Maltese really want. If they were assured of that, could they not be persuaded to drop their demands for representation at Westminster?

A constitutional concession alone will not satisfy Mr. Mintoff. To satisfy him, we should have to give a lot of financial and economic help as well. Why, then, should we add the constitutional concession? It is demanded only by his Party. Mr. Olivier's party have not asked for Maltese representation at Westminster. Indeed, so far as we know, they do not favour it. Actually, I understand, they are opposed to it. They represent a very substantial minority of the Island's population. There is also the doubt about the attitude of the Roman Catholic Church towards the constitutional proposal.

6. When all this is taken together, is there not much to be said for trying to do a deal on 'money', which appeals to men of all Parties in Malta and creates no constitutional precedents?

44 CAB 134/1296, MC(O)(55)3 28 July 1955 **'The Mintoff plan': memorandum by the CO for the Cabinet (Official)** **Committee on Malta examining Mr Mintoff's programme for** **integration. *Appendix A***

I. An analysis of Mr. Mintoff's policy of 'integration'

Mr. Mintoff's programme in the original form in which he placed it before the Maltese electorate at the last general election, at which he was returned to power, proposed the gradual incorporation of Malta into the political, financial and social institutions of the United Kingdom. The main features of this programme were representation of the Maltese in the United Kingdom Parliament, immediate and absolute parity of dockyard wages and conditions of social services, and the application to Malta of United Kingdom rates of direct taxation. This programme had not been worked out in detail before the recent London talks. It was in fact substantially modified in the light of the interim report of the Maltese Government's economic advisers (Dr. Balogh¹ and Mr. Dudley Seers) and these modifications were incorporated in an aide-memoire (copy at Appendix 'A') which Mr. Mintoff circulated at the talks setting out his latest conception of 'integration' and how it should be achieved.

2. The aide-memoire deals only with the broad principles of 'integration'. It is divided into three sections—(A) Constitutional, (B) Economic and (C) Administrative. Although it is not clearly indicated in the aide-memoire, it appeared

¹ Dr Thomas Balogh of Oxford University's Institute of Statistics, along with his assistant Dudley Seers, had been asked by the Malta government to examine the use being made of British aid.

in discussion that the constitutional proposals in section (A) are intended to have early and permanent effect save that Mr. Mintoff recognises that representation at Westminster, if accorded, would not take place in the lifetime of the present Parliament, whereas the economic and administrative proposals are designed for the transitional period leading up to the time when 'integration' is complete and a 'new settlement will have to be made in which Malta shares the burdens and receives the benefits of full membership with the United Kingdom'.

3. The main features of the proposals in the three sections of the aide-memoire, as expounded by Mr. Mintoff during the recent discussions, may be summarised as follows.

A. *Constitutional*

4. Although it is placed last in this section of the aide-memoire, the demand for the right of Malta to send not less than three members to the House of Commons with full powers was placed first and foremost in the oral exposition by Mr. Mintoff. He explained that representation is the cardinal feature of his proposals, otherwise he would have already accepted Channel Islands status. The basic principle is 'no legislation or taxation without representation'. He held that it would not be a practical proposition to have limited representation i.e. to exclude Maltese M.Ps. from taking part in debates or in discussion of legislation on purely United Kingdom matters. There was little discussion in the House of Commons which did not relate to defence, foreign affairs, overseas trade, etc. which concerned Malta. In any case, the welfare of the United Kingdom in all its aspects was interesting and important to Malta. It could not be argued at one and the same time that three Maltese M.Ps. would not be able to influence policy in Maltese matters and that they would have a serious effect on the handling of United Kingdom questions. He said that provided the principle of representation was conceded, the Maltese would be prepared to make other concessions, e.g. on the question of the respective powers of the United Kingdom Parliament and the Maltese legislature. Representation at Westminster was the only guarantee of a permanent solution to the problem of maintaining happy relations between Malta and the United Kingdom. For these reasons, it was essential that representation at Westminster should be brought into effect at the beginning of the process of 'integration', i.e. not postponed until economic and administrative integration had been achieved. It was however recognised that in any case there could be no Maltese representatives during the life of the present Parliament.

5. In order to facilitate representation at Westminster, the present Maltese Government suggest that elections to the Maltese Parliament, which are at present based on proportional representation, should be replaced by universal direct adult suffrage, and it was intended that as regards the election of Maltese representatives to be sent to Westminster, all requirements for electors, candidates and election procedure should be identical with the United Kingdom.

6. It is stated that there should be a Maltese Parliament which should consist of a one-House Legislature. Since the present Maltese legislature is a unicameral Assembly, this requirement must be assumed to mean that the Maltese Assembly would be renamed 'Parliament' and that there would not be a second Chamber in Malta, as there is in the United Kingdom and in Northern Ireland.

7. Finally, it is proposed that the legislative powers reserved to the Maltese Parliament should extend to all matters other than foreign relations, defence, and

direct taxation (income tax and death duties) which would be within the exclusive jurisdiction of the Imperial Parliament. It will be noted, however, from the last paragraph of the aide-memoire that it is proposed that direct taxation should be within the competence of the Malta Government and Legislature acting on the advice of the mixed committee referred to in Section C(c) of the administrative proposals, during the transitional period lasting some 15 years in which Malta would be building up its productivity and national income towards the point when it could shoulder the same tax burdens as the United Kingdom. In other words, it is proposed that the constitutional provision for the overriding power of the United Kingdom Parliament as regards all matters in Northern Ireland, whether transferred or not, should not apply in Malta's case and that the Maltese legislature should have greater autonomy than that of Northern Ireland. Mr. Mintoff justified this position by remarking that many of the wider powers reserved to Westminster in the case of Northern Ireland were related to the nearness of Northern Ireland to the United Kingdom, and that under 'integration' Malta would in effect be making concessions from its present degree of internal autonomy for which there should be compensation. If, however, the principle of representation at Westminster were conceded, the Maltese Government would have no objection in principle to matters being reserved to Westminster, and would be prepared to discuss the number and extent of such reserved matters. On the question of the United Kingdom Parliament's power over direct and indirect taxation, Mr. Mintoff said that the people of Malta could only gradually shoulder the same burdens as the people in the United Kingdom, i.e., when their wages, social services and general standards of living have been raised, with United Kingdom help, to the same level. He indicated that it was up to the United Kingdom to work out the balance sheet in order to achieve the desired ends. It did not, however, appear possible to have the same level of taxation, etc. in Malta as in the United Kingdom until the economy had been rehabilitated, say in 15 years. It was in order to work out the balance sheet that the administrative proposals in Section C had been put forward.

B. *Economic*

8. The economic proposals do not refer to the original demand put forward by Mr. Mintoff for ultimate parity in wages and social services with the United Kingdom. Instead they refer generally to Her Majesty's Government's providing help in economic and social development, by granting an annual subsidy to the Maltese budget, which would expand as social services developed, by making capital contributions for completion of war damage and reconstruction and subsequent new capital works, and by encouraging the development of industry and enterprise, and other means. It is envisaged that as the development of Malta proceeds the Maltese contribution in terms of taxable and local investment capacity will increase, so that Her Majesty's Government's direct contribution will correspondingly decline until a point at which the respective contributions of the United Kingdom and Malta would become stable. It is not, however, envisaged that at any time Her Majesty's Government would be relieved of the need to contribute to Malta's resources. On the contrary, it is only foreseen that after first increasing and then decreasing Her Majesty's Government's annual contribution would be stabilised, although this permanent contribution is represented as what would be due to Malta on account of the 'extra' standard of facilities required and used by the Imperial Forces there.

Nonetheless, at this point of stabilisation, it is proposed that a new settlement would have to be made in which Malta would share the burdens and receive the benefits of 'full partnership with the United Kingdom'.

9. Mr. Mintoff explained that he hoped that Malta would in due course not only make contributions in land and facilities, i.e., to the Services, but also in actual money, but that Her Majesty's Government should consider that any money spent in Malta would be a harnessing of mutual resources for the benefit of both peoples, as it presumably did in the case of the people of Northern Ireland who did not contribute as much per head on defence as the inhabitants in the rest of the United Kingdom. His economic advisers suggested that, in the long run 'integration' was likely to prove the best way of disembarassing the British taxpayer, since it was only within the framework of equality in the constitutional rights, duties and responsibilities of British citizenship that the Maltese people would be willing to exercise the self-discipline and restraint necessary to increase their productivity and assume equivalent burdens. Mr. Mintoff maintained that it was essential to establish the underlying principle of parity, however long it took to work out. He recognised (as a result of the advice of Dr. Balogh and Mr. Seers) that social services and wage scales on the United Kingdom level could not be introduced in full at once as this would only lead to economic dislocation, but he felt there should be a plan whereby wages and social services would be raised simultaneously over an agreed period. Although other patterns might be devised as appropriate to Malta, Mr. Mintoff said that the Maltese adhered to the British model of the Welfare State. It may however be assumed that he would not object, and might indeed prefer, that Maltese schemes for social services should be separate and run by the Maltese themselves rather than as local branches of the corresponding United Kingdom schemes.

C. *Administrative*

10. Mr. Mintoff explained that once representation had been conceded and the principle of equal taxation and social services admitted, the process of gradual implementation on the lines indicated above would require special joint arrangements either in the form proposed in the aide-memoire or in some other mutually acceptable form. Mr. Mintoff's proposals envisage first a local Maltese administration run solely by the Maltese Government. This presumably means that there would continue to be a separate Maltese Civil Service responsible only to Maltese Ministers in fields in which the Maltese Government would have autonomous powers.

Secondly, there should be an 'Imperial Branch' in Malta, responsible solely to Westminster in so far as foreign affairs and defence were concerned. It is not, however, clear whether there would continue to be a Governor of Malta, and if so, whether he would have the position of the 'Governor-General' as in Northern Ireland, and/or would be the 'Imperial Branch' (with advisers on his staff) as referred to above. It will be noted, however, that it is proposed that the 'Imperial Branch' would be represented on the Maltese Committee referred to in Section C(c) which is to be presided over by the Maltese Minister of Finance. It is not clear, moreover, whether the 'Imperial Branch' would have the power to legislate in Malta or give directions to Maltese Ministers or civil servants in so far as it was necessary to do so in order to implement the decisions made by the Imperial Parliament and Her Majesty's Government in defence and foreign affairs.

Thirdly, there should be a Maltese Committee, composed of the local Maltese Government and the local Imperial Branch on a basis of absolute parity, under the Maltese Minister of Finance, to advise the Maltese Government and Parliament on the measures to achieve the required tempo of increase in direct taxation to match the betterment of wages and social services towards the British level; and to make recommendations on development projects.

Fourthly, there should be an inter-governmental committee in London of Cabinet rank, meeting periodically, which would comprise an equal number of United Kingdom Ministers and Maltese Ministers (two each) under the Chairmanship of a Secretary of State (the Home Secretary). Its functions are stated as being mainly the supervision of the economic plans submitted to it by the Maltese Government (consequent on the advice of the Maltese Committee) and consultation on the size of Service expenditure, and the measures necessary to maintain full employment in the Island. It is also apparently envisaged that it should act as a 'Court of Appeal' in event of any disagreement between the Maltese side and the Imperial Branch in the Maltese Committee, and that the decision of the London committee would be final. The London committee would also apparently have executive powers, and a permanent secretariat, thus in effect constituting a new Department of State.

11. In this connection, it should be noted that Mr. Mintoff has put forward separately proposals for an interim Constitution under which there would be similarly composed committees in Malta and London for the purposes of consultation on defence and foreign affairs. It is not at present clear whether these bodies would be separate bodies from those concerned with economic policy as described in the aide-memoire, but Mr. Mintoff has indicated that he is flexible as regards the detailed arrangements to be made, e.g. on whether these bodies should or should not have both functions. It was stated also that the interim proposals involved a probable transfer of Maltese affairs to the Home Secretary.

To sum up, the main points in Mr. Mintoff's proposals are as follows. First and foremost, he requires that Malta should be represented by about three M.Ps. at Westminster, elected on the same basis as British M.Ps., and with their full rights and privileges. This would be the beginning of the process of 'integration'; it would happen during the life of the present Parliament but would be introduced with the next Parliament. On the other hand, he does not accept that the United Kingdom Parliament should have the power of direct legislation on taxation in Malta until the end of the process of economic and social 'integration'. This process is to be designed to raise wages and social services to a level of 'parity' with the United Kingdom, at which the imposition of taxation at United Kingdom levels in Malta would be justified. Only then, apparently, would the United Kingdom Parliament take over direct powers of taxation. It is, however, envisaged that even after this process is completed (say in 15 to 20 years' time), it will still be necessary for Her Majesty's Government to provide financial assistance for Malta. Administrative machinery to regulate the process of economic and social development in the transitional stage has been suggested, the most important item of which is the proposal for an inter-Governmental Ministerial Committee in London, with a permanent secretariat, to supervise the provision of economic and financial assistance, and apparently to act as an arbitrator in the event of difficulties arising which cannot be solved by the administrative machinery to be set up locally.

II. *Commentary*

13. Although constitutional questions will be to the forefront at the forthcoming Round Table Conference, the economic and social implications of any plan for the closer association of Malta with the United Kingdom are clearly important and require further study. The Administrative arrangements involved in Mr. Mintoff's proposals, or in alternative proposals for 'integration' also raise important issues which will need to be carefully considered before a cut and dried scheme is prepared. Some of the obvious points which arise in this connection are mentioned in Appendices 'B' and 'C' and 'D' attached.²

14. As regards representation at Westminster, Mr. Mintoff has used the phrase 'no taxation without representation', but what he is proposing, at least for a period of 15 to 20 years, is 'representation without United Kingdom taxation'. From the economist's point of view, however, it would scarcely be reasonable to impose United Kingdom taxation immediately in Malta unless wages, social services and standards of living were correspondingly raised, and it would be disadvantageous both to Her Majesty's Government's immediate financial interests and Malta's long-term economic interests to attempt such an immediate and drastic change. Mr. Mintoff's proposals for a phased economic programme make economic sense. In this connection, it must be remembered that Her Majesty's Government is already pledged to the social and economic development of Malta with the aim of raising standards of living, and that Malta will require considerable financial assistance from Her Majesty's Government for some years to come, whatever the constitutional relationship with the United Kingdom may be. It is, however, impossible to foresee to what extent such social and economic development will result in the considerable increases in national income and productivity which would make improvement of wage levels, social services and taxation to United Kingdom standards a practical or desirable proposition.

15. Some the main questions which require to be considered before the forthcoming Round Table Conference would therefore appear to be:—

(i) Whether 'integration' over a period of 15–20 years is a practicable and desirable economic, social and administrative proposition, having regard to the different circumstances of Malta and the United Kingdom. Under this general head the following points appear to need particular examination:

(a) whether 'integration' necessarily means the achievement of absolute parity with the United Kingdom levels of taxation, wages and social services;

(b) what would be the financial cost to the United Kingdom of the effort to develop Malta's economy to the extent necessary to support the required degree of parity with the United Kingdom levels of taxation, wages and social services; and

(c) what would be the probable charge on the United Kingdom for assistance to the Maltese economy after full 'integration' had been achieved.

(ii) If the general objective of 'integration' over a period of time is held to be practicable and desirable, are Mr. Mintoff's proposals for Malta's representation in

² Not printed.

Parliament, with parliamentary authority extending over foreign affairs, defence and direct taxation, a feasible form of Government for Malta in the long term? Under this heading are comprised:

- (a) the difficulties of parliamentary representation; and
 - (b) the difficulties of a diarchical constitution i.e. how would the authority of Parliament be asserted in Malta in the transferred field of authority so far as that was necessary to implement decisions on defence and foreign affairs and taxation.
- (iii) If the conclusion is that the objective is acceptable what should the interim arrangements be. Under this head the following main points arise:
- (a) Could parliamentary representation be accorded to Malta before 'integration' was achieved;
 - (b) if so, are Mr. Mintoff's proposals for representation without the United Kingdom Parliament having control of direct taxation in the interim period acceptable; and
 - (c) are the interim administrative arrangements proposed by Mr. Mintoff workable and acceptable?
- (iv) Should an attempt be made to devise alternative forms of constitutional, economic and social development which might satisfy Malta's aspirations without creating difficulties or precedents which might also be suitable for adoption and adaptation in other small Colonial territories.

Appendix A: Aide memoire on the constitutional, economic, and administrative proposals of the Malta government delegation

We have in our First Memorandum given only the barest possible indication of the practical proposals by which the principles put forward in that document can be expeditiously implemented. We indicated that the new *Constitution* should be modelled on Northern Ireland with such modifications as appeared necessary to meet the particular problems of Malta. Adequate *aid* was in our submission necessary to provide a solution for the unbalance of the Maltese economy and *administrative* organs had to be devised to take the place of the dyarchical system which never has, in practice, fulfilled the hopes placed in it by its authors.

2. We shall now indicate the broad principles under each of these three headings on which we hope agreement can be secured at this Conference, leaving the examination and solution of details to a later stage.

(A) Constitutional

There should be a Maltese Parliament which should consist of a one House Legislature.

Elections to the Maltese Parliament should be based on universal adult suffrage. The present system of proportional representation should be replaced by the British system of direct voting.

The legislative powers reserved to the Maltese Parliament should extend to all matters other than foreign relations, defence and direct taxation (Income Tax and

Death Duties). The matters excluded would be within the exclusive jurisdiction of the Imperial Parliament.

The Constitution Act of the Imperial Parliament should give Malta the right to send not less than three members to the House of Commons with full powers.

(B) *Economic*

The United Kingdom should agree to extend help in the economic and social development of the Islands. This, in part, is in consideration for the facilities in the Islands and in payment on local taxation on behalf of the Imperial and Allied Forces to maintain common services, including education on the Islands.

(a) There should be agreement in principle for the United Kingdom Government to contribute to recurrent expenditure for a first period of, say, ten years on the framework of development of Malta and the size of the Imperial contribution to it. The independent economic experts put the sum needed under this heading at £1.5 million per annum, increasing as the Educational facilities are expanded towards the minimum level needed, and certain additional social services are developed which are essential for the smooth functioning of the Maltese social and economic system. We anticipate, however, that with the increase in Maltese national income and revenue this contribution will later decline.

(b) Make a contribution administered by the London inter-Governmental Committee to the capital cost of development so as to make up the deficiency of the War Damage Fund and after its gradual exhaustion to provide a basis for the capital investment needed for the diversification of the Island's economy. The economic experts put this sum tentatively rising to £3–£3.5 million per annum as the War Damage Fund is exhausted.

(c) Use her good offices to facilitate the procurement of loans at favourable terms through the Local Loans Fund, through the London market or from international agencies.

(d) Undertake to extend to Malta the benefits of a double taxation agreement.

(e) Include the Islands in the benefits of the 'Special Area' Acts.

(f) Provide experts needed to start the development programme—technical, administrative and commercial.

(g) Persuade firms in the United Kingdom (if necessary through the use of so called 'experimental' contracts) to open branch factories in Malta, and to establish suitable Government works (e.g. atomic energy) in Malta.

(h) Make use of Maltese factories in the supply of Forces based in Malta.

As Maltese reconstruction proceeds, and Maltese supplies of capital (as well as capacity to borrow) increase, the direct capital contribution will also tend to decline. Eventually the British contribution under both headings will reach the level appropriate as the permanent annual contribution of the Imperial Forces to the General overhead costs of the Islands. In this transition period direct taxation will fall under the competence of the Malta Government and Parliament acting on the advice of the Mixed Committee specified under heading (c) of the next section. The Imperial contribution and the capital expenditure projects on the other hand will fall under the jurisdiction of the London Inter-Governmental Committee—section (d). Finally at the end of the transition period, a new settlement will have to be made in which

Malta shares the burdens and receives the benefits of full membership of the United Kingdom.

(C) *Administrative*

The Administration shall have four components:—

- (a) A local Maltese Administration run solely by the Maltese Government.
- (b) An Imperial Branch responsible solely to Westminster insofar as foreign affairs and defence are concerned.
- (c) A combination of (a) and (b) on a basis of absolute parity and presided over by the Maltese Minister of Finance to determine
 - (i) the tempo of increase in direct taxation;
 - (ii) the progressive betterment of social services towards British level;
 - (iii) the co-ordination of wages and their upgrading towards British standards; and
 - (iv) to scrutinise economic trends and make recommendations on economic projects to the Maltese Cabinet.
- (d) An inter-Governmental Committee in London of Cabinet rank meeting periodically, and representing the British Government and the Maltese Government and presided over by the Home Secretary. The Committee's functions shall consist mainly in supervising the economic plans submitted to it by the Maltese Government. It should act as a means of consultation on the size of Service expenditure and on the measures necessary to maintain full employment on the Islands. The Committee should have executive powers and it should have the services of a permanent secretariat to keep the development of Malta under constant review.

45 FO 371/117998, no 10

4 Aug 1955

[Integration]: despatch no 248 from Sir R Laycock to Mr Lennox-Boyd detailing the archbishop's concerns about the impact of integration on the Church in Malta

I have the honour to address you on the subject of the relations between the present Labour Government and the Church in Malta.

2. In the course of conversations which have taken place between His Grace the Metropolitan Archbishop, the Lieutenant-Governor and myself on the one hand, and between His Grace, the Prime Minister and his advisers (at which the Lieutenant-Governor was present at the Prime Minister's request) on the other, it has become clear that the Archbishop harbours a number of fundamental misconceptions about the Government's proposals for closer association between Malta and the United Kingdom which may cause him to come into the open against them when he judges the time to be ripe. In conversation with the Prime Minister, he had referred to various consequences of the 'absorption' of Malta into the United Kingdom, of Malta's assuming the status of an English county, and of the dangers of the application of United Kingdom legislation on matters such as civil marriage and divorce to Malta. In order to set these fears at rest, the Prime Minister has given His Grace a categorical assurance that no action would be taken by his Government

which would prejudice the rights and position of the Church, or give ground for the fears which have been expressed.

3. Notwithstanding lengthy explanations both by the Prime Minister and the Lieutenant-Governor, however, to the effect that, under the closer association proposals, the Maltese Assembly would retain full powers to legislate on all local matters except Defence and Foreign Affairs, and at a later stage direct taxation, His Grace professed himself to be not satisfied with an assurance only by one party (i.e. the Maltese Government) to the proposed closer association, and requested a further assurance from Her Majesty's Government. In discussion as to the nature of this assurance, it became clear that he wished Her Majesty's Government to undertake to maintain the rights and position of the Church in Malta exactly as they are now. It was pointed out to him that Her Majesty's Government could not give such assurance as it would involve encroaching on matters which are within the jurisdiction of the Maltese Assembly, but that undoubtedly a categorical assurance could be given to the effect that, for their part, Her Majesty's Government would do nothing which would prejudice the rights and position of the Catholic Church in Malta.

4. I have accordingly undertaken to approach you with a view to securing a formal assurance to this effect, and I very much hope that you will see no difficulty in giving it, as it should do much to set the Archbishop's fears at rest.

5. Nevertheless, I cannot myself escape the conclusion that, for motives probably different from those which have so far been discussed, the Archbishop intends, when he judges the time to be ripe, to do all he can to oppose the Maltese Government's programme. His real fears are probably that on the one hand, as a result of their implementation, taxation will fall more heavily on the Church than it does at present, and on the other, that any form of closer association between Britain and Malta will in fact involve an increased seepage of 'advanced' and possibly anti-clerical notions into the Maltese, who are at present 100% Roman Catholic.

6. The Archbishop made it clear that he is reporting on these matters to the Holy See, and from the tone of the conversations with him and the vehemence with which he has spoken to me about the Prime Minister and his programme, I find it difficult to believe that his reports will be entirely balanced and unbiassed. I therefore think it important that, at least so far as Her Majesty's Government is concerned, steps should be taken to present a balanced picture of the present proposals for closer union and the situation in Malta to the Roman Catholic authorities, and I hope that you will find it possible to speak suitably to the Apostolic Delegate in London on this subject, and also to cause Her Majesty's Minister to the Holy See to bring the true facts of the situation to the notice of the Vatican. Indeed, it would be useful if any assurance Her Majesty's Government feel able to give of the nature discussed above could be communicated direct to the Holy See as soon as possible.

46 PREM 11/1432, ff 380–2

5 Aug 1955

'Malta: constitutional proposals': letter no 250 from Sir R Laycock to Mr Lennox-Boyd

In accordance with the arrangements for the circulation of periodic despatches from oversea territories to Ministers and senior officials outside the Colonial Office and, in

certain cases, to Her Majesty's Ambassadors and High Commissioners and other Colonial Governors, I have the honour to address you on the subject of the current proposals for constitutional change in Malta.

2. Self-Government was first granted to Malta in 1921, and since then has suffered various vicissitudes. It was suspended between 1930 and 1932, withdrawn in 1933, and granted again in 1947. Under the 1921 Constitution there was a bi-cameral Legislature, but the 1947 Constitution, which is still operative (but only just), provides for Government by a so-called Diarchy, consisting of the Maltese Imperial Government on the one hand dealing with the reserved subjects (the important ones are Defence, Foreign Affairs, Immigration, Currency, and Communications) and the Maltese Government, *i.e.*, the Prime Minister and a Cabinet of seven Ministers drawn from a single-chamber Assembly of forty members elected by universal suffrage under Proportional Representation.

3. Very soon after the introduction of this 1947 Constitution, it became clear that the principal objective of the Maltese side was to secure concessions increasing their powers and status *vis-à-vis* the Imperial side. The first Labour Government under Dr. Boffa secured the introduction of the title of 'Prime Minister' for the former 'Head of the Ministry,' and the declared object of the subsequent Coalition Nationalist Ministries under Dr. Borg Olivier has been to attain Dominion Status. Dr. Borg Olivier's moves in this direction at the Coronation, when he insisted on being accorded the position and privileges granted to other Commonwealth Prime Ministers, and his submissions in his party's memoranda (recently published locally in Malta) to the recent Round-Table Talks in London, indicate clearly the prestige nature of this ambition. The proposal submitted to the Round-Table Talks by his party was that a form of 'quasi Dominion Status' should be introduced in Malta which would be similar in all respects to Dominion Status proper, except that Malta and the United Kingdom would handle defence matters and foreign affairs affecting Malta in consultation, and Malta would undertake to conduct no direct relations either with foreign countries or with other members of the Commonwealth except through the United Kingdom. Apart from these limitations, the full panoply of the highest Commonwealth Status would be enjoyed by Malta, which would have a Governor-General, a United Kingdom High Commissioner in Malta, a High Commissioner for Malta in the United Kingdom, and a seat at Commonwealth Prime Minister's Conferences.

4. Dr. Borg Olivier's Government was however defeated in November 1954,¹ and he came to the London Talks representing the Opposition Party. His Nationalist Coalition Government's place was taken by the present Labour Government under the dynamic Mr. Dominic Mintoff, who advocates the very different solution to Malta's problems which has customarily been called 'integration,' but is now, owing to difficulties arising from the interpretation of that term, being re-styled 'closer association between Malta and the United Kingdom.'

5. The Nationalists' Dominion Status proposals are based essentially on prestige considerations, representing as they do the ideas and aspirations of the better-off classes in Malta who are less interested in the improvement of local conditions (since the conditions in which they themselves live are of a high standard) than in the improvement of the social and personal position of their class *vis-à-vis* the

¹ Borg Olivier's government was in fact defeated in February 1955.

representatives of the English and Foreign Services stationed in Malta with whom they come into daily contact, and the outside world in general. The Labour Party's proposals for closer association on the other hand are based primarily on a determination to raise the standard of living of the Maltese working classes as far as possible up to that of their counterpart in Britain. They are less interested in high-sounding titles for Maltese officials than in the introduction of a Welfare State on the British pattern into Malta as soon as possible. Among the principal objectives announced in the Labour Party's campaign programme is the complete standardisation of United Kingdom and Maltese wage rates and social services, in return for which the United Kingdom would receive the product of Maltese direct taxation, which would be raised to United Kingdom levels in Malta. There is of course no substance in this appearance of Maltese willingness to pay their share towards the cost of the Welfare State in Malta by taking on the burden of the United Kingdom direct taxation, since, at present at least, Maltese incomes are so low that taxation on them would be relatively light, while Maltese families are so large that exemptions on grounds of number of children would be very great, and benefits received from family allowances equally so. In short, the proposal for the introduction of British social services into Malta with the single *quid pro quo* of the United Kingdom taking Maltese direct taxation, is simply a concealed means of securing a large and continuous flow of United Kingdom funds into Malta. It is realised however that these measures would take time, and a long-term programme is to be worked out by Dr. Balogh,² the Oxford economist, by which Maltese economy is as far as possible to be made viable, so that Malta can contribute as large amounts as possible towards the raising of standards from her own resources.

6. Perhaps the most important feature of the scheme for closer union from the point of view of the rest of the Commonwealth is the proposal for representation at Westminster. Mr. Mintoff's greatest triumph at the recent London talks was to succeed in persuading Her Majesty's Government to bless this proposal to the extent of referring it to the forthcoming Parliamentary Round-Table Conference in September. The desire for representation at Westminster is based not so much on any feeling that three Maltese members would greatly influence the course of events at Westminster (or would indeed even understand with any clarity what was going on there), as on the determination that Malta shall have some means of making her voice heard when decisions are taken at Westminster seriously affecting the Island's well-being. Dr. Balogh in his first interim report has well pointed out that the pattern of the Maltese economy is completely artificial in consequence of its almost total dependence on the British Defence Services. This means that, for example, a decision by Her Majesty's Government to reduce the number of units of the fleet stationed in Malta, or the number of Military or R.A.F. units on the Island, can have a most far-reaching effect on the Maltese standard of living, since it would directly influence the amount of money feeding the Island's economy. In such ways, Malta is at present at the mercy of policy decisions which are taken by United Kingdom Service Departments entirely without reference to their impact on the well-being of Malta. Not surprisingly, the Maltese maintain that this is an intolerable situation. While they realise that for defence reasons, the control of Service Departments' policy must remain in the hands of Whitehall, they feel that some machinery must be introduced by which the Maltese

² See 44, note 1.

point of view on such matters can be brought to notice in a more effective way than has been possible through official channels in the past. Hence the demand for representation at Westminster. To put the point in a more general way, the Maltese are not so unrealistic as to imagine that in any circumstances an Island of considerable strategic importance and almost devoid of other economic resources can retain any true independence in the modern world. But, though small in size, they maintain, and justifiably, that they are a nation and as such have the right to self-determination. Because of the realities of their situation, however, they are prepared to give up that element of their self-determination and ‘freedom’ represented by the control of defence and foreign affairs. If, however, they surrender this important element of their freedom to the British, they must have in return the right to make their voice heard in Westminster, where British policy affecting them is decided, in the same way as any other British community of the same size.

7. The outcome of all this obviously rests with the forthcoming Parliamentary Conference in September. While the Opposition parties in Malta recognise that Mr. Mintoff has secured a considerable triumph in carrying matters thus far, they are also fully alive to the opportunity which will be presented to them at the Conference to make their case against closer association as proposed by the Maltese Labour Government. Recent indications in the Press point to their taking the line: ‘Now that Malta’s economic problems are on the way to solution in accordance with Dr. Balogh’s recommendations, why need we go any further on the political side in the direction of what used to be called integration? Why cannot we develop the economic benefits offered, proceed with the improvement of social services, &c., take full advantage of the prospect of constitutional reform eliminating all reserved subjects except Defence and Foreign Affairs, and simply leave it at that, without trying to come closer to the United Kingdom and run the risk of ‘absorption,’ reduction in status to an English county, and possible unfortunate consequences for the supremacy of the Catholic Religion in Malta?’ The Church, however groundless its fears as to The Queen becoming the Head of the Church in Malta and the introduction of civil marriage and divorce laws in Malta, is nevertheless deeply concerned as to the consequences of the infiltration of ‘advanced’ notions, and possibly some anti-clericalism from heretical Britain into Catholic Malta. The Church will thus almost certainly be in the forefront of those presenting the Opposition’s case in October. The eyes not only of Malta, but of all the smaller territories in the British Commonwealth who, in the light of conditions in the modern world, can never look to full independence, will be on the outcome.

47 CAB 134/1296, MC(O)(55)10

5 Aug 1955

‘Repercussions of “integration” on the United Kingdom and its dependencies’: joint note by the Home Office and the Scottish Home Department for the Cabinet (Official) Committee on Malta

The ‘integration’ of Malta in the United Kingdom, whether in the sense proposed by Mr. Mintoff, or whether in some modified version of that plan, is bound to have considerable effect upon administration in this country and may create special problems in those parts of the United Kingdom where regionalist sentiment on

occasion assumes a political form, and also, in view of their peculiar relationship with the United Kingdom, in the Channel Islands and the Isle of Man. The precise effect of the proposals must depend on the form in which they are ultimately determined, and until this has been decided any conclusions on this subject must necessarily be very speculative and tentative.

Division of powers

2. The Mintoff plan assumes that Malta will enjoy almost complete autonomy under its own legislature except as regards foreign relations, defence and, ultimately and more doubtfully, 'direct' taxation (Income Tax and Death Duties). The powers of the Imperial Parliament would be confined to these three matters and its overriding sovereignty in other matters would be expressly terminated, but the representatives which it is contemplated Malta would send to the House of Commons would be full Members of the House and free to speak and vote on any subject before the House. This hybrid conception has elements in common with both a federal constitution of a single state and a special treaty relationship between one power and a weaker allied but foreign state, with many of the disadvantages of both and few of the advantages of either.

3. The term 'defence' is both wide and imprecise. In section 4 of the Government of Ireland Act, 1920 (see Appendix A)¹ 'the defence of the realm' is listed merely as one of many reserved matters, whereas in the Letters Patent of 5th September, 1947 (see Appendix B) which contain the present constitution of Malta, 'reserved matters' are declared in section 23(3) to be 'matters touching the public safety or defence of Our dominions and the general interests of Our subjects not resident in Malta'. There follows a long but not exhaustive list of such matters, most of which are either 'defence' or a mixture of 'defence' and 'public safety'. Neither instrument affords any real guide as to the precise limitations of the word 'defence' and in its relations with Northern Ireland the Home Office has always held that it is impossible to evolve a satisfactory and precise definition of the term and has preferred to consider difficulties as they arose in the light of the facts of each particular case. This has sometimes proved to be a most difficult task even when both parties were agreed on the course of action desired and the problem was merely to find a way round some formal obstacle. Without a common approach and limitless good will it is difficult to see how a workable solution could have been found in some cases.

4. There is a strong similarity between the matters reserved under the 1920 Act and the 1947 Letters Patent. Since it may be assumed that Mr. Mintoff intends the matters reserved under the latter to be very appreciably reduced (c.f. paragraph 7 of M.C. (O) (55)3)² it is likely that he will interpret the term 'defence' strictly and narrowly. This will provoke serious repercussions on Parliamentary working at Westminster. The more narrow the term is defined, the more numerous will be the hybrid matters about which doubt will arise as to the competence of the respective legislatures in Westminster and Malta. This will affect not merely legislation but the right of members in both legislatures to speak or put down questions on such matters. Experience with Northern Ireland suggests that over a wide field of activity it is difficult to deal separately with 'defence' aspects, and often the most convenient

¹ Appendices not printed.

² See 44.

solution, sometimes the only feasible one, has been for the Westminster Parliament to legislate on the whole subject with a safeguard for the rights of the Parliament of Northern Ireland to continue to legislate on the 'transferred' matters dealt with in the Act. Some overriding power on the lines of section 75 of the Government of Ireland Act, 1920, will therefore be essential in practice as regards routine legislation, quite apart from the obvious wisdom of making such provision for use in an emergency. Further, some provision for dealing with a conflict of laws would also seem to be necessary. No difficulty in this connexion has been experienced with Northern Ireland, but this is merely because the legal system and official approach in that country is broadly the same as it is in England. In any event, if the need did arise, provision for resolving the problem exists in section 6 of the 1920 Act.

5. 'Foreign relations' is also an imprecise term and will, though to a much lesser degree, give rise to difficulties. It will be necessary to determine whether in this context 'foreign' includes other Commonwealth countries. It will also be necessary to determine what will be the effect of the proposals on Malta's status vis-a-vis foreign countries and international organisations. It is assumed that, although the conception of 'integration' clearly implies the contrary, Malta will not be formally incorporated in the United Kingdom (at least during the interim period) and hence will merely be a territory for whose international relations Her Majesty's Government in the United Kingdom is responsible, but it is suggested that this point should be more closely examined.

Regional reactions

6. Any proposal that one community should have the full right of representation in the legislature of a wider community, without shouldering its share of the full burden of taxation borne by the inhabitants of the latter, is bound to carry a risk of embarrassment to the Government of the larger unit, inasmuch as there will always be a tendency for other areas in the larger community to advance reasons why they in turn should receive relief from taxation. When, as in the Mintoff plan, this proposal includes a very wide measure of local autonomy for, and substantial financial assistance to, the smaller community this risk must be gravely increased. Moreover, where the small community has little or no common tradition with the larger, the conferment on its representatives of the right to intervene in Parliamentary proceedings affecting local interests in the larger community must equally carry the risk of embarrassment. The degree of risk in either case is not easy to estimate since much will depend on variable factors such as the degree of local prosperity in the areas most likely to be affected, and personalities who may change, but both risks will be there for a long time to come and could in unfavourable circumstances so develop as to cause the gravest embarrassment to the Government of the day.

Northern Ireland

7. Northern Ireland is the only part of the United Kingdom with a constitution somewhat comparable to that at present proposed for Malta by Mr. Mintoff, but two significant differences must be noted: in the first place, Northern Ireland accepted regional autonomy very unwillingly as the price of staying in the United Kingdom, not as a means of entering for the first time; secondly, the degree of autonomy proposed for Malta is far wider than that enjoyed by Northern Ireland. These two

factors are likely to influence Northern Ireland thinking and may to some extent produce contradictory reactions. Some Ulstermen are bound to view with distaste the suggestion that Malta is entitled and fitted to receive a far greater measure of local freedom than they themselves enjoy, but on the whole it seems unlikely that they will press this point of view. In recent years there was for a short time a vague movement in Northern Ireland in favour of seeking Dominion Status for the Province, but it attracted little support and seems to have petered out. The people of Northern Ireland are for the most part far from blind to the economic advantages of a close connexion with Great Britain, and not all of them particularly value their present limited degree of autonomy which they were so reluctant to accept in the first place. The risk that they will demand more is thus perhaps not very high, although they may chafe rather more than hitherto when, as will occasionally happen, desirable action by the Belfast Government is held up because of lack of powers.

8. From another point of view the proposal is likely to be particularly unpalatable to Northern Ireland, namely, the appearance at Westminster of three Members of Parliament, who will be unlikely to sympathise with Northern Ireland's viewpoint, and who will be free to speak and vote on matters affecting Northern Ireland, with the possibility that this number may ultimately be increased by members from other colonies. In particular, Northern Ireland is especially sensitive about section 1(2) of the Ireland Act, 1949, which affirms that in no event will Northern Ireland or any part thereof cease to be part of Her Majesty's Dominions and of the United Kingdom without the consent of the Parliament of Northern Ireland, and the mere possibility that Northern Ireland's right to remain part of the United Kingdom might one day depend on the vote of a hostile, or at best an indifferent, colonial bloc will be enough to arouse suspicion and concern at Stormont. It is unlikely that this concern will be manifested in any way likely to embarrass the Government in connexion with the forthcoming conference, but the possibility of embarrassment at some future date certainly cannot be ruled out, particularly if a Maltese member were to intervene on any subject closely touching Northern Ireland.

The Channel Islands

9. The Channel Islands are not and never have been part of the United Kingdom. They are not subject to United Kingdom taxation and they do not return Members of Parliament. They are largely satisfied with their present status which gives them a very substantial measure of autonomy, although not quite so large as that proposed for Malta by Mr. Mintoff. They are well aware that the absence of representation at Westminster often puts them in a strong moral bargaining position and they exploit to the full their right of making representations through the Home Secretary. It is likely that they will not be seriously disturbed by any 'integration' proposals for Malta and that they will regard their own status as superior to that proposed for Malta by Mr. Mintoff.

10. On the other hand it can be assumed that the Islands will closely scrutinise any offer made to Malta and will note any features that it may be possible to pray in aid of their own aspirations when the occasion presents itself. For instance, Malta will presumably continue to have its own distinctive postage stamps, a privilege long coveted by the Islands, and by Jersey in particular, and this demand will be more difficult to resist by reason of Malta's enjoyment of this power. Any concessions on

civil aviation or assistance to shipping services will also be watched as will any financial assistance granted to Malta. But so long as the levying of taxation on Malta by the Parliament of the United Kingdom is a possibility, it is unlikely that the Islands will press too hard any comparison between themselves and Malta and it should not be too difficult to reject any claims based on such comparisons.

The Isle of Man

11. The Isle of Man has broadly the same status as the Channel Islands, but its sphere of autonomy is much more limited. For some years negotiations have been in train for granting the Islands a wider measure of autonomy and it is hoped that in the next year or two it will be possible at least to remove irksome formal restrictions which require the Lieutenant-Governor to obtain Treasury consent to even trifling expenditure, and to empower Tynwald³ to legislate on certain matters which in the past have been dealt with by Parliament. The proposals do not go so far as the Manx would wish and the emphasis on the large degree of autonomy to be enjoyed by Malta will make invidious comparisons inevitable and, it is to be feared, will reopen certain vexed questions (e.g. the control of the police) which much impeded progress in the negotiations with the Island in the past and which it seemed might at least be left in abeyance for a time. This is bound to result in some embarrassment to the Home Secretary and may make the Lieutenant-Governor's position more difficult. But the nearness of the Isle of Man to the United Kingdom will usually enable some ground to be found for resisting awkward Manx proposals, and the mere possibility of having to pay income tax at United Kingdom rates will be sufficient to deter most Manxmen from claiming parity with Malta, although the possibility of a demand of this kind from a minority of the Islanders cannot altogether be ruled out.

Wales

12. The acceptance of the Mintoff Plan as described in M.C.(O.)(55)3, which would give Malta representation at Westminster and complete self-government in all matters other than foreign relations, defence and direct taxation, would undoubtedly lead to further pressure for self-government for Wales. It is difficult to say whether the Welsh Nationalists could in fact make much political capital out of it, but the danger is there and Ministers will wish to take it into account before coming to a decision on Mr. Mintoff's proposals.

13. The proposals in the Government of Wales Bill, a Private Member's Bill which was debated on 4th March, 1955, may be taken as a convenient statement of the aspirations of the Welsh Nationalists. It is interesting to compare them with Mr. Mintoff's proposals.

Constitutional

14. Both Wales and Malta would have a one-House legislature—Wales of 72 members, Malta presumably of 40.

15. Both would be represented in the U.K. Parliament—Wales by 36 members, Malta by 3. (In the debate the Home Secretary pointed out that if there were a separate Parliament for Wales the representation at Westminster would have to be

³ The parliament of the Isle of Man.

reduced). The Welsh and Maltese Parliaments would have legislative powers on all subjects except foreign relations, defence and certain forms of taxation. (In the case of Malta the only forms of taxation reserved to the U.K. Parliament would be income tax and death duties; in the case of Wales, Customs and Excise duties, including purchase tax and taxes on profits, would also be reserved).

Economic

16. *Malta*: The United Kingdom would make a financial contribution to the development of Malta during the interim period, which would probably be continued on a smaller scale when intergration had been achieved.

17. *Wales*: The financial arrangements would on the lines of those for Northern Ireland, the Welsh contribution to imperial expenditure being £75 m. per annum.

Administration

18. The administrative arrangements for Malta envisage a local Maltese administration and an Imperial Branch, with a joint committee for the two presided over by the Maltese Minister of Finance, and another governmental committee in London presided over by the Home Secretary. The Welsh arrangements are modelled on those for Northern Ireland, with provision for a Governor and a Joint Exchequer Board.

The Main differences between the two proposals are:-

- (a) that the Maltese Parliament would have wider powers of taxation;
- (b) that the Maltese proposals recognise that the economy of Malta must be subsidised from United Kingdom funds;
- (c) that the administrative proposals give the Maltese Government a greater measure of control over matters reserved to the United Kingdom Parliament.

The Mintoff proposals, therefore, give Malta a greater degree of independence at less cost to the Maltese than was proposed for Wales in the Government of Wales Bill.

19. The two main arguments which the Home Secretary advanced against the proposals in the Government of Wales Bill were that there was no evidence of any general demand for self-government in Wales and that it would not be to the economic advantage of Wales. He referred, in particular, to the heavy burden which the proposed imperial contribution of £75 m. per annum would have placed on the financial resources of Wales. If the Mintoff proposals are accepted and if the Welsh Nationalists then start a campaign for similar treatment for Wales with an equally generous financial settlement, they may get a good deal more support than they have hitherto enjoyed, since one of the most important reasons for their present lack of support is undoubtedly the fact that most Welshmen realise that self-government for Wales on the terms in the Government of Wales Bill [sic] would mean a reduction in the standard of living. So long as the Opposition remain opposed to separation (as they are likely to do, if only because it would mean a reduction in Welsh representation at Westminster) the Welsh Nationalists may not make much headway; but if popular support for separation does increase it is bound to lead to some embarrassment and may make it necessary to make further concessions to the demands for Welsh independence, for example by taking further steps towards administrative devolution, which might not be justified on their merits.

Scotland

20. Probably the majority of people in Scotland would not worry unduly about anything that might be done for Malta and would not, indeed, see any real analogy between Scotland and an under-developed Colonial territory. But account must be taken, in considering the Malta proposals, of those in Scotland who view anything which it is proposed to do for other parts of the empire with a specially critical eye and with the object of satisfying themselves that these other parts are not being treated more sympathetically than Scotland.

21. From this point of view, the first and most obvious repercussion of the arrangements proposed by the Maltese would presumably be a stimulation of the demand for a Scottish Parliament. The Northern Ireland arrangement has been held—for example, by the recent Royal Commission on Scottish Affairs—to be a very special one made for exceptional political reasons. But if it were conceded that Malta should have full representation in the House of Commons on the same basis as Scotland and should at the same time have its own Parliament whose control of its own domestic affairs would be almost unlimited and in form greater than that of the Government of Northern Ireland, it would certainly be argued that similar treatment should be accorded to Scotland.

22. Secondly, if it were conceded that Malta should have full representation in the House of Commons but for many years to come a more favourable system of taxation, extreme opinion in Scotland might claim that a differential system of taxation should be applied in Scotland also. It might be argued, for example, that the average income in Scotland is less than that in England and Wales; that economic disadvantages—due to distance from markets, higher transport charges, etc.—have to be faced; that, as a result, unemployment and its associated evils are greater; and that some social services—for example, housing—are still on a lower standard than exists in England and Wales. If taxation in Malta is not to be uniform with taxation in this country until economic conditions and social services have also become uniform, why should Scotland be treated differently? It is unlikely that this point of view would find much support in Scotland, but it might well be advanced.

23. Thirdly, if special machinery were to be set up to supervise Maltese economic development and to determine the volume of Service expenditure in Malta and the means of maintaining full employment there, there might well be pressure for the establishment of new machinery to encourage development in Scotland. In particular, the demand for a special body with executive powers to further Highland development might be revived. The argument would no doubt be that the proposed Maltese arrangement implies acceptance of the view that all parts of the United Kingdom have a right to similar standards of prosperity; that Scotland, as a whole, and the Highlands in particular do not have these standards at present; and that if special arrangements are to be made for achieving them in Malta they should be made also in Scotland, or at any rate in the Highlands. No doubt this is also a case which the majority of opinion in Scotland would not wish to make; but it seems to be one which might nevertheless be advanced.

24. Fourthly—and this is a special aspect of the same point—there might be a reaction to a proposal to extend development area facilities to Malta and to encourage Government expenditure there. There is already a strong complaint in Scotland that the Government are not themselves spending enough in this country and are not doing enough to divert industry to areas of high unemployment. If Government

factories were to be established in Malta or Government contracts placed there in order to encourage employment and economic development, and if special inducements were to be given to industrialists to establish themselves there, the demand for special treatment of the Scottish industrial and employment problem would no doubt be stimulated.

25. The suggestion there [sic] there might be a Maltese Committee of the House of Commons similar to the Scottish Grant Committee is canvassed in paragraph 6 of Appendix B to M.C. (O.) (55)3. It is difficult to see that there is any real analogy here. The Scottish Grant Committee exists to deal with the Committee Stage (and, in certain cases, the Second Reading discussion) of Scottish Bills and for the consideration on not more than six days a year of the annual estimates of the Departments of the Secretary of State. There appears to be no similar business relating to Malta, just as there is none relating to Northern Ireland Committee, it is not easy to see why there should be any need for a Maltese one. Further, the purpose of the Scottish Grand Committee is to enable the business referred to it to be debated by the Scottish Members. In the absence of special Maltese business a Committee of three Maltese Members—together, as in the case of the Scottish Committee, with such number of others as are required to keep a political balance—seems an absurdity.

48 CAB 134/1296, MC(O)(55)12

6 Aug 1955

'The cost of applying United Kingdom scales of government civil expenditure to Malta': note by the Economic Section, Treasury, for the Cabinet (Official) Committee on Malta

1. We were invited (a) to prepare estimates of the cost to the United Kingdom Exchequer of applying United Kingdom standards of current civil expenditure to Malta; and (b) to attempt to assess Malta's capital requirements to bring her economy to a level more nearly equivalent to that of the United Kingdom (M.C.(O)(55) 2nd Meeting, Conclusions (1) and (2)). This note, which has been prepared in consultation with the Colonial Office and other branches of the Treasury, sets out such results as we have been able to reach under the first heading.

1. Background to the estimates

2. All these estimates must be considered against the background of the general problems of integrating Malta into the United Kingdom economy.

3. The general economic problem is to raise to a higher level of economic development an island with some 300,000 inhabitants which lacks most natural resources, including water, but possesses a strategic location, a good climate and a good harbour. The Maltese themselves suggest that development should come first and that full economic integration, including the application of the same fiscal, social insurance, and commercial practices, should only be introduced gradually as development is achieved.

4. The question that matters, therefore, is how, if at all, can the Maltese economy be developed in such a way that it will stand on its own feet as part of the United Kingdom economy.

5. The measure of the real cost to the United Kingdom economy is the claim that Malta would make of the real resources of the United Kingdom both in the interim period before integration while it is being developed; and after integration when, according to the success of development, it may need continuing assistance. This claim on United Kingdom real resources will not necessarily correspond to the actual outlay of money in Malta by the United Kingdom Government and British private business. In so far as United Kingdom outlay is met by an increase in local production in Malta, rather than by an increase in Malta's imports (or reduction in Malta's exports), there will be no claim on United Kingdom real resources; hence demands on the United Kingdom economy will not increase and there will be no need for an increase in savings or taxation in the United Kingdom to preserve the economic balance in the economy.

6. It is hard to judge how far outlay might be met in this way by local production in Malta. Since there is at present little unemployment and idle productive capacity in Malta, it seems likely that at first any additional outlay would mainly be matched, directly or indirectly, by an increase in imports and so would constitute a real burden on the United Kingdom. Later, if productivity in Malta rose in response to investment, an increasing proportion of the outlay might be met by Maltese output and the burden on the United Kingdom might decline.

7. This qualification must be remembered in considering the estimates we have made here which, perforce, are in terms of money outlay only.

8. The second important qualification is that these estimates and the assessment of capital requirements are closely inter-related and both depend on something which we cannot adequately assess here and now, namely the economic potentialities of Malta. Thus the extent to which the application of United Kingdom standards of civil expenditure will impose a burden on the United Kingdom will depend on the rate at which the national income, and hence the taxable capacity and tax revenue of Malta, will increase; that in turn will depend on the amount of, and success of, investment in Malta; and that will depend on the opportunities for fruitful investment, i.e. the economic potentialities.

2. Cost of applying United Kingdom standards of government current expenditure

Expenditure

9. Malta has no national insurance funds or local authorities. All public expenditure is undertaken by the central Government. According to the Revised Estimates for 1954/55 the rate of current expenditure per head of population amounts to about £20.

10. In order to assess what it would cost (gross) to apply United Kingdom rates of civil expenditure to Malta, we have estimated the present rate of public expenditure per head of population in the United Kingdom on all items, except those which clearly would not be applicable to Malta, and we have adjusted these estimates where Maltese conditions differ significantly from those in the United Kingdom. The main points to note are:

- (a) For comparability, we have included expenditure (gross) by local authorities and the National Insurance Funds.
- (b) We have omitted defence expenditure, national debt interest, grants to international organisations and foreign governments, and other items which

would not be affected by the application of United Kingdom rates of expenditure to Malta.

(c) We have assumed that the full rates of United Kingdom expenditure would be applied to Malta as regards agricultural subsidies, housing subsidies, social insurance benefits, health and welfare services, national assistance and so on, regardless of the fact that the Maltese would not have paid social insurance contributions, or that conditions in Maltese agriculture, housing or elsewhere may be so different as to make United Kingdom rates inapplicable.

(d) We have made rough adjustments to allow for the larger proportion of children that would require education, childrens' allowances, etc. and for the smaller proportion of old people that would require pensions. We have also allowed for the smaller role of agriculture in the Maltese economy.

(e) We have ignored the initial hump on expenditure on the health service which might occur as the Maltese equipped themselves with free spectacles, teeth and hearing aids. We have assumed that the cost to the Government of educating a child would be the same as in the United Kingdom despite any problems of providing schools of different religious denominations.

(f) We have used United Kingdom actual rates of expenditure in 1954 (calendar year) as given in the estimates to be published in this year's Blue Book on National Income.

11. On this basis we estimate that the cost of applying United Kingdom scales of expenditure to Malta might come out at approximately £50 to £55 per head of population, or £30 to £35 higher than the present Maltese rate of expenditure per head. The difference is almost entirely due to difference in rates of expenditure per head on education, health and 'other social services' (which includes national insurance benefits, pensions and assistance, milk and welfare food, other current grants to persons, and social and welfare services provided by local authorities). The rates of expenditure on these items are estimated to be roughly as follows:—

	<i>Maltese rate of expenditure (£ local currency)</i>	<i>United Kingdom rate of expenditure adjusted (£ sterling)</i>
Medical and health	4	10
Education	2	11
Other social services	1½	18/20
	<hr/> 7½	<hr/> 39/41

12. If it is assumed that the purchasing power of the pound is the same in the two areas, the increase in expenditure in sterling which would result from the application of the higher rates of expenditure to Malta's present population would be:

$$\begin{aligned} &£30/35 \times 320,000 = £9.6/11.2 \text{ million} \\ &\text{or roughly } £10 \text{ million} \end{aligned}$$

Revenue

13. We have also looked to see whether, at present levels of National income, there would be a chance of any significant increase in Malta's tax revenue through an

increase in tax rates towards United Kingdom levels. We concluded that there would be little scope for increases in tax revenue—until the level of national income rises. The considerations underlying this conclusion were as follows.

14. The present level of national income per head, assuming the two currencies have equal purchasing power, appears to be about one-third of that in the United Kingdom. The main source of revenue is indirect taxation, which amounts to about the same share of national income as in the United Kingdom. The forms of indirect taxation might be changed under integration: customs duties might be replaced by other taxes on sales, e.g. purchase tax, so as to maintain revenue. But it seems unlikely that the level of indirect taxation could be significantly raised.

15. Income tax on the other hand yields much less than in the United Kingdom: about 1½ per cent. of total personal income is taken in income tax, compared with about 8 per cent. (or 12 per cent. including social insurance contributions) in the United Kingdom. This appears to be partly due to lower rates of income tax, but to be mainly due to the lower level of incomes. As regards the total yield of income tax, the very small amount of company profits in Malta also explains the small revenue. If higher rates of income tax were imposed, either directly or in the form of social insurance contributions of a bearable size, it seems unlikely that, with present incomes, the yield could be more than, say, doubled. If so, it would rise only from £½ million to £1 million.

16. It is possible that the yield from State lotteries (£½ million) might be lost if United Kingdom laws were applied to Malta. According to the arrangements made for integrating the Maltese currency with ours, the yield of interest on the note security fund (£300,000) might also be lost.

17. It thus seems probable that the present total revenue of about £7,000 million (excluding grants from the United Kingdom) could only be raised at all if losses under the last two heads were avoided and some increase in direct, and possibly indirect, taxation were achieved. If customs duties were abolished and not replaced by other indirect taxes, there would of course be a significant loss, always assuming present levels of national income. This is of course an unreal hypothesis. The main conclusion is that on the face of it there does not appear to be much scope for immediate increases in taxation. We must look to a rising level of national income as the source of higher taxable capacity and revenue.

The balance

18. Putting these estimates of expenditure and revenue together, it can be said that if the United Kingdom today offered to provide the Maltese with the full benefits of all its social services and other scales of civil expenditure, the gross recurrent cost might be about £10 million a year. At present, owing to their poverty, there is little hope that the Maltese could meet more than a fraction of this additional expenditure. Indeed according to the report by Messrs. Balogh and Seers,¹ they already face a deficit which they may not be able to finance without aid from the United Kingdom.

19. It is, of course, only a hypothetical exercise to ask what would be the cost of applying United Kingdom scales of expenditure now. The more serious question is

¹ See 44, note 1.

how far would national income have to be raised, i.e. how far would development have to proceed, before the Maltese, owing to the increase in their wealth and taxable capacity, would be able to pay for these public services, or something approaching them.

20. As a rough order of magnitude, it seems reasonable to suppose that if Maltese national income *per head* were doubled, that might be enough. This would bring Maltese national income per head to about two-thirds of the level now obtaining in the United Kingdom. If Malta contributed nothing to military defence or to the service of the United Kingdom national debt, its public authorities expenditure per head (as estimated above) would also be two-thirds of the present United Kingdom level. Thus the relationship of taxation to national income would have to be the same as it now is in the United Kingdom, although the level of national income and standard of living was about one-third lower. The tax burden would therefore be severe, or else the level of national income per head would have to be more than doubled (or the scale of public civil expenditure trimmed). Nevertheless, the doubling of the level of national income per head seems a convenient standard to use for working purposes. An attempt to assess the capital cost of providing these services will be included in the assessment of the total capital cost of developing Malta which will be circulated separately.

49 CAB 134/1296, MC(O)(55)8 8 Aug 1955 **'Advantages of integration': paper prepared by the CO for the Cabinet (Official) Committee on Malta**

The purpose of this paper is to consider what, from the point of view of the administering Department, would be the practical gains that might be expected, in the day to day handling of Maltese affairs, if it were decided to 'integrate' Malta with Britain. The discussion that follows is, of course, without prejudice to the examination that will be undertaken by the Round Table Conference of the mechanics, and political merits or demerits, of integration.

2. As indicated in M.C.(O) (55)7,¹ the constitutional history of Malta has been notable for the introduction and withdrawal of a succession of Constitutions over the last 150 years. Whatever decision is reached about integration, it is common ground that the present Dyarchy, introduced in 1947, is working unsatisfactorily, and must be amended.

3. Malta has developed from colonial style government to an advanced type of self-government, with a largely autonomous legislature and a Cabinet type executive under a Prime Minister. The question is whether there are factors in the political, social or economic structure of Malta which suggest that this is the wrong path of constitutional advance.

¹ CAB 134/1296, MC(O)(55)7, 'Brief history of Malta's constitutional and economic difficulties': note by the CO, 5 Aug 1955.

4. As the 1947 Constitution has led only to successive crises and frictions there is something in this view. (a) Malta has a European type of social structure, but with very poor natural resources to support it. Maltese opinion regards the present pattern of constitutional advance as one that it is asked to share in common with African and Asian territories, to which it feels itself socially superior. (b) Because Malta owes its importance to Britain to its strategic value, there must always be restrictions on the full autonomy of the Maltese legislature. Thus Malta can never hope to achieve Commonwealth status. (c) Malta's poverty of natural resources, and its over-population, mean that the Maltese are always conscious of being poor relations. The British Service personnel, and dockyard employees, with their higher standards, and English culture, must necessarily appear to Maltese eyes as rather alien overlords, sometimes unsympathetic towards the Maltese and their social customs. It can easily be recognised that the recurrent political crises in Malta are a reflection of the feeling that their ancient European culture is economically unstable, and that the trappings of constitutional advance leave them at the best only very second- or third-rate people.

5. The integration proposals have the merit of recognising that a tiny over-populated island, without economic resources and starved of capital, has no economic future except as a part of a larger economic unit.

6. It is not the purpose of this paper to argue whether successful economic development of Malta presupposes political integration with the United Kingdom, or whether it could be brought about otherwise. The fact remains that integration as expounded in Malta by the Prime Minister holds out to the Maltese the prospect of attaining United Kingdom standards of living, if they exert themselves, after fifteen years or so. It therefore provides an economic incentive, which is largely lacking when, as at present, the more active Maltese are told that their best prospect is to migrate to Australia.

7. Arguments about the benefits in day to day administration, if integration were accepted, must necessarily be largely circular. If the British Parliament accepted integration, and the form of it was welcomed by most Maltese, the benefits of thus doing away with recurrent administrative frictions and political crises would be self-evident. But that would be equally true of any other solution of the constitutional problem e.g. by the granting to Malta of a new Constitution with fewer reserved powers in it. Both Mr. Mintoff and Dr. Borg Olivier maintain that their own proposals would do away with most of the difficulties that have occurred over recent years. What can be said, however, is this. Whilst Mr. Mintoff remains at the helm, and the new spirit he has introduced continues, visits by United Kingdom technical experts and officials are encouraged as they were not previously. Malta is rather lacking in high-class administrative and technical skills, and any long-term solution of its basic problems certainly depends on co-operation with outside experts. If Malta were to be integrated, and this did not set up new frictions in its train, it ought certainly to be expected that political, social and economic problems would in the future be dealt with in a new spirit of hopefulness and realism, instead of in the spirit of rather sullen frustration that has been evident before.

8. A further point in favour of the integration proposals is that they at least accept in principle the notion that the Maltese must make their own strong efforts, and eventually pay the same rates of tax as people in this country; whereas previous thinking in Malta has seemed to rely on the assumption that Britain would

contentedly pay indefinite subventions. It may be that the cost to the Exchequer would not be greatly different in either case, but at least the first alternative is more constructive on the Maltese side.

9. In the last year or two, although there have been no really serious political clashes with Malta, there has been a series of embarrassments, in which the Governor and H.M.G. have been represented as pushing through matters of defence and foreign affairs, in defiance of the wishes of the Maltese people. If integration resulted in the transference of all legislative power on these matters to the Parliament at Westminster, Maltese members there would be able to voice any complaints, but the field of possible clashes of interest in Malta itself, involving the Governor and his advisers, ought to be correspondingly narrowed.

10. There are indications that the Mintoff proposals are leading towards a strong clash of view between his party, and the Nationalists and the Church. But certainly to many people in Malta, possibly the majority, these proposals are a flash of inspired genius. Sections of opinion in this country also look favourably on this as an unorthodox but hopeful experiment. Whilst that is not an argument for the proposals, it may at least be argued that, if they were rejected, many people in Malta and some here would be greatly disappointed, and it might be that the Maltese would then work for secession, and try to make their future either as an independent country or in union with Italy.

50 CO 926/319

18–19 Aug 1955

[Integration]: minutes by A N Galsworthy¹ and Sir H Poynton on the financial repercussions in other territories of adopting a policy of integration for Malta

The Malta Official Committee has been working at high speed over the past three weeks, and we on our side of the house have, during this period, been called upon to engage in some highly speculative exercises as to the cost to the U.K. of integration as compared with the cost of continuing to support Malta on its present basis. We have done our best in these exercises, and the conclusions we have reached, in consultation with the Treasury, are:

- (a) the additional recurrent cost of providing Malta with social services on the present U.K. level would be of the order of £10 m. a year;
- (b) before Malta could bear this burden herself her national income would have to be rather more than doubled, so that for many years to come a large part of this additional expenditure would fall on the U.K.; but
- (c) if integration is not accepted the likely cost to the U.K. of continuing to support Malta on the present basis will be of the order of £5 m. to £6 m. a year over the next ten to fifteen years.

¹ Assistant secretary, CO.

Much of this figuring, and especially that in (a) above, is of course guess-work based on a number of assumptions we have had to make. But it represents the best sort of guess that we and the Treasury can make.

We have now however been asked by the Chairman of the Committee, Mr. Turnbull, to gaze even further into the crystal, and to give him our assessment of the likely *financial* repercussions in other territories of a decision to adopt a policy of integration for Malta. This of course takes us into the realm of the purest speculation. We have discussed the problem with Colonel Russell Edmunds, of the Treasury. We understand from him that the Treasury feel considerable nervousness on the score that what would be regarded by other territories as exceptionally favourable treatment financially of Malta by the U.K. would spark off a series of demands by other Colonial Governments, not necessarily desirous of having integration applied to them, for greatly increased financial assistance from the U.K. We (i.e. Finance Department and Mr. Selwyn) do not share this view. Malta has of course already had since the war proportionately much greater financial assistance from the U.K. than any other Colonial Territory, and that has not, so far as we are aware, caused us embarrassment elsewhere. I think it is probably true to say that other Colonial Territories are used to seeing Malta get away with large amounts of assistance. We agree of course that any Colonial Government wanting more money from H.M.G. might very well quote Malta to us, just as, for example, some of our African Governors and officials tend to complain that the West Indies get an unduly large share of C.D. & W. But we do not believe that the adoption of integration for Malta would, in this particular context, have anything more than a nuisance value; and we don't think it would be a serious nuisance at that.

Our views are therefore set out in the attached draft of a letter to Mr. Turnbull² (he has particularly asked if he can have it by the end of the week). But this is, by its very nature, so much pure prophesy that I felt I must submit the draft to you. I should add that Higher Authority in the Treasury is not likely to subscribe to the views set out in the draft, but it seems to me that it is the business of the Colonial Office rather than the Treasury to say what the reactions elsewhere in the Colonies to Maltese integration would be most likely to be.

A.N.G.
18.8.55

If ever there was an exhibition of what Lord Chandos³ used to call 'Morris Dancing' by the Treasury this is it. What is proper for Malta (whatever that may be) must be judged on its merits: it could not be withheld on such flimsy hypotheses that other Govts might at some later stage asking [sic] for greater assistance. And if they did their cases too would have to be considered on merits.

I think Mr Galsworthy's draft is right.

A.H.P.
19.8.55

² CO 926/319, no 25, draft letter from A N Galsworthy to F F Turnbull [under secretary, Treasury], 18 Aug 1955. The final version was despatched on 19 Aug.

³ Oliver Lyttelton.

51 CAB 134/1295, MC(55)7

9 Sept 1955

'Procedural difficulties arising from the election of Maltese members to the House of Commons': note by Sir E Fellowes¹ for the Cabinet Committee on Malta

The House of Commons in the 18th Century absorbed Scottish Members, in the 19th Century Irish Members and in the present Century Northern Irish Members without any procedural difficulty, I cannot see therefore that the election of Maltese Members to the House would create any purely procedural difficulty on the assumption that the Maltese Members became full Members of the House of Commons.

2. The case would be quite different if any restrictions were put upon the Maltese Membership of the House. The House of Commons has always regarded all its Members as equal. Indeed it was not until well into the 19th Century that even Ministers of the Crown were distinguished in certain respects from other Members. Even now there are very strict limits to such distinctions.

3. The suggestion has been made that these new Members might only speak but have no vote. This introduces a completely novel idea in the House of Commons procedure and one which the House has so far steadfastly resisted. Once a category of non-voting Members was established there would be little logical reason for resisting other suggestions of the same kind, e.g., that Ministers in the Lords should have a right of audience before the Commons. Many Continental countries give this right to Ministers, but so far the House of Commons has refused to allow anyone who was not a Member (i.e., a 'full' Member) to address it.

4. Another suggestion has been that the Maltese Members might vote only in a restricted field. This again might present procedural difficulties; for instance, part of a Motion might fall within the ambit of those matters on which the Maltese Members might vote, while another portion might lie outside it. This position could arise even more easily in Committee of Supply. It might well be that the Maltese Members might be permitted to vote, for example, on matters affecting dock yards, while not allowed to vote on matters of strategical policy. The operation of this principle might well involve a radical alteration in the procedure of the House of Commons.

¹ Sir Edward Fellowes, clerk of the House of Commons.

52 CAB 134/1295, MC 2(55)1

12 Sept 1955

**'The effects of "integration" on smaller colonial territories':
Cabinet Committee on Malta minutes**

[Extract]

The Committee had before them a memorandum by the Secretary of State for the Colonies (M.C. (55) 5) examining the effects of Maltese representation at Westminster on other of the smaller Colonies and suggesting alternative lines of constitutional development which might suitably be offered to the territories in question.

The Secretary of State for the Colonies said that questions would almost certainly be asked at the Round Table Conference about the possible repercussions of Maltese representation at Westminster in other Colonial territories, and M.C. (55) 5 attempted to sketch one possible line of development. If it turned out that Maltese representation at Westminster was unacceptable to the Conference, the proposals in M.C. (55) 5 might even at a later stage be applied with modifications to Malta. The present Maltese Government were, however, unlikely to accept them, though they might go a long way to meet the suggestions of the Malta Nationalist Party, particularly if, as seemed likely, Dr. Borg Olivier had now modified the proposals he had put forward at the June talks.

The proposal for ‘Statehood’ contained in M.C. (55) 5¹ sprang from the recommendations of a Committee appointed by Mr. Creech Jones under the Labour Administration in 1949–1951. Copies of this Report had already been circulated to the Conservative and Labour Party research organisations and there seemed no reason why it should not be made available to members of the Conference if requested.

The Financial Secretary, Treasury,² said that, although it might be desirable to let the Conference know how the Government was thinking with regard to constitutional development in the other smaller Colonial territories, the Treasury would be very reluctant for a version of M. C. (55) 5 to be circulated to the Conference without further discussion between the Colonial Office and the Treasury.³ A number of the financial implications remained to be worked out; in particular, the difficulty of giving ‘Statehood’ to Colonies which either were or might become dependent on a Treasury grant-in-aid. It would, moreover, be necessary to be cautious in what was said to the Conference about the response of Colonial Governors to the ‘Statehood’ proposals, since the disclosure of a Governor’s views might evoke unfortunate reactions in the territories concerned.

The Committee:—

Invited the Colonial Secretary and the Financial Secretary to examine M. C. (55) 5 further with the object of submitting an agreed paper to the Cabinet in the week beginning 19th September.

¹ The Colonial Office recommended that ‘A new designation (“State is provisionally suggested) would be established as a recognised technical term to denote a country self-governing in its internal affairs, but dependent upon the United Kingdom to the extent that it would be presided over by a representative of the Crown appointed on the advice of Her Majesty’s Government in the United Kingdom and armed with reserve powers sufficient to enable him to guarantee fulfilment of Her Majesty’s Government’s continuing responsibilities in defence, security, foreign relations and financial stability’ (CAB 134/1295, MC(55)5, ‘Smaller colonial territories’: memorandum by Lennox-Boyd, 7 Sept 1955, Appendix B).

² Henry Brooke.

³ Lennox-Boyd had already recorded that ‘the Colonial Office study which has produced the scheme outlined in Appendix B at no time contemplated bringing Malta within the scheme: nor would it be appropriate to do so now. . . . “Statehood” is neither “integration” nor “dominion status” nor even “quasi-dominion status”, and therefore would not interest either of the main political parties in Malta. The existence of the scheme outlined in Appendix B should not therefore be revealed to any of the Maltese representatives at the Conference’ (CAB 134/1295, MC(55)5, ‘Smaller colonial territories’: memorandum by Lennox-Boyd, 7 Sept 1955).

53 T 220/340

12 Sept 1955

'Malta': minute by Sir Alexander Johnston¹ to Sir E Bridges² indicating Treasury reservations about Maltese representation at Westminster

The Ministerial Committee met again this afternoon.³

Mr. Turnbull⁴ tells me that there was a strong conflict of view between the Colonial Secretary, who did not wish the Government to give any lead to the Conference, or indeed to express a pronounced view to the Conference about Maltese representation at Westminster, and the Home Secretary,⁵ who said that the Government should proceed on the basis that the representation of Malta at Westminster was undesirable.

Meantime, the Lord Chancellor's paper⁶ is going in to Thursday's Cabinet⁷ with a sentence to the effect that it would be desirable for the Government to have a view.

The Colonial Secretary, in the course of his discourse, had said that the Prime Minister was even more strongly of the opinion than he was that the Government should not take a view at this stage and should leave the whole question of representation at Westminster for the Conference.

Mr. Turnbull thinks—and I should have thought that there was a great deal to be said for the view—that a decision taken at Thursday's Cabinet may prove to be decisive for the outcome of these negotiations. Unless the Government has a view against representation at Westminster, the Conference may easily drift into accepting some kind of scheme of representation and, by then, it will be too late to secure a contrary decision. That no doubt is what the Colonial Secretary is hoping for, since he has always been in favour of the solution of the Maltese problem by representation at Westminster.

Something may turn on the briefing of the Prime Minister. Would you be prepared to submit a brief, or should we get in touch with the Cabinet Office? I understand from Mr. Pitblado⁸ that, in the absence of Sir Norman Brook, Mr. Hooper of the Cabinet Office has been putting in briefs on appropriate occasions.

¹ Sir Alexander Johnston, third secretary, Treasury.

² Sir Edward Bridges, permanent secretary, Treasury.

³ See 52.

⁴ See 50, note 2.

⁵ Gwilym Lloyd-George.

⁶ See 54.

⁷ See 55.

⁸ D B Pitblado, principal private secretary to the prime minister, 1951–6.

54 CAB 129/77, CP(55)121

13 Sept 1955

'Malta': Cabinet memorandum by Lord Kilmuir on the UK attitude at the Malta Round Table Conference, especially to the issue of parliamentary representation for Malta

In accordance with the decision of the Cabinet at their meeting on 5th September, 1955 (C.M.(55) 30th Conclusions, Minute 6)¹ I submit a report by the Committee on Malta, of which I am the Chairman.

¹ CAB 128/29, CM 30(55)6, Cabinet conclusions, 5 Sept 1955.

Procedure

2. In answering questions in the House of Commons, the Prime Minister and the Colonial Secretary have made it clear that it will be for the Conference to determine its own procedure, and we feel that the opening meeting of the Conference should be attended by the United Kingdom members only in order to draw up rules of procedure. This will have the advantage of making it clear that the representatives of the Maltese political parties who are called into consultation will attend at the invitation of the Conference, and not by prescriptive right. It should be possible to begin taking evidence from representatives of the Maltese political parties and other Maltese witnesses on Wednesday, 21st September.

3. We agree that it will be desirable for witnesses to submit written memoranda before giving oral evidence, and I have communicated with Mr. Attlee² and Mr. Clement Davies³ on the subject and have sent to them a list of suitable witnesses proposed by the Governor of Malta. We feel that it is important that witnesses should be heard separately and in confidence, and the leaders of the other parties agree that the verbatim transcript of evidence should be treated as confidential, though without prejudice to its possible publication at a later stage.

4. After hearing the main body of evidence in London and before reaching final conclusions, the Conference may well wish to pay a short visit or to send a delegation of its members to Malta. We are agreed that such a visit would be very desirable, both to avoid the criticism that decisions were taken without examining conditions on the spot, and also to enable evidence to be taken from approved Maltese witnesses, other than those of the main political parties, who for various reasons might be unwilling or unable to come to London to give evidence. It would also enable the Conference to meet the Governor.

5. We are agreed that it will be necessary for evidence to be given on behalf of Her Majesty's Government and that this should be done by the Secretary of State for the Colonies and the Financial Secretary, Treasury, appearing together. This raises the question of the character of the evidence to be given.

United Kingdom attitude at the conference

6. Obviously we must put before the Conference a statement of the present policy and commitments of Her Majesty's Government which are briefly as follows—

- (a) It has been agreed that the present Constitution in Malta requires revision.
- (b) The Prime Minister in his statement on 6th July⁴ announcing the present Conference welcomed the initiative taken by the Prime Minister of Malta in putting forward proposals for a closer association between Malta and the United Kingdom.
- (c) The objectives have been accepted of improving the living standards of the Maltese people by the improvement of social services and by increasing the opportunities for civil employment, and an undertaking has been given to

² Clement Attlee, Labour prime minister, 1945–51; leader the Opposition, 1951–5; member, Malta Round Table Conference, 1955.

³ Clement Davies, leader, Liberal Parliamentary Party; member, Malta Round Table Conference, 1955.

⁴ *H of C Debs*, vol 543, col 1136, 6 July 1955.

contribute to the cost of the necessary capital works, and, in an interim period, to assist, as may prove necessary, in balancing Malta's Budget on recurrent account.

The question, however, arises whether we should reach a conclusion before the Conference opens as to the desirability of Parliamentary representation for Malta. On the one hand, it is felt that having convened the Conference we should not seek to influence it in any specific direction, and should only make up our minds on the merits of this proposal after the Conference has reported. On the other hand, it would be desirable for me as Chairman of the Conference to know which way the Government would wish the Conference to go.

7. We have considered a Report by Officials which examines fully the implications of Parliamentary representation for Malta and alternatives to it. It is quite clear that there are substantial arguments against granting representation. These may be summarised under the following main heads:—

(a) *Division of powers.* There is the question how legislative authority can be divided between Parliament and the Malta Legislature (which already has self-government over a wide field) unless the Northern Ireland model is followed and Parliament retains and on occasions exercises over-riding legislative authority. Failing this the question would arise as to whether the judicature would have to adjudicate on the respective powers of Parliament and the Malta Legislature. There is also the question how the authority of Parliament could be made effective in Malta against the will of Malta Ministers.

(b) *Financial implications.* The Committee are agreed that if Malta is given representation in Parliament there is a strong presumption that this will be taken both here and in Malta as a commitment that Malta should eventually have United Kingdom standards of social services and wages irrespective of her ability to pay for them. On what is known at present, it appears extremely unlikely that Malta could ever pay herself for such services, however much is spent on development, and if she were guaranteed them she might well relax her own efforts to earn them. The United Kingdom might eventually be saddled with an additional charge amounting to some £10 millions a year or more.

(c) *Repercussions elsewhere.* While it is not thought that there would be any pressure from other small Colonies for Parliamentary representation as such, there is no doubt that if it were known that the United Kingdom had become committed to raise Malta's standards of social services and wages to United Kingdom levels other Colonies would press for this too. Much larger liabilities would then arise. Difficulties in the United Kingdom in regard to financial assistance for Scotland, Northern Ireland and Wales might well be accentuated and the demand for a separate Parliament for Wales and possibly also Scotland would be reinforced.

(d) *Parliamentary.* There is the obvious risk that in times of narrow Government majorities the Maltese Members would give their support to the Party which promised to do the most for Malta.

(e) Opinion in Malta is strongly divided on this question. Even if it were approved by a referendum, there might later be a Government in Malta which was opposed to Parliamentary representation.

8. Against these considerations have to be set the possibility that a striking gesture towards Malta at this juncture would change the whole political and psychological atmosphere and remove the long-standing friction between Malta and the United Kingdom over defence arrangements in Malta. To rebuff the proposals on the other hand would increase the existing friction and might stimulate united pressure from all parties for full independence.

9. The majority of the Committee feel that a final decision should not be reached until the Parliamentary Conference has reported, but I should be glad to have guidance from the Cabinet on this question. The Committee recommend that an objective statement of the various considerations should be put before the Conference in the form of a memorandum from Her Majesty's Government, and I annex a draft of this memorandum, based on the report of the Official Committee.⁵

⁵ Not printed.

55 CAB 128/29, CM 31(55)1 15 Sept 1955 **'Malta': Cabinet conclusions on the attitude which HMG should** **adopt towards parliamentary representation for Malta at the Round** **Table Conference**

The Cabinet had before them a memorandum by the Lord Chancellor (C.P. (55) 121)¹ reporting the conclusions of the Committee of Ministers over which he had presided on the procedure to be followed at the forthcoming round-table Conference on Malta,² and setting out the considerations which would have to be taken into account in formulating the attitude to be adopted by representatives of the Government at the Conference.

The Lord Chancellor said that he had ascertained that the Leaders of the Opposition who would be members of the Conference were generally in agreement with his procedural proposals. Mr. Mintoff had, however, intimated during a courtesy call, no doubt because it would tend to diminish the importance of his own leading position as Prime Minister, that he hoped the number of independent Maltese called to give evidence would be very much restricted. Mr. Mintoff was also not in favour of the proposal that the Conference should at an appropriate stage pay a visit to the Island. The decisions on both these matters would, of course, have to be taken by the Conference itself.

In view of the complexity of the problem, it was felt desirable that Her Majesty's Government should place before the Conference a full and objective statement of the considerations—constitutional, strategic and financial—which it would be necessary for the Conference to have taken into account. A draft of such a statement was annexed to C.P. (55) 121 and might appropriately be presented to the Conference jointly by the Colonial Secretary and the Financial Secretary, Treasury.

The Lord Chancellor sought especially the guidance of the Cabinet on the attitude which should be adopted at the Conference towards Mr. Mintoff's proposals for

¹ See 54.

² For verbatim reports of the discussions of the Malta Round Table Conference, see CAB 133/143–44.

Parliamentary representation. It was clear from the statement which the Prime Minister had made in the House of Commons on 28th July,³ announcing that a Conference was being convened, that there was no intention of taking any final decision on this matter until the Conference had reported. But it might well influence the manner in which the Conference should be handled if the Cabinet had in fact reached any preliminary conclusions as to the desirability or otherwise of according direct Parliamentary representation for Malta.

Discussion in the Cabinet turned mainly on this question. It was argued that, because of the repercussions which could be expected from Scotland, Wales and Northern Ireland, as well as certain Colonial territories, if the financial proposals which were linked with Parliamentary representation were accepted, it would be wise to reach a preliminary conclusion on this main issue at the present stage. Such a conclusion need not be made public. There was some risk (although the circulation of the proposed memorandum might obviate this) that considerable enthusiasm for the Mintoff proposals might develop in the Conference and that the Government might be faced by recommendations to which they might find themselves flatly opposed. Against this, it was argued that the Government had already welcomed the initiative shown by Mr. Mintoff in seeking the closer association of Malta with the United Kingdom without expressing an opinion on his actual proposals for achieving this. The Government were faced with an extremely difficult situation in Malta and the consequences which might flow from the premature rejection of these proposals might be serious.

In further discussion the following points were raised:—

(a) Was it essential that Parliamentary representation should carry with it full voting rights or could some intermediate form of membership be devised? Against this, it was pointed out that there was no precedent for limited membership of the House of Commons. Moreover, it would be impracticable to restrict the right of Maltese representatives to vote on matters of direct concern to Malta because of the difficulty of segregating such questions from much wider issues.

(b) Could not Parliamentary representation be granted without necessarily incurring a commitment to raise Maltese standards of wages and social services eventually to United Kingdom levels? Such a commitment would not be justified unless United Kingdom rates of taxation were applied to Malta. Nevertheless, representation would be felt in the public mind to carry with it some undefined claim to equality of treatment with the United Kingdom.

The Financial Secretary, Treasury, said that, while he agreed that it would not be appropriate to reach at this stage any general conclusion on the main issue, proposals which involved according Malta equality with the United Kingdom in economic standards would have to be resisted. It was necessary that Malta should have an incentive to develop her own economy and to maintain emigration as a means of easing the costly burden of over-population.

The Colonial Secretary said that he hoped the Cabinet would not feel it necessary to reach any conclusion one way or the other before the Conference started, for any such conclusion would inevitably be reflected at the Conference itself and prejudice

³ *H of C Debs*, vol 544, cols 1351–2, 28 July 1955.

its findings. If the Cabinet had to reach a decision at this stage he thought it would have to be generally in favour of the Mintoff proposals.

In further discussion it was agreed that it was essential that the Government representatives at the Conference should express sympathy for the constitutional aspirations of Malta and reiterate the welcome already given to the initiative which the Maltese Prime Minister had taken. Paragraph 63 of the draft memorandum might be suitably amended to this effect. But the Conference should, if possible, be guided to concentrate upon the practicability of the various alternatives, including Mr. Mintoff's proposals, so as to put before the Government a fully objective appraisal. The Lord Chancellor, as Chairman, would have the opportunity of consulting the Cabinet again while the Conference was in session should it prove necessary to do so.

The Cabinet:—

(1) Agreed that the memorandum annexed to C.P. (55) 121, amended to take account of the Cabinet's discussion, should be circulated to the Round Table Conference on Malta as a statement on behalf of Her Majesty's Government.

(2) Agreed to reach no conclusion at this stage on the merits of Parliamentary representation for Malta which might prejudice the outcome of the Conference.

(3) Invited the Lord Chancellor, as Chairman of the Conference, to attempt to secure an objective appraisal of the practicability, both in their constitutional and their financial aspects, of any proposals which the Conference would have under consideration.

56 CO 926/321, no 105

27 Sept 1955

[Round Table Conference]: outward telegram no 209 from E Melville to Sir R Laycock reporting Dr Borg Olivier's opening address to the Conference

Following from Melville, Malta Round Table Conference.

Begins. Dr. Borg Oliver's opening address occupied 2½ hours during the morning and afternoon sessions of the Conference on Monday, 26th September.

It began with an analysis of the history of constitutional development in Malta, during which Dr. Borg Olivier stressed the nationalism of the Maltese people, the degree of self-government obtained by them as early as 1921 and the disappointment of their expectations of progress to full self-government despite the implementation of H.M.G.'s declared policies to a number of other Colonial territories since 1921. His party could not understand, nor finally accept, H.M.G.'s rejection of its proposals for dominion status and transfer to the C.R.O. In view, however, of the present difficulties, which he accepted, the Malta Nationalist Party would not press the claim for complete autonomy, but sought 'dominion status' in relation to the United Kingdom only, not full Membership of the Commonwealth. The responsibility for defence and foreign affairs would be handled jointly on the basis of agreements similar to those concluded with Ceylon in 1947. It also recognised that the granting of this status would have to be delayed until further economic development took place, and meanwhile had proposals for immediate changes in the constitution enhancing the powers of the Maltese legislature.

On the economic side, Dr. Borg Olivier argued that national economic independence in the full sense hardly existed elsewhere in these times. The United Kingdom should help Malta's development in accordance with a long-term plan. If there was a Colombo Plan, he said, why should there not be a Malta Plan under which the Commonwealth would help Malta to viability?

An important section of Dr. Borg Olivier's address was devoted to a critical review of the political and economic implications of Mr. Mintoff's proposals for integration. In his view, the desired closer association of the United Kingdom and Malta could not be brought about by incorporation of Malta into the political, economic and social institutions of the United Kingdom. Nor was integration needed to ensure economic advancement. The two peoples could only be brought together by helping Malta on its way to viability and towards constitutional development which would entitle her to complete autonomy in the Commonwealth, where they wanted to remain. The Malta Nationalist Party were not interested in secession. The new proposals which his party were now submitting, although they would not satisfy Maltese aspirations in the long run, were designed to further this desired development.

Dr. Borg Olivier warned the Conference that integration was opposed by a very strong party which won 50,000 out of 120,000 votes in the last General Election and that there was a much fiercer opposition to integration amongst the Maltese people than the opposition of the Turkish minority in Cyprus to Enosis. He remarked that the position in Malta was in striking contrast to that in Cyprus. Self-government had been offered to Cyprus although the Cypriots did not want it but had been refused to the Maltese who did. Self-government was wanted by all Maltese including the Labour Party which were only asking for integration because of the material advantages and financial benefits which they wrongly claimed would derive to the population of Malta or a section of it. Dr. Borg Olivier concluded with a firm declaration that although the Nationalist Party most sincerely professed unbounded loyalty and devotion to Britain and the Crown it would 'almost endlessly and by all legitimate means at its disposal insist and fight to the hilt for the Island's independence should materialistic and other detrimental considerations prevail and integration by union with Britain be put into effect'.

During the questions which followed various points on Dr. Borg Olivier's interim constitutional proposals and suggestions for administrative machinery were raised by the Lord Chancellor, Mr. Attlee and Mr. Walter Elliott.¹ The main points concerned the practicability of the proposal that the responsibility for defence and foreign affairs should be handled jointly and where the ultimate power of decision in the event of disagreement would lie. Mr. Elliott expressed particular concern about a suggestion made in reply to another question that disagreements should be solved in consultation with Prime Ministers of the Commonwealth. Although this suggestion was then withdrawn, it was made plain that the Malta Nationalist Party still wished Malta ultimately to be represented at meetings of Commonwealth Prime Ministers at least on occasions when matters under consideration directly affected Maltese interests. Dr. Borg Olivier also made it plain that the Party had not abandoned as its ultimate aim the transfer of the responsibility for Maltese affairs to the Commonwealth Relations Office.

The Conference adjourned until 10.30 a.m. on Tuesday, the 27th September.

¹ Conservative MP for the Kelvingrove division of Glasgow.

57 CAB 134/1295, MC(55)9 26 Oct 1955
[Round Table Conference]: minute from Lord Kilmuir to Sir A Eden
reporting the progress of the Round Table Conference

You will wish me, in sending you the attached note¹ by the Secretariat on the visit of the Malta Round Table Conference to Malta, to give you my personal impressions of the way in which the views of the Conference are developing.

First, the Conference is virtually unanimous in the view, which I share, that representation at Westminster is likely to provide the most promising basis for a satisfactory and permanent solution of the constitutional problems of Malta. This emerged at a private meeting which we held in Valletta last Thursday, just before Mr. Attlee² and Mr. Clement Davies³ left to return to London. The view is held with varying degrees of enthusiasm by members of the Conference. I think I am right in saying that the reluctant ones have come round to it because they are convinced that none of the alternative proposals for constitutional reform seems likely to attract majority support in Malta and thus to result in the radical and sustained improvement in Anglo-Maltese relations necessary to ensure our defence interests in the future. They also have very much in mind the present unsettled state of our affairs in the Mediterranean.

The Conference may wish to attach conditions to its endorsement of Mr. Mintoff's proposals for representation. It will certainly want to make it abundantly clear that the final choice should lie with the Maltese themselves and that H.M.G. should not seek to impose integration if the Maltese do not want it. Mr. Mintoff's intention, as you know, is that, if we are ready to agree to representation in principle, the issue should be put to the people of Malta in a referendum.

I hesitate to predict what the result of a referendum would be. The greatest potential obstacle in the way of integration is the attitude of the Roman Catholic Church. During the visit to Malta, I and some of my colleagues, notably Lord Perth, had a number of talks with the Archbishop to elucidate his views. We tried hard to convince him of the genuineness of the United Kingdom's respect for freedom of worship and to persuade him that his fears about the possible secularising effect of closer association along Mr. Mintoff's lines were groundless. I think we went some way towards removing his misgivings, but the outcome is still by no means certain. My own view is that, if we can offer representation on terms which substantially meet Mr. Mintoff's demands, he will carry a substantial majority of Maltese opinion with him in any referendum.

Secondly, we are generally agreed that, representation apart, the present constitution needs amendment so as (a) to extend the powers of the Maltese Government and, while retaining H.M.G.'s overriding powers, to restrict the field of the reserved subjects and (b) to get rid, so far as possible, of the present form of dyarchy in Malta. In addition, improved consultative machinery between the United Kingdom and Maltese Governments must be devised. The existing Privy Council (at which representatives of the two sides of the dyarchy and of the Services meet under the Chairmanship of the Governor) has fallen into disrepute. What seems to be

¹ Not printed.

² See 54, note 2.

³ See 54, note 3.

needed is a body in Malta which meets regularly and not merely when there is a controversial issue to discuss. Such a body should be able to refer disagreements to a joint Ministerial committee meeting in London.

Thirdly, it is clear that, at any rate for an interim period which may run to 15 or 20 years, economic assistance, in the form of capital grants and subventions to the ordinary budget, must continue to be given to Malta by the United Kingdom. The amount of this assistance might fall between £5 million and £6 million a year compared with our estimated expenditure this year for the same purposes of some £4¼ million. There is general agreement that, in any arrangement for increased financial aid, safeguards would have to be introduced to encourage the Maltese to become self-supporting at the earliest possible moment.

On the second and third points above, there is substantial agreement amongst all the parties in Malta. The issue of controversy is therefore narrowed down to the question of representation at Westminster.

The Conference has not yet begun to draft its report⁴ and the foregoing is therefore only my own personal impression of the lines which its recommendations will follow. I am hoping that we shall avoid so far as possible getting involved in technical details, particularly with regard to the form of legislation which may have to be introduced in the United Kingdom and Malta to implement our recommendations, and that we shall confine our report to matters of principle, leaving it to the Government to decide how these principles can best be put into effect. This may help us to get unanimity. It is in any case important that our report should not be unduly delayed since this might well lead to a feeling of frustration in Malta and to a consequent revulsion from the existing friendly and helpful attitude which we found there. I cannot of course say when our work will be finished; but I hope that we shall be ready to submit our report to you by the end of November.

⁴ The report was completed by the end of the year. See *Malta Round Table Conference 1955: Report* Cmd 9567, 1955.

58 CO 926/321, no 127, enclosure [Oct 1955]
 [Integration]: memorandum by Sir R Laycock assessing the divisions
 within Malta stemming from the integration proposals [Extract]

In view of its extremely delicate nature in Malta, recipients are requested to pay special attention to the security of this document, and their attention is drawn to the arrangements for its disposal in paragraph 5 below.

1. I thought perhaps that members of the Conference might wish to have my personal views on the Maltese situation.

2. I would stress, however, that I have only been Governor of these Islands for one year and it is my opinion that it would take a great deal longer than this to be thoroughly acquainted with the Maltese mentality. I am still learning although, during my year, both of the leading political parties have been in office and I have also been closely involved with the Church in connection with the efforts of the Imperial side of the Diarchy—efforts which I am glad to say have so far been successful—to prevent a major clash between Church and State which at one time seemed inevitable.

The confidential nature of this document

3. I would also draw your attention to the fact that I must be as frank as possible if this paper is to be of any real use to you, and it is consequently unavoidable that I should comment from time to time on the personalities, not always to their credit, of the leading figures in Maltese political life. This I dislike doing, but my evidence would be incomplete without it.

4. I do not think, however that it is becoming that I should give this evidence as Governor and as the representative of Her Majesty. I must therefore request that I am not recorded as so doing but that you will treat my views as strictly confidential and regard them merely as those of an individual whose duties have brought him into intimate contact with the affairs of an Island upon the future of which you are now deliberating.

5. I must consequently suggest that this document should be handed back to the Secretary after it has been discussed and, further, that any such discussion should take place only in closed session from which the transcript writers are excluded.

The difficulties of constructive suggestion

6. I must start by saying with great regret that I find it very difficult to be constructive in this paper and quite impossible to discuss the future of Malta without sounding a note of pessimism.

7. It would appear from the transcripts of your previous meetings that you regard the problems which face you as falling to be dealt with under two distinct but interrelated categories—Constitutional and Economic.

8. It is possible that a satisfactory interim solution may be found on the Constitutional side and it is certain that a short term financial settlement will benefit the economy of the Island: but I find it well nigh impossible to tender useful advice to you on the far more important aspect of the long term settlement. All I can do is to underline the various pitfalls which lie ahead as I see them, though you are all of you probably already aware of them.

9. As I have said, you may find no insuperable difficulties in recommending certain interim improvements (by de-reserving certain matters, or at least setting up consultation machinery for dealing with them) to the present unworkable Constitution which might prove acceptable to Westminster and also to the majority of the people of Malta and Gozo, but I cannot at present envisage being able to make any constructive contribution to your deliberations for fundamental and drastic changes which would result in permanent contentment in these Islands.

The inevitable split

10. It is fairly certain that the full acceptances of either Mr. Mintoff's or Dr. Borg Olivier's proposals would split the Island in two. How serious this split would be and how long it would last is difficult to predict.

11. At a guess, I should say that sixty per cent of the people here would willingly accept full integration tomorrow (Mintoff puts the figure much higher), but the remainder, be it forty per cent or less, would remain opposed to it, the extreme Nationalists violently so. It is furthermore conceivable that these proportions might easily change in a fairly short period, say a year or two, to a more evenly balanced ratio if the direct effects of integration on the pockets of the Maltese proved disappointing. I regard this as unlikely, however, as the spending programme already

authorised is bound to produce some improvement in local standards.

12. I must here say that it is probable that many of the votes for integration at the last election were cast in response to the impression given from the Labour Party platforms that its acceptance would result almost immediately in full employment for all at £9 a week. I am inclined to think, however, that the early and obvious improvements in the standard of living to which I have referred might influence the wiser Maltese to await the full fruits of integration with patience.

13. On the other hand if the door is slammed in the face of integration and representation at Westminster, Mr. Mintoff assures me that he will resign. I feel certain that the Opposition would not be able to form a Government and that another General Election would have to take place. My guess is that this would result in Mr. Mintoff being returned to power with a large majority, and, if he resorted to the wilder and violently anti-British tactics adopted by him not so very long ago, we might be faced with a very dangerous situation.

14. The alternative to the possibility of Mr. Mintoff refusing to form a Government, that of suspending the Constitution whilst further efforts were made to come to some form of settlement through renewed conferences, seems to me deplorably retrograde and, in any case, I should imagine would be unacceptable both in Westminster and in Malta although, surprisingly enough there are not a few intelligent Maltese, including the Archbishop, who have suggested that a return for the time being to Colonial Administration would be in the greatest interests of the country.

The influence of the Church

15. At the risk of seeming platitudinous I must here reiterate that it will be a complete waste of time to recommend any drastic changes in the Constitution [sic], if they are to be acceptable to the Maltese and Gozitans, unless they have at least the acquiescence of the Church.

16. The Church is still by far the strongest single influence in Malta where it is ruled, if not with a rod of iron then certainly with a very firm hand, by His Grace the Metropolitan Archbishop. I am therefore convinced that it is essential that we should ensure at least his consent and preferably his *active* co-operation with regard to any proposals which you may deem it desirable to recommend to Her Majesty's Government.

His present attitude of reserving his position as regards any form of closer association with Great Britain is not enough. If we are aiming at general contentment in Malta it must be moulded into implicit and vocal support.

17. In fact the Archbishop has already said, though not yet openly, that he is not opposed to any schemes which will result in economic and social advantages to Malta provided always that he has legal assurances that the 'Status Quo' of the Roman Catholic Church is not prejudiced.

18. I am aware that these very assurances have been given to him both by Her Majesty's Government and by the present Maltese Government; but I am equally aware, through my personal conversations with the Archbishop, that whilst he accepts the former guarantees implicitly (i.e. those given by Her Majesty's Government) he views the latter (those of the Maltese Government) with the gravest suspicion.

19. In a small Island where about 40% of the adult population is illiterate and where there are consequently very few leaders, individual personalities play a vastly

important part in every day politics. Thus the Archbishop's personal assessment of Mr. Mintoff's reliability will weigh heavily before he makes up his mind to give or to withhold the official blessing of the Church to any schemes for Malta's future unless, of course, his misgivings can be allayed by what he considers to be adequate safeguards.

20. At the present juncture the Archbishop undoubtedly fears and mistrusts Mr. Mintoff whom he regards as a dangerous atheist and an enemy of the Catholic Church. On the other hand Mr. Mintoff and many of his more intimate supporters are not beyond saying in my presence that the Church in Malta is reactionary and opposed to progress.

21. If there were a show-down, as there nearly was some weeks ago, both Mr. Mintoff and the Archbishop are supremely confident of victory. Both told me in so many words that they were men of peace but if the other wanted war they would fight to the last for their principles. Both showed their teeth and, although Mintoff's might seem sharper initially, I believe that the Archbishop's might grip firmer in consequence of his fundamental hold over the people which can be exercised at any time through the Parish priests or by the issue of a pastoral letter.

22. I therefore deem it essential that we should be able to convince His Grace that such guarantees as may be given to safeguard the position of his Church in any new Constitution are inviolable and could not be repealed by the Maltese Government. If he was so convinced I believe that you could count of his wholehearted support for any scheme which you may wish to recommend. I of course do not wish to suggest by this that the Archbishop should be allowed to exercise any form of veto over the constitutional or social progress of Malta. I am simply emphasizing my strong conviction that any solution, however admirable in itself, which does not command at least the acquiescence of the Archbishop, will not work. . . .

59 PREM 11/1432, f 74

7 Jan 1956

[Integration]: inward telegram no 5 from Trafford Smith to E Melville on Mr Mintoff's equation of integration with economic equivalence

Following personal for Melville from Trafford Smith.

Begins. We are about to go into battle. I cannot see much hope of getting Mintoff to make substantial alterations as he has developed extremely militant attitude on point of equivalence. His essential objective in putting his proposals across to Maltese people is to demonstrate that integration line of approach will bring more economic benefits than any alternative line (e.g., the Opposition's one of Dominion status), and that argument already being widely used locally that whole economic programme is common ground is not really tenable. Briefly, he wants to show that H.M.G. would be bound to give more (as it seems fairly clear they would) to an integrated Malta than to Malta under any other constitutional relationship. He cannot say so openly (and you would not wish him to), but wants to imply it by insistence on reference to equivalence of standards as an objective towards which policy is to be aimed, as this point belongs to Labour Party alone.

There is some hope that we may be able to persuade him to postpone publication until early next week. As a result of this morning's meeting we may have alternative wording to suggest on which Mintoff may insist on answer by noon Monday or something of that sort. Please therefore do everything you can to be in a position to reply by then to any telegram we may send off from here later today. *Ends*.

60 PREM 11/1432, PM(56)11, ff 26–7 9 Feb 1956
**'Malta': minute from Mr Lennox-Boyd to Sir A Eden¹ on the
 opposition of the Roman Catholic Church to integration and
 Mr Mintoff's request for a delegation of Members of Parliament to
 observe the forthcoming referendum**

The Church and guarantees

The main development during your absence has been a rapid deterioration in the relations between the Maltese Government and the Archbishop of Malta, culminating in a public demand by the Archbishop that the Maltese Government should postpone its referendum (fixed for this weekend)² in order that the Archbishop might obtain the written guarantees he considered necessary for the Roman Catholic Church in Malta. These guarantees are set out in the five points published yesterday. In addition to assurances on the lines of those recommended in paragraph 79 of the Report of the Round Table Conference,³ the Archbishop is in effect demanding that we should enter into a specific obligation, binding future British Governments and Parliaments, and that the guarantees should apply to legislative and administrative acts by the Maltese Government and Parliament as well as by the U.K. Government and Parliament.

The Archbishop's actions, coupled with a number of reports that Roman Catholic priests in Malta have spoken openly against integration and have refused absolution to parishioners expressing intentions to vote in favour of integration, suggest that the Roman Catholic Church in Malta is opposed to integration not so much on its own merits but from fear of the secularising tendencies of a successful *Maltese Labour Government*.

Referendum

Mr. Mintoff has now rejected the Archbishop's demand for postponement of the referendum. As regards the conduct of the campaign, he has recently deplored acts of rowdiness at political meetings and there have been a number of prosecutions and comparatively severe sentences. During your absence, I have answered a number of Parliamentary Questions on the lines of the answer you gave to a group of questions on the 26th January.

¹ At the foot of the minute, Eden wrote: 'Thank you'.

² Mintoff had called a referendum on integration for 11 and 12 Feb. 1956.

³ This paragraph stated: 'So far as the Parliament at Westminster is concerned, we do not see that the presence of Maltese Members, elected by a Maltese people devoted to their laws and institutions, would lessen, in regard to religious matters, the restraint and respect which the Parliament at Westminster has shown for the last 150 years. . . the Maltese Parliament should remain responsible for legislation on all domestic affairs and, in particular, on such matters as the position of the Church, education, and family life' (*Malta Round Table Conference 1955, Report* Cmd 9657, 1955, pp 20–1).

H.M.G. and observers

There has been considerable pressure from Mr. Mintoff and from Parliamentary groups here for a delegation of Members of the House to visit Malta to ‘observe’ the referendum. I consulted the Cabinet and the general feeling was that it would be wrong for H.M.G. to intervene in this way. Subsequently, the Colonial Policy Committee saw no objection to individual Members accepting invitations from Mr. Mintoff to visit Malta, as guests of the Maltese Government and in a personal capacity, during the referendum period. Invitations were thereupon accepted by Sir Roland Robinson, Major Patrick Wall and Mr. Biggs-Davison; Mr. Callaghan, Mr. Mellish and Mr. Roy Jenkins; and Mr. Grimond, who will all be in Malta by the 9th February.

Report of the Round Table Conference

The Colonial Policy Committee began its discussions of the recommendations of the Report on the 6th February. The minutes are no doubt with the papers awaiting your return.

61 PREM 11/1432, ff 9–11 16 Feb 1956
[Malta referendum]: minute from Lord Kilmuir to Sir A Eden on the implications for integration of the referendum on integration

These are just a few first impressions which I hope to have a chance of elaborating later.

1. The present impasse—if it be that—is the result of Mintoff’s impetuosity. We pressed him very strongly to defer holding his referendum until after the Parliamentary debate here, but he refused. We must not now be rushed by him or by anybody else into taking precipitate action or coming to hasty decisions.

2. Looked at objectively and out of the context of the trouble in Malta, the results of the referendum do not seem to me to be too bad. They show a very big majority of votes cast in Mintoff’s favour. It would clearly be wrong to regard all abstentions as representing votes against him. If one takes an average Maltese poll of 80%, he gained a 55% vote. Elsewhere (for example Newfoundland, where the poll was high,¹ and Australian referenda on federation where the poll in some cases was even smaller than 60%) a small majority in favour of constitutional change has been accepted as ‘clear and unmistakable’.²

3. The Round Table Conference was careful to avoid endorsing the holding of a referendum as a means of gauging Maltese opinion; nor did it set any standard for judging what should be regarded as a ‘clear and unmistakable’ verdict.

¹ In Newfoundland eighty-five per cent of people voted in the second referendum of 1948 on confederation with Canada, of whom fifty-two per cent cast their votes in favour. During the Commons debate on the Malta Round Table Conference, the Labour MP, Roy Jenkins, pointed out that ‘Of the total registered electorate, almost exactly the same percentage voted for confederation as voted for integration in Malta. In Malta, it was rather more than 44 per cent.; and in Newfoundland rather less than 44 per cent’ (*H of C Debs*, vol 550, col 1867, 26 Mar 1956).

² The report of the Malta Round Table Conference had asserted: ‘it is for the Maltese people themselves to determine and to demonstrate clearly and unmistakably whether the proposals of the Maltese Government do indeed correspond to their own wishes’ (*Malta Round Table Conference 1955, Report* Cmd 9657, 1955, p. 21).

4. I cannot judge what part the Roman Catholic Church in Malta played in persuading those who voted against or abstained, but there is much evidence tending to suggest that the intervention of the Church was, in the last days of the referendum campaign, unmistakably hostile to Mintoff and greatly influential.

5. Mintoff certainly aggravated the situation with the Church by rushing his referendum and by his hostile reception of the very moderate pastoral letter, but it was already clear to us when we were in Malta that the Archbishop was just as much worried about interference by Mintoff's Government in Church matters as he was about the misuse of the overriding powers by the Parliament here. The Roman Catholic Church will expect to be given safeguards on the latter count—and indeed we have promised them. But we shall not heal the breach by these safeguards alone. If integration is to be really acceptable throughout the Maltese population, we shall have to work for a reconciliation between Mintoff and the Archbishop.

6. We must of course have regard to the way in which political opinion is moving here. Walter Elliot³ tells me—and I have no reason to doubt his view—that the Labour Party in the House of Commons remains solid for integration on the basis of our report and will accept the referendum as clear and unmistakable.

7. We must obviously also bear in mind the consequences of refusing integration at this stage. The absence of any reasonable alternative solution, which was one of the convincing considerations to the Round Table Conference, still remains. The only alternative, namely, reverting to Crown Colony government is something which we must avoid if humanly possible. Mintoff will not be satisfied with anything less than his full integration proposals. He will not be fobbed off by local constitutional changes alone; nor indeed can we afford to relax our controls locally except as part of a satisfactory overall constitutional solution.

8. I understand that the Colonial Secretary endorses a proposal from the Governor, and from Mintoff himself, that Mintoff should come to London for discussions immediately. On balance, I think that is the better step. The alternative is that someone—and the only possibilities that appear to me are either the Colonial Secretary himself or Lord Perth—should go out to Malta and seek to conciliate the Archbishop and Mintoff there. After the most careful consideration, I still think it would be better that Mintoff should come here and should receive wise guidance and counsel from the Colonial Office. I am fortified in this conclusion by the fact that I do not think it would be politically desirable for H.M.G. to be involved in making, or indeed pressed to make, representations to the Vatican before the debate in Parliament.

I am sending a copy of this minute to the Colonial Secretary.

³ See 56, note 1.

62 CAB 134/1202, CA(56)7

17 Feb 1956

'Malta: the referendum result': memorandum by Mr Lennox-Boyd for the Cabinet Colonial Policy Committee

Referendum results

The voting in the referendum, to determine whether or not the Maltese people were in favour of proposals submitted by the Maltese Government, was as follows:

Yes:	67,607 votes
No:	20,177 votes
Not Valid:	2,599 votes

The total number of votes cast was 90,343 of which the percentages were as follows:

Yes:	74.83%
No:	22.33%
Not Valid:	2.84%

The total number on the electoral register was 152,823, of which the results in percentages were as follows:

Total voting:	59.12%
Total abstaining:	40.88%
Yes:	44.24%
No:	13.21%
Not Valid:	1.67%

The percentage of those voting at the last three Maltese General Elections was as follows:

1951	–	74.60%
1953	–	80.37%
1955	–	81.16%

In the last General Election in Malta in February, 1955, the total number of valid first preference votes cast was 121,243, of which the Maltese Labour Party, campaigning on a programme of Integration, obtained 68,447 votes or 56.73%.

2. As will be seen, two different impressions of the meaning of the referendum results are created by comparing them (a) with the votes cast and (b) with the total number on the electoral register. The Maltese Government is claiming that the referendum results are 'clear and unmistakable'. The Maltese opposition claims the reverse. Press comment in this country so far has shown considerable doubt about what is the correct interpretation. The Governor has stated that the outcome is, from the Maltese Government's point of view, better than expected, having regard to the affect [sic], in terms of abstentions, of the intervention of the Church in the later stages of the referendum campaign. The Maltese Prime Minister has already said that, in his view, Her Majesty's Government should take into account the unprecedented and largely unjustified opposition of the Church to integration. He has also suggested, in an interview on B.B.C. television on the 15th February, that the next step is for him to come to London for discussions. The Governor has recommended that Mr. Mintoff should be invited to London early next week, particularly as there is a danger that otherwise relations between him and the Archbishop of Malta might deteriorate beyond a point at which they could be repaired [sic].

Guarantees for the Roman Catholic Church

3. Attempts which were made by M.Ps. who were in Malta for the referendum to bring together representatives of the Archbishop and Mr. Mintoff have failed. Some

of them have put forward the suggestion that the Archbishop of Malta and Mr. Mintoff should be invited to talks in London with Her Majesty's Government with the object of reaching a 'concordat' prior to the Parliamentary debate. It would, however, seem desirable first to decide how far H.M.G. were prepared to go in the matter of guarantees. It seems that a reasonable formula could be worked out on the lines indicated in paragraphs 79 and 85 of the Report.¹ But it is presumably not possible to agree with the Archbishop, should he persist in this contention, that H.M.G. should restrict the present constitutional provision for religious freedom or should extend the present privileges of the Roman Catholic Church in Malta, or should undertake to interfere with the responsibility of the Maltese Parliament for such matters should the latter contemplate measures of which the Roman Catholic Church disapproved. It would, therefore, seem desirable for H.M.G. not to become involved in any negotiations for a concordat between the Maltese Government and the Roman Catholic Church in Malta, especially as Anglican and Free Church authorities might press that they should have a voice in these negotiations, if, as suggested, they were staged in London.

The next step

4. The immediate problem is, however, to decide H.M.G.'s attitude to the referendum results and their consequences. In this connection, it has been suggested that the U.K. Parliament should postpone its debate until Mr. Mintoff had dissolved the Maltese Parliament and had held a general election, the results of which would undoubtedly be conclusive. Mr. Mintoff would probably object to this on the following grounds. The Referendum results were good enough. He had gained almost the same number of votes as in the general election of February last, which was won on a programme even more attractive to Malta than the Referendum proposals. The Maltese could not again be requested to express their views without knowing those of the U.K. Parliament and particularly without having received written guarantees about the position of the Roman Catholic Church in Malta. He would no doubt also refuse to accept the suggestion that the question of representation at Westminster should be shelved on the understanding that the remaining recommendations in the Report of the Round Table Conference concerning constitutional reform, consultative arrangements and economic assistance should be carried out without delay. He would probably maintain the view that his referendum proposals formed a single package to the whole of which the Maltese Government was committed. He would probably conclude his arguments by pointing out that there is no alternative Government in Malta, and that if forced into a general election he would campaign not for integration but for independence.

5. It is, however, possible that the Maltese Government might be prepared to give the people of Malta a further chance of expressing their views if H.M.G. were

¹ See 60, note 3. Paragraph 85 stated: 'As regards the division of legislative functions between the Parliament at Westminster and the Maltese Parliament, we recommend that, subject to the principle of religious toleration as embodied in the Declaration of Rights of 1802 . . . and in recent Constitutions, the legislative authority of the Maltese Parliament should extend to all matters other than defence and foreign affairs, and, ultimately, direct taxation' (*Malta Round Table Conference 1955, Report* Cmd 9657, 1955, p. 22).

prepared to recommend the adoption of the Report of the Round Table Conference to Parliament, subject to a further test of this kind. The sequence of events would then be that the debate in Parliament should take place as soon as possible; that, subject to the outcome of the debate, a written formula, satisfactory to all concerned, on guarantees to the Roman Catholic Church should be negotiated; and that Mr. Mintoff should thereafter dissolve the Maltese Parliament in order to hold a general election, the results of which would be regarded as conclusive.

Points for immediate decision

6. It is therefore for decision whether:—

- (a) Mr. Mintoff should be invited to come to London early next week;
- (b) discussions with him should be directed towards securing, if possible, his agreement to the holding of a general election in Malta after the debate in Parliament and the formulation of guarantees for the Roman Catholic Church; and
- (c) in the meantime, H.M.G. should reserve any public statement of their views on the referendum, or on any other aspect of the Report of the Round Table Conference, until the debate is held.

63 CAB 134/1201, CA 9(56)1

17 Feb 1956

**'Malta: the referendum result': Cabinet Colonial Policy
Committee minutes**

The Committee had before them a memorandum by the Colonial Secretary (C.A. (56) 7)¹ analysing the results of the recent referendum in Malta and discussing possible means of allaying the disquiet of the Roman Catholic Church in Malta and obtaining a further expression of the Maltese people's will by means of a general election. The Governor had recommended that the Maltese Prime Minister, Mr. Mintoff, should be invited to pay an early visit to London in view of the imminent danger of a final rupture between him and the Archbishop of Malta.

The Colonial Secretary said that of the total number eligible to vote 59 per cent had in fact voted in the referendum, and of these voting 75 per cent had cast their votes in favour of integration. In the Newfoundland referendum, 85 per cent of the electorate had voted and of those 52 per cent had voted to join Canada. In an Australian referendum on federation 69 per cent of the electorate of New South Wales had voted and of those 56 per cent had been in favour of federation. In Southern Rhodesia, 82 per cent of the electorate had voted and of those 62 per cent had been in favour of federation. He had not yet received the Governor's detailed comments on the way in which the referendum had been conducted and he recommended that the Governor should be recalled for consultation before the Government's views were finally determined.

In discussion the following points were made:—

¹ See 62.

(a) It was important that the present deterioration in the relations between the Maltese Government and the Roman Catholic Church in Malta should be arrested and that some sort of concordat should be reached. The Roman Catholic hierarchy in Malta were chiefly concerned at the possibility of secularising tendencies on the part of a left wing Government in Malta: these anxieties could only be set at rest through a better understanding between the hierarchy and the Malta Labour Party: it might well be that discussions between Mr. Mintoff and the Archbishop of Malta might have a greater prospect of success if they were held in the United Kingdom.

The Colonial Secretary saw difficulties in this suggestion. The possibility of integration between Malta and the United Kingdom had caused the Maltese marriage laws to be called in question in certain Church of England circles, and the Archbishop of Canterbury had with difficulty been dissuaded from asking an embarrassing question on this subject in the House of Lords. It would be embarrassing if the Archbishop of Canterbury asked that representatives of the Anglican church should be invited to join in any discussions held in this country between Mr. Mintoff and the Archbishop of Malta.

(b) The Committee were informed that there appeared to be a growing feeling in the Conservative Party against the integration proposals. At a meeting of interested Members of Parliament on the previous evening, opposition to the proposals had been further increased by the report of the three Conservative Members of Parliament who had been invited by the Maltese Government to observe the conduct of the referendum.

(c) It was possible that a further general election in Malta would confirm the verdict of the Maltese people. If, however, this were held *after* the debate in the Parliament at Westminster on the proposals of the Round Table Conference, it would be possible to make our own position regarding economic aid to Malta unmistakably clear to the Maltese electorate.

(d) It was suggested that time would be saved later if consideration could be given now to the actual amount of financial aid which we should be prepared to offer to the Maltese. It was agreed that the Colonial Secretary and the Chancellor of the Exchequer should consult together on this matter.

There was general agreement that as a first step it would be desirable to recall the Governor for consultation. He should also be asked before he left for the United Kingdom to initiate discussions with Mr. Mintoff and with the Archbishop of Malta, with a view to exploring, without prejudice to Her Majesty's Government's decision on the referendum result, what prospect there might be now of ultimate agreement between the Church and the local Government.

The Committee:—

(1) Authorised the Colonial Secretary to arrange for the Governor of Malta to return to London for consultation in the course of the following week.

(2) Invited the Colonial Secretary, in consultation with the Chancellor of the Exchequer, to formulate proposals regarding the future level of financial aid to be given by the United Kingdom to Malta.

64 PREM 11/1491, ff 6–7

14 Mar 1956

[Integration]: letter from Mr Stuart¹ to Sir A Eden expressing concerns over the constitutional implications of integration and offering his resignation

I may be detained in the Standing Committee tomorrow (Thursday) morning dealing with an awkward amendment.

Therefore, I write very briefly to say that the problem of *Malta* worries me no less than it did yesterday.

I have argued this matter with myself at length and many times—but I have had no effect upon my conscience, (if I still possess such a peculiarity).

I cannot force myself to believe that anyone has any right to wield powers without responsibility—which is what we seem to be in danger of offering the Maltese.

I might, possibly, be able to consider—but *most* unwillingly)—‘integration’ *after* Malta has reached a state of equality with the U.K. as regards general standards of living—e.g. social services, etc.

I recognise that this, if ever accomplished, must take time: but I cannot agree that Mr Mintoff and Company should be allowed to force us into agreeing to integration, and to electing M.P.’s to this House, until they have built up their own standards. The people of Malta are divided and I am assured that they have not the slightest idea as to what the plan involves: they have no knowledge of P.A.Y.E. or Insurance and will only squeal like silly half-wits when they are asked to contribute a share, however small: they will say that we (the British) have swindled them and let them down.

Apart from this, I do feel sincerely that it is a risk which I, personally, cannot accept. I believe it to be *wrong* fundamentally that the power to vote about any and every domestic, foreign, and colonial problem in England (& Scotland) should be confided to Maltese M.P.s who are devoid of any real responsibility for the effect which their votes may have upon our economy, welfare and future.

I feel that I ought to let you know that my feelings are totally unaffected by the arguments of my colleagues. I am sorry to add to your troubles which are, I know, numerous—but as my conscience will not fall into line with the views of others in Cabinet, I felt it to be my duty to write to confirm what I said verbally yesterday.

P.S. To be ‘crystal clear’, I should add that I would have to resign before I agree to ‘integration’ on present conditions. Sorry.

¹ James Stuart, secretary of state for Scotland. Stuart remained concerned about the implications of integration. In Cabinet towards the end of the month, he said that ‘he continued to be disturbed at the possibility that this constitutional change might stimulate the demand for a measure of Home Rule for Scotland. He would have preferred that nothing should be done which might give this encouragement to the Scottish Nationalist movement. He felt bound to add, however, that there had not so far been any signs that Scottish Nationalists were paying special attention to these proposals for constitutional change in Malta.’ (CAB 128/30, CM 25(56)7, 27 Mar 1956.)

65 CO 926/325, no 361

20 Mar 1956

[Integration]: letter from Sir G Creasy to Mr Lennox-Boyd expressing scepticism towards integration in the light of the referendum on the issue

I do not know, of course, how much credence should be given to them, but I have seen recent reports in the Press which suggest that the policy of 'integrating' Malta with the United Kingdom is to be pursued in spite of the result of the Referendum last month. I presume that the object behind this would be to bind Maltese still closer to this country, and to ensure that, whatever happens elsewhere, Malta will always provide a secure and reliable Base. But, if you will allow me to say so, I do feel very strongly that to force integration through now, in spite of the result of the Referendum, may well have exactly the opposite effect to that intended, and completely alienate from us a substantial proportion of the Maltese people. The conflict between Church and State that unfortunately exists already will be greatly exacerbated, and large numbers of Maltese will cease to trust our good faith and sense of fair play.

I have seen it stated that Integration would not be brought into force until the policy had been endorsed at a General Election in Malta. But this would presumably be in the near rather than distant future and with the present Maltese Government still in office, and everyone in Malta knows that this would give a tremendous advantage to the Malta Labour Party and would, I am sorry to say, regard it as a sign of the British Government's partiality towards that political party.

I would most strongly urge that the issue of 'Integration' and the election of these Maltese members of the House of Commons should be allowed to rest as it is for at least a few years, in the course of which the wounds already inflicted during the past year might heal. In the meantime financial aid to Malta should continue as already planned, and all possible help should be given to the Maltese Government in the matter of industrial development, emigration etc., while the existing Constitution could be amended, e.g., by removing Civil Aviation from the list of Reserved Matters, and steps taken to provide proper consultative machinery.

If you would like me to expand this brief expression of my views I will gladly do so, either in writing or orally. I have thought it my duty, however, in view of my own experience of Malta and the knowledge I have acquired of the Maltese, that I should let you know my own opinion that a great mistake would be made in forcing, or appearing to force, Integration on Malta at this juncture.

66 CO 926/325, no 362

21 Mar 1956

[Integration]: letter from Sir R Laycock to Mr Lennox-Boyd arguing that 'if integration is going to mean anything at all it must include acceptance by the Maltese of British standards of democracy'

As the Malta debate in the Commons approaches, my mind is more than ever filled with the feeling that if Integration is going to mean anything at all it must include acceptance by the Maltese of British standards of democracy. We who are close to the problem know that Integration is a misnomer and that the Round Table Conference

recommendations which are based on Mintoff's proposals for closer union with Great Britain mean in effect the greatest measure of Maltese self-government there could be, with the element of representation at Westminster attached as something quite separate since rarely will decisions of the British Parliament have any direct effect on the internal government of Malta.

2. But the terms 'Integration' and 'closer association with Great Britain' are bound to give most people, particularly in the United Kingdom, the impression (which is a good thing) that Malta will virtually become a part of the United Kingdom, in spirit at least, and that being so, the standards expected of Malta will be similar to those accepted in the United Kingdom, allowing for a regional differential element.

3. As you know, present Maltese standards are in many respects low, and this is particularly evident in the following matters which have day to day repercussions on the public—(1) the Police, (2) the independence of the Civil Service, (3) the control of Rediffusion, (4) the electoral laws.

4. With regard to the Police, I feel that the Maltese should accept the principle that the Force should be unfettered from party political control. Only today I have received an intelligence report to the effect that a police officer who arrested a Labour disrupter at a Nationalist meeting in Gozo was transferred to another district at great personal inconvenience. The arrested man was duly convicted, and when the police officer asked why he was being transferred and whether it was because he had done anything wrong, he was told that his conduct sheet was absolutely clean. Nevertheless I understand that the police officer's transfer is an official expression of disapproval at his conduct in arresting the Labourite. I am not for one moment suggesting that the Police should become a reserved matter but I think it would help if an Anglo-Maltese commission could investigate the question of control of the Police and that some sort of arrangement should be arrived at which would ensure its independence. For a time at least it might be well if the Commissioner of Police were given direct access to the Governor.

5. There is little doubt that while the Malta Civil Service contains good material, its efficiency is gravely impaired by Ministerial interference, particularly at the Head of Department level. In fact it is not untrue to say that just as Rediffusion tends to be made a political organ, so also is the Civil Service used to further the aims of the political party in power. For example, public officers who are known to hold views other than the party in power are not trusted and are transferred to posts where they can presumably do least 'harm'. A Civil Service Commission exists, but I believe that its constitution prevents it from pursuing an independent line, and I feel that some attempt must be made to deal with this difficult problem of the maintenance of an independent Civil Service.

6. As for Rediffusion, I feel that it is essential that some agreement should be reached with the Maltese Government to place the broadcasting system under a semi-independent body constituted on the lines of the B.B.C. This would prevent Rediffusion from being exploited for political purposes, which has been a policy successfully adopted by Mintoff and, unless checked, will no doubt be pursued whatever party is in power.

7. I very much doubt whether the principle of Proportional Representation is satisfactory in such a small place as Malta, and the present electoral laws lead to many abuses. I personally see no reason why the British electoral system should not be adopted here for all purposes, especially as it is likely that it will be used for the

election of Maltese representation at Westminster. I believe Mintoff also thinks that Proportional Representation is not satisfactory and it would not take much persuasion to induce him to adopt the British system.

8. I know that the immediate reaction to the ideas I have expressed above is that since the Integration proposals provide primarily for an even wider measure of self-government than obtains under the present Constitution, it is difficult to try and get any form of limitation, however democratic or reasonable it may be, into a new Constitution since the above subjects will more than ever be matters for the Maltese people themselves. Nevertheless I cannot help feeling that it would be a good thing if this idea of British standards of democracy were to be aired during the debate on Malta so that when the time came to negotiate the new Constitution there would be some backing for attempting to get a settlement on the lines I have indicated.

9. Since writing this letter we have spoken on the telephone when you told me that the debate is likely to be on next Monday.¹ Time is therefore short, but nevertheless you may still be able to sow a few seeds which might germinate in the debate and produce good fruit afterwards.

¹ The debate on Malta Round Table Conference took place on 26 March 1956. See *H of C Debs*, vol 550, cols 1778–1931.

67 CAB 159/22, JIC 30(56) 22 Mar 1956
[Security situation in Malta]: extract from Annex to JIC minutes
reviewing current intelligence as at 22 Mar 1956

... 9. So long as Mr. Mintoff maintains his present policy of collaboration with the British, there is [sic] no security problems of any importance. Continued Nationalist opposition to integration is not likely to be effective and the Police could certainly deal with any trouble resulting from it.

10. If integration fails and he turns to anti-British policies, the Police would be less reliable. Although in an emergency the Police could be taken over by the Governor, their effectiveness would be reduced should they receive orders contrary to the policy of the Maltese Minister of Police (the Prime Minister), who is their normal superior. In such circumstances it might be necessary to call upon the Services.

11. To sum up, the worst that can happen in the foreseeable future would be disturbances organised by the Malta Labour Party after relinquishing office, and involving some damage to property and conceivably isolated unpremeditated loss of life. Organised terrorism as in Cyprus is however most unlikely. There are still good hopes of a reasonably satisfactory settlement of outstanding problems between Britain and Malta, in which case the possibility of disturbances is remote. . . .

68 CO 926/208, no 21, enclosure [Mar 1956]
[Aftermath of the referendum]: note on the political situation in
Malta, 13 Feb–31 March 1956 [Extract]

[This note was attached to a letter from Sir R Laycock to Mr Lennox-Boyd, no 129, 18 Apr 1956.]

The aftermath of the referendum

The Referendum result was acclaimed as a victory by all three political parties in Malta. Miss Strickland, for the Progressive Constitutional Party, claimed that the 20,000 ‘no’ votes were in effect all cast for her party, and thus represented an accretion of strength of 566% over and above the 3,000 odd votes the party received in the last general election. Dr. Borg Olivier maintained that all the 62,000 odd voters who had not gone to the polls, had stayed away as a result of the Nationalist Party’s boycott campaign, and that thus the total number of votes against Integration—the 62,000 abstentions, plus the 20,000 ‘noes’—represented an overwhelming majority for rejection of the Malta Labour Party programme. Mr. Mintoff and the Labour Party, on the other hand, took the view that 67,000 votes in favour of Integration represented an overwhelming majority against 20,000 ‘noes’ and 2,500 invalid votes, and that the electorate had therefore given him an incontestable mandate to press on with the party programme. The Malta Labour Party accordingly organised a victory parade, and Mr. Mintoff was driven in triumph past cheering crowds throughout the principal centres of population of the Island.

As for the Church, the Archbishop at first seemed somewhat taken aback by the fact that no less than 67,000 voters—virtually the same number that had voted for the Labour Party in the last general election—had gone on record for Integration notwithstanding his more or less explicit advice to the contrary. However, Church supporters soon recovered their poise and henceforward adhered to the line that the Church had done nothing whatsoever to influence the vote, and that anyone who maintained the contrary was flying in the face of facts. They argued, with the Nationalists and Miss Strickland, that the result of the poll was certainly not the clear and unmistakable majority for Integration required by the Round Table Conference Report—quite the contrary, indeed,—and that the whole project of representation at Westminster should therefore be dropped. They continued to press their view that Her Majesty’s Government was in any case committed to constitutional reform and financial assistance to Malta, and that the right thing to do was for Mr. Mintoff to resign, in accordance with the pledge he had made before the Referendum, after which the programme of constitutional reform and economic development, which was more or less agreed by all parties in Malta and to which Her Majesty’s Government were pledged, could be proceeded with. Mr. Mintoff, however, sat tight and devoted his energies principally to trying to secure an early expression of favourable opinion by Her Majesty’s Government in London, preferably in a debate in the House of Commons

69 CAB 134/1203, CA(O)(56)8

23 Apr 1956

‘Future departmental responsibility for Malta’: memorandum by the Home Office for the Cabinet (Official) Committee on Colonial Policy

1. The Round Table Conference on Malta recommended in paragraph 87 of their Report that ‘The responsibility for Maltese affairs in London should be transferred to the Secretary of State for the Home Department, who should be represented in Malta by a United Kingdom representative, at the head of a staff constituting the United Kingdom agency in Malta, with the necessary powers, under the authority of the Home Secretary, to carry out the decisions of Her Majesty’ Government in defence

and foreign affairs and to consult and collaborate with the Maltese Government in matters of joint concern.’

2. At the sixth meeting of the Colonial Policy Committee held on the 6th February, 1956,¹ the Home Secretary expressed doubts about the expediency of such a transfer and the Colonial Secretary said that in his view this was part of the wider problem of future Ministerial responsibility for territories which achieved full internal self government within the Commonwealth. He suggested that this wider question should be remitted for early examination by officials of the Departments primarily concerned. The Committee agreed (Conclusion 2(9)):

To recommend to the Cabinet that no decision need be taken on the question of future Ministerial responsibility for Malta’s affairs before the completion of the other constitutional changes recommended in the Report of the Round Table Conference.

3. Before final decisions are taken on the drafting of the legislation which the Prime Minister announced to the House of Commons on 28th March,² the Home Secretary would like to place on record the considerations which lead him to think that it would not be appropriate for the Home Office to undertake responsibility for Malta.

4. The territories outside Great Britain for which the Home Office is responsible are Northern Ireland, the Channel Islands and the Isle of Man. There is no comparison between the constitutional position or the problems involved in the administration of the Channel Islands and the Isle of Man on the one hand and Malta on the other; and the proposal that the Home Office should undertake responsibility for Malta presumably rests upon a supposed analogy between Northern Ireland and Malta. There is, however, no true similarity between the two. The first obvious difference arises from the fact that Northern Ireland is so much nearer and more accessible to London; consequently the Home Office has no local administration in Northern Ireland such as the Round Table Conference has proposed for Malta. There is no question of the Home Secretary carrying out in Northern Ireland ‘decisions of Her Majesty’s Government in defence and Foreign affairs’.

5. It is evident that in dealing with Northern Ireland there is no problem of bridging a gap in tradition, outlook, religion, race, language and administrative experience. For at least 150 years Northern Ireland has been closely akin to the rest of the United Kingdom, and the political pressures in Northern Ireland encourage the Government and officials in Northern Ireland to keep closely in touch and in step with Great Britain. The political situation in Malta, linked with the difference of religion (which would present a novel problem to the Home Office) is not comparable with the situation in Northern Ireland.

6. It is evident that the problems of Malta are very largely economic, and the administration of economic aid and advice would be an essential factor in the relationship between Her Majesty’s Government and the Government of Malta in the future. No similar problem arises in any of the territories administered by the Home Office. Although there is a serious unemployment problem in Northern Ireland which has called for special consideration and measures, there has been no question of long term economic aid, and indeed Northern Ireland, while paying the same taxes

¹ CAB 134/1201, CA 6(56)2, Colonial Policy Committee minutes, 6 Feb 1956.

² *H of C Debs*, vol 550, cols 2157–8, 28 Mar 1956.

as the rest of the United Kingdom, contributes a substantial sum annually to the United Kingdom Exchequer. In the economic field there may be something to be said for continuity of administration.

7. The Home Office staff dealing with Northern Ireland, the Channel Islands and the Isle of Man is small. The Home Office does not know to what extent expert advice in public health, agriculture and education are required for dealing with Malta; but no such advice is available in the Home Office. There is no doubt that an increase in the staff of the Home Office would be required and this might not be balanced by a corresponding saving in the Colonial Office. Too much stress should not be laid on the point of view which has been expressed from time to time that the Home Office is already overloaded ‘with sectional and multifarious responsibilities’ as the Sunday Times leading article put it on 18th December, 1955: but there is more in the point of view which that leading article went on to expound, and which the Colonial Secretary himself stated at the sixth meeting of the Colonial Policy Committee, that a wider problem is involved of the future responsibility for self-governing territories within the Commonwealth; and it will perhaps be agreed that the Home Office is not the natural repository for all such territories.

8. There seem to be a number of possible solutions. In so far as the present limited objective is to satisfy the ‘prestige’ sensibilities of Malta, the Colonial Secretary might follow the example of the Home Secretary in regard to Wales and be styled the Secretary of State for the Colonies and for Maltese Affairs. This does not solve the longer term problem, the solution to which might be to merge the Colonial Office and the Commonwealth Relations Office into an Office for Commonwealth Affairs. A third possibility is that there should be established a separate Department to deal with territories which, although substantially self-governing, can never become fully independent; but presumably in course of time this Department and the Commonwealth Relations Office would absorb all the territories for which the Colonial Secretary is now responsible.

70 CAB 134/1203, CA(O)(56)9 16 May 1956
**‘Future departmental responsibility for Malta’: memorandum by
 the Colonial Office for the Cabinet (Official) Committee on
 Colonial Policy**

It is understood that the recommendation in paragraph 87 of the Report of the Malta Round Table Conference, that the responsibility for Maltese affairs should be transferred to the Home Secretary, was based mainly on the following arguments:—

- (a) Her Majesty’s Government had themselves proposed such a transfer, as a counter to the request made by Dr. Borg Olivier in 1953 that Malta come under the Commonwealth Relations Office;
- (b) The Maltese Government, under Mr. Mintoff, included transfer to the Home Secretary among the proposals which they put to the Round Table Conference; and other Maltese parties were opposed to leaving Malta under the Colonial Secretary;
- (c) ‘Integration’ involved a form of union with the United Kingdom similar to (although not identical with) the union with Northern Ireland;

(d) The basic idea underlying Mr. Mintoff's proposal for 'integration' was one of status. To continue the link with the Colonial Office would imply the maintenance of 'colonial' status.

2. Admittedly the constitutional and other problems involved by the Channel Islands and Isle of Man are very different from those with which the Home Secretary would be faced were he to become responsible for Malta; nor is the Northern Ireland parallel at all exact, as the Maltese Government itself admits. The fact remains, however that Her Majesty's Government stated publicly in 1953 that they were prepared to transfer the responsibility for Maltese affairs to the Home Secretary, and this offer has not been withdrawn. Moreover, when the 'Home Office offer' was originally made there was no specific reference to any analogy between Malta and the other integral parts of the United Kingdom for which the Home Secretary is responsible. Indeed, the words in which the offer was made emphasized the unique character of Malta and argued that the transfer to the Home Secretary, as responsible Minister, would stand as the most signal recognition of that unique character.

3. Her Majesty's Government were thus deeply committed to the transfer of Maltese affairs to the Home Office even before their 'unconditional' acceptance of the Report of the Round Table Conference. They could not go back on this policy in opposition to Maltese wishes without laying themselves open to a charge of breach of faith. The Maltese Government, while recognizing that the accomplishment of the transfer will involve internal problems for the Home Office and may mean some temporary break in the continuity of advice on economic problems which at present comes to Malta through the Colonial Office, are certain to continue to press for the Home Secretary as the responsible United Kingdom Minister. On practical grounds, they will point to the fact that, as Whitehall departments are already sending their own experts to advise the Maltese Government, the responsibility of the Home Secretary would be more that of co-ordinating the activities of such other departments than of giving advice itself, so that any temporary loss of efficiency through the transfer of 'parent' departments need not be serious or prolonged.

4. The most telling argument against leaving Maltese affairs with the Colonial Office when 'integration' takes place is that it would be quite inappropriate for the Colonial Secretary to administer a territory which has become part of the United Kingdom. The Maltese people naturally expect that, after integration, their affairs will be dealt with by as senior a Minister as one of the principal Secretaries of State. The device of giving the Colonial Secretary the additional title of Minister for Maltese affairs, even if it were acceptable on other grounds, would not meet the demand of any political party in Malta. It would not bring about the complete break with 'Colonial' status which present policy demands.

5. There can, of course, be no question of transferring Maltese affairs to the Commonwealth Relations Office as at present constituted. That was specifically ruled out when Her Majesty's Government rejected Dr. Borg Olivier's proposals for 'quasi-Dominion' status. In this connection it will be recalled that in considering the wider problem of Ministerial responsibility for territories which achieve full internal self-government, the Cabinet came to the conclusion in December, 1954 (C.C. (54) 83rd Conclusions)¹ that it would be advantageous if, at some stage, the Colonial Office and

¹ CAB 128/27, CC 83(54), Cabinet conclusions, 7 Dec 1954.

the Commonwealth Relations Office could be combined into a single Department of Commonwealth Affairs, which would be concerned with all Commonwealth countries, whatever stage they had reached in constitutional development. In the meantime, while responsibility continued to be divided between the Colonial Office and the Commonwealth Relations Office, it was agreed that the Commonwealth Relations Office should not undertake responsibility for relations with any Commonwealth territories before they reached the stage of full independence. In the view of the Colonial Office it is too early yet to contemplate a merger of the two Departments since for political reason both the Commonwealth Member Countries and the Colonial territories should continue for some time to come to be represented in London by a Secretary of State of Cabinet rank.

6. The Home Office suggestion that there should be established a separate Department to handle the affairs of territories which, although substantially self-governing in their internal affairs, can never become fully independent, is presumably intended to cater for such territories when they have gone about as far constitutionally as they can go. There does not at present exist, a sufficient number of Colonial territories at that stage to warrant the creation of a third Secretaryship of State. The only territory likely soon to reach the widest possible measure of internal self-government short of 'dominion status' is Singapore—and it is not at present possible to predict confidently the likely constitutional and political progress of Singapore within the next few years. It may be, however, that one feature of the next constitutional changes in Singapore will be to give it formally the title of 'State'. Should this be so and, assuming that Singapore will nevertheless remain under the Colonial Secretary, it might become desirable, because of Singapore alone, to expand the Colonial Secretary's title to something like 'Secretary of State for the Colonies and States of the Commonwealth'. For the reasons given earlier in this paper, however, this would not cover the special position of a territory which was 'integrated' with the United Kingdom on the lines now envisaged for Malta.

7. In the Colonial Office view, therefore, the recommendation of the Round Table Conference that responsibility for the affairs of Malta should (when representation at Westminster takes effect) be transferred to the Home Secretary is on all grounds sensible and appropriate. No other arrangement would meet Malta's needs.

71 CAB 134/1203, CA 4(O)(56)1 1 June 1956 **'Departmental responsibility for Malta': Cabinet (Official) Committee on Colonial Policy minutes**

The Committee had before them notes by the Secretaries (C.A. (O)(56) 8¹ and C.A. (O)(56) 9)² covering memoranda by the Home Office and Colonial Office on the question of future Departmental responsibility for Malta.

Sir Thomas Lloyd said that the retention of the Colonial Secretary as the responsible United Kingdom Minister was unacceptable to both of the main political

¹ See 69.

² See 70.

parties in Malta. He recalled that the original demand, made by Dr. Borg Olivier, was for removal of responsibility from the Colonial Office to the Commonwealth Relations Office. It would be equally unacceptable to either party in Malta that the Minister responsible for the Colonies should retain responsibility for Malta, even although a new title, such as 'Minister for Maltese Affairs' were added to his existing one. The first decision to be made by Her Majesty's Government was therefore to decide whether or not Malta should remain under the Colonial Office; it seemed to him clearly inappropriate that any territory which obtained the right to send members to Westminster should remain under the Colonial Secretary.

*Sir Frank Newsam*³ said that the Government's acceptance in principle of the Report of the Round Table Conference need not be taken to imply acceptance of all the detailed proposals in the Report. He could not agree with the assumption made in C.A. (O)(56) 9 that because Malta would send three members to Westminster, the Colony would become part of the United Kingdom. The Home Office did not possess the staff, facilities or experience to undertake the new responsibility involved in establishing the United Kingdom agency in Malta, as contemplated in the Report. The provision of such staff and facilities would be costly. If the role envisaged for the Home Office were to be rather that of co-ordinating other home Departments' activities in Malta, experience in regard to Wales had already shown the difficulties of such a task.

In discussion the following points were made—

(a) The primary desire of the Maltese Prime Minister, Mr. Mintoff, was for representation at Westminster and the question of departmental responsibility in Whitehall would be of secondary importance in his eyes. It was, however, the general feeling of the Committee that it would be very difficult to retain Malta within the sphere of Colonial Office responsibility once representation at Westminster had been granted.

(b) It was suggested that a new Secretary of State might be created to be responsible for those territories in an advanced stage of constitutional development, amongst which Malta might be included. Against this, it was argued that Malta should be clearly distinguished from other constitutionally forward territories by reason of the representation to be accorded to her at Westminster. It would be undesirable to present any transfer of departmental responsibility for Malta as deriving from Malta's possession of an advanced degree of internal self-government since this would be likely to stimulate pressure for representation at Westminster from other Colonial territories as and when they reached a similar degree of internal self-government. To assign Malta to the Home Office would serve to emphasise this distinction and would have the political advantage of demonstrating that the United Kingdom meant to make 'integration' a practical reality.

(c) It was suggested that the experience of the Colonial Office, in the economic field especially, would continue to be required in Malta. Against this, it was pointed out that the existing expatriate staff in Malta was already a very small one and would continue to be such under the new arrangements. It was doubtful whether the general experience of the Colonial Office in handling the problem of overseas

³ Permanent under-secretary of state, Home Office.

territories would necessarily be essential to Malta in the future: for example, the type of economic expertise which would be required in Malta might well be of a kind which the Treasury could provide as effectively as the Colonial Office. However, even when Malta had been removed from the Colonial Office, that Department's advice and, if need be, assistance with staff could still be available.

Summing up, *The Chairman*⁴ said that the political case for taking Malta from the Colonial Office and of emphasising Malta's special position apart from the rest of the Commonwealth once representation at Westminster had been granted, was a strong one. Because of this and of the existing responsibility of the Home Office for the Channel Islands, it seemed to him that the Home Office was the most suitable Department to assume responsibility for Malta. It was not yet, however, necessary to make a firm recommendation to Ministers upon the question of future departmental responsibility for Malta. A decision on this point would not be necessary until the recommendations of the Round Table Conference had been carried further.

The Committee:—

Agreed to resume their discussion at a subsequent meeting.

⁴ Sir Norman Brook.

72 CO 967/387

8 June 1956

[Budgetary provision]: minute from E Melville to Mr Lennox-Boyd reporting deadlocked talks with the Maltese delegation

As you know, a Maltese delegation headed by Mr. Cassar, the Maltese Minister of Justice, has been in London this week for discussions on interim budgetary provision for Malta, pending discussions with Mr. Mintoff later this month on the budget for the whole of 1956/57.

The talks have all but reached deadlock on matters of principle, before even getting down to figures. Much time has been consumed in expounding differences of view on the circumstances in which the talks were arranged and on the basis on which they should proceed [sic]. I need not bother you with the details at this stage. Broadly, we have formed the firm impression that the object of the delegation (which is, of course, acting on strict instructions from Mr. Mintoff) is to commit H.M.G. to a level of interim provision for the next two months which would prejudice (to the Maltese advantage, of course) the level of aid for the whole of 1956/57.

You will remember that we are thinking in terms of total assistance of between £4 and 5 million a year for the next few years and that Mr. Mintoff's full budget proposals for this year involve total assistance of about £8 million and perhaps even larger commitments for subsequent years. The Maltese side maintain that they are not bound by H.M.G.'s unilateral decision on the £4–5 million level, that interim provision for at least two months is essential before they can begin discussions on the total for this year, that this year's assistance should be dealt with separately from the arrangements under integration and that our present attitude on interim provision will result in considerable unemployment in Malta.

We have indicated that, if additional expenditure is involved on the scale forecast by the Maltese delegation's figures, we can discuss interim provision for a further two months only in the context of H.M.G.'s total commitment for the whole year. The delegation say they are under instructions not to discuss provision for the whole year. This was reinforced by Mr. Mintoff in a personal telephone call from Malta to the delegation this morning. Mr. Mintoff also spoke to me on the telephone and said that, failing acceptance of his basis for discussion on interim provision, the delegation would be withdrawn. I told him that it looked therefore as if the delegation would have to be withdrawn but that I would report the situation to you today, after a further meeting with the Maltese delegation this morning.

This morning's meeting did not get us much further, although a sub-committee is now looking at the figures for the two months' extension which Mr. Mintoff wants, leaving unresolved the question of linking this with H.M.G.'s total assistance for the whole year. I fear that this will simply confirm that the two positions are widely apart and that the crisis will come this evening or tomorrow morning.

I am firm in my view that we should not give way to Mr. Mintoff this time. To do so would not be justified in principle. Moreover, it would certainly confirm Mr. Mintoff's tendencies to think he can always force H.M.G. to give way if he threatens us sufficiently. If we give way on this issue, then we shall be in a very weak position for maintaining our stand on the question of the level of aid for the whole of this year and in subsequent years under integration.

You should, however, be aware of the possible political implications of a firm attitude, as follows:

- (i) The delegation will withdraw. This would not be important in itself, but it would embitter any subsequent discussions with Mr. Mintoff himself and would make the timetable for reaching agreement on the provision for the whole year even more stringent than it is now. In this connection, we have proposed to the Maltese delegation that there would be sufficient time between about the 18th and the 28th June to conclude discussions at a Ministerial level.
- (ii) Mr. Mintoff will unilaterally make provision for further capital expenditure in the next two months despite our refusal of concurrence, leaving the consequences to be settled in the discussions on the provision for the whole year. (He threatened, on the telephone this morning, that he would go to the Assembly on the 15th June and say there was no money; but this is sheer bluff).
- (iii) Alternatively, he may descend on London over the week-end and, after the usual lobbying at Transport House and Chesham, demand settlement of the question at the highest levels.
- (iv) The above courses would, by Mintoffian standards, be comparatively moderate. It is just as likely that instead he would call a meeting of his Cabinet, get them to endorse an extreme attitude, have a mass meeting in public at which he would nail all available bits of bunting to the mast and make a speech in the Legislative Assembly denouncing H.M.G. and all its works. This would be extremely foolish from his own point of view but that would not deter him.
- (v) The logical consequence of such a manoeuvre would be resignation; but I am doubtful whether it would ever come to that, on a money issue alone.

These, I think, are the main possibilities. I doubt, however, whether the worst would come to pass and, subject to your views, I consider that the risk must be taken this

time. It is indeed possible that with a further show of firmness on our part the Maltese delegation might be instructed to reach a reasonable compromise which we could accept.

If you agree, we will proceed accordingly in any further discussions with the delegation; but it would be well for you to summon Mr. Cassar and tell him firmly what your line is, before he can carry out a strategic retreat.

73 PREM 11/1433, ff 117–118 21 June 1956
[Budgetary provision]: letter from Mr Mintoff to Sir A Eden
challenging the imposition of a £5 million ceiling on the British
government's contribution

As you are probably aware, I arrived last Sunday in London to negotiate with the Secretary of State for the Colonies the British Government's contribution to Malta for the financial year 1956–57.

Before negotiations had even started, in fact, on the 5th of May 1956, a Despatch (No.313) was sent by the Secretary of State to the Maltese Government laying down a priori conditions as the basis of any financial discussions. These included the setting of a ceiling of five million pounds to Her Majesty's Government's contribution. This condition was, of course, resisted by the Maltese Government, and a forceful protest was submitted by my Cabinet in a personal message I sent to the Secretary of State. Following this protest, a meeting was held in Malta at the Governor's Palace between the members of the Maltese Cabinet and Mr E. Melville, C.M.G., of the Colonial Office. As a result of that meeting, I addressed another message to the Secretary of State which superseded my previous one, and agreement was reached to undertake discussions in London without any a priori conditions.

A Delegation was therefore sent to London, headed by one of my colleagues, the Hon. Dr. J. Cassar, Minister of Justice. But after several meetings it became clear that the Colonial Office officials were under strict instructions to insist on the ceiling of five million pounds. After consulting the Maltese Cabinet, the Hon. Dr. Cassar informed the Secretary of State that the Delegation would be withdrawn if the Colonial Office maintained that position. The Rt. Hon. Alan Lennx-Boyd suggested to my colleague that it would be profitable if I came to London and discussed the problem with him. To this I replied in the clearest possible manner that it would be a sheer waste of time if Her Majesty's Government insisted on the arbitrary imposition of a ceiling which had never been discussed with the Maltese Government. I stated most categorically that I would come to London only if the Secretary of State was prepared to discuss the Maltese Budget on its own merits. The Secretary of State agreed to this, and I therefore joined the Delegation in London.

A meeting was held with the Secretary of State at 3 p.m. last Tuesday at which I gained the impression that he would be endeavouring to convince Her Majesty's Government of the impossibility of my Government accepting the imposed ceiling.

A second meeting with the Secretary of State was held this afternoon. He informed me of your Cabinet's intention to stick to their previous decision, and seemed utterly unmoved when I pointed out that this would mean a going-back by the British

Government on their July 1955 Declaration. I also made it very clear that this unilateral imposition would make the existence of my Government extremely precarious, it would wreck all prospects of Integration, and make impossible government of the Island by democratic methods.

The Secretary of State has asked me to see him again tomorrow morning, but frankly I feel that neither he nor I have anything useful to add on the subject. In an attempt, therefore, to stave off the breakdown of relations which have been so cordial during my Party's tenure of office, I would appreciate if you could spare the time tomorrow to see me, and give this problem your personal attention.

As had already been originally planned, my Delegation will be leaving London early on Saturday morning. Its departure cannot be postponed as financial Bills must be approved by our own Parliament before the end of next week.

74 PREM 11/1433, f 106

25 June 1956

[Budgetary provision]: inward telegram no 249 from Sir R Laycock to Mr Lennox-Boyd reporting the Maltese Cabinet's discussion of the £5 million ceiling

Your telegram No. 241.

Mintoff and Cabinet, in mood of utter despondency, met me at San Anton at 11 last night. Trafford and Victor Vella¹ were present.

Mintoff prefaced meeting by outlining events in London (I had not then seen briefs and minutes received this morning) and informed me that Labour Party Executive and Parliamentary group had unanimously agreed that ceiling of £5 million insisted upon by H.M.G. is unacceptable and had given Cabinet discretion to take any consequential action it thought fit. Discussion thereafter was unbelievably (corrupt gp. ? calm) but completely sterile.

Mintoff obviously imagined that I had had some eleventh hour instruction from you, based on fact that you and Prime Minister had both advised him to do nothing rash until he had discussed matters personally with me on return.

Meeting went through all arguments you no doubt heard in London and Mintoff continued to maintain that £5.million ceiling would inevitably involve politically unacceptable consequences, especially unemployment. He wanted to continue working towards integration but £5.million ceiling made that impossible: In particular, no time remained for further negotiations since Government had to table figures for extension of Treasury and Audit Act in Assembly this afternoon.

I urged him to take no final decisions (corrupt gp. ? except) after seeing me again, and to bend his mind to finding some means of getting over this afternoon's hurdle without irrevocably committing himself, so as to gain time for further study of possible solutions.

He agreed not to decide on resignation before seeing me again. He and his colleagues seemed very anxious not to resign, but tried to give impression that circumstances might force them to do so.

I will keep you informed of developments.

¹ Secretary, Maltese imperial government, 1950–1958.

75 PREM 11/1433, PM(56)44, ff 71–4 27 June 1956
 ‘Malta: outcome of recent financial discussions’: minute from
 Mr Lennox-Boyd to Sir A Eden

I propose that a full explanation should be given to the House on Thursday afternoon of the circumstances leading up to the Maltese Prime Minister’s statement on the 25th June concerning the outcome of recent financial discussions.

2. I accordingly submit draft texts¹ of:—

- (1) an oral statement;
- (2) a fuller statement which I propose to circulate in the Official Report;
- (3) notes for supplementaries.

3. You will recall that Mr. Mintoff left for Malta on the morning of the 23rd June without disclosing his intentions, although I had rung him up on the previous evening to urge him, as you had earlier, not to rush matters and to talk the situation over with the Governor before deciding on any course of action which would irrevocably prejudice the plan of integration.

4. The Governor has reported by telegram the subsequent course of events (Appendix ‘A’).² A copy of Mr. Mintoff’s speech in the Legislative Assembly on the 25th June³ is attached (Appendix ‘B’).

5. The Governor has since sent a full assessment of the situation (Appendix ‘C’).

6. In the light of these subsequent events, my own assessment of the situation is as follows:—

(1) Superficially, the issue may seem to present itself as one of a difference between us of only £1½—£2 million but that is not by any means the whole story. Mr. Mintoff claims that a decision to give him what he wants this year would not prejudice H.M.G.’s future help or necessarily imply a guarantee of ‘equivalence’. I believe that both these issues would be seriously prejudiced by giving way now. Increased expenditure this year made possible by increased grants from the Exchequer would create irresistible demands for similar or greater grants in the future to maintain the new works and support the higher level of recurrent expenditure which, in the absence of the increased taxable capacity of Malta, would inevitably be entailed. The Maltese are showing no signs now of being willing to carry out their part of the bargain made last July (Appendix ‘G’ of the Report of the Round Table Conference). It will be a long time before their contribution can be sufficiently stepped up, by taxation or other means, to bridge the gap between Mr. Mintoff’s estimates of expenditure and revenue.

(2) To concede ground to Mr. Mintoff on this issue will convince him finally that H.M.G. is ready to meet all his terms for the sake of integration. We shall thus be compelled to accept his other unfulfilled demands in connection with the drafting of the new Constitution, e.g. his demands for a constitutional guarantee of equivalence and for a change before the next Maltese elections in the local electoral system.

¹ Not printed.

² Appendices not printed.

³ During this speech, Mintoff underlined his refusal to accept a ceiling of £5 million on British aid.

(3) I think it is not unfair to say that the main attraction to us of integration, on the terms proposed by the Round Table Conference, was that it would provide the essential basis of co-operation between us and the Maltese Government and thus avoid the endless frictions and frustrations of our past dealings with Maltese affairs. I have become convinced in these negotiations that Mr. Mintoff is either unwilling to make or incapable of making his contribution to that co-operative endeavour. He shows no inclination to compromise on any issue; and without a spirit of compromise, no scheme of closer association can hope to survive. Thus if we show a readiness to give way each time he demands more than we are ready to concede, not only shall we have a scheme of integration very different in content from the one which Parliament approved last March but the prospects of making it work will be seriously prejudiced.

(4) In a previous assessment last week, the Governor had doubted whether Mr. Mintoff would resign on this issue and expressed confidence that the security forces available would be able to deal with the situation. In his latest message, the Governor draws attention to the difficult and possibly serious consequences of Mr. Mintoff carrying out his threat of asking for a dissolution. The political difficulties would no doubt be serious but not, I consider, insuperable. An unknown factor at the moment is the attitude of the Archbishop of Malta, who is even more opposed to Mr. Mintoff's political aspirations than to integration. I consider it is not unlikely that he will urge moderation and restraint on the Maltese people with considerable effect. In any case, it seems unlikely that there will be any general disorder or bloodshed.

7. Having carefully weighed up the situation with which we are now faced, my conclusion is that we must stand by the decision to limit our financial aid this year to a maximum of £5 million and face the consequences.

8. I ask for your authority to take the action proposed in paragraphs 1 and 2 of this minute, copies of which I am sending to the Lord Chancellor, the Chancellor of the Exchequer, the Foreign Secretary and the Minister of Defence. The Lord Chancellor (as chairman of the Round Table Conference on Malta) is firmly behind this proposal of mine.

76 CAB 128/30, CM 46(56)8

28 June 1956

'Malta': Cabinet conclusions rejecting Mr Mintoff's proposals for additional financial aid

The Cabinet had before them a note (C.P. (56) 159)¹ by the Colonial Secretary covering a minute summarising the outcome of recent financial discussions with the Prime Minister of Malta and the draft of a statement on this matter which he proposed to make in the House of Commons on the following day.²

¹ CAB 129/82, CP(56)159, 'Malta: outcome of recent financial talks': note by Lennox-Boyd, 28 June 1956.

² *H of C Debs*, vol 555, cols 849–52, 29 June 1956.

The Colonial Secretary said that Mr. Mintoff had asked that the United Kingdom Government should agree to afford financial aid to Malta during the forthcoming year to the extent of £7–8 millions instead of the figure of £4–5 millions which had been considered by the Round Table Conference. The Governor of Malta had recommended that some compromise should be sought in the matter, but he himself saw grave objections to taking any such course. The figure of £4–5 millions had not been questioned at the time of the Round Table Conference and, if the Government were now to agree to the higher figure which Mr. Mintoff proposed, they would find themselves committed in effect to an acceptance of equivalence in standards between the United Kingdom and Malta. He had assured the House of Commons that Malta's representation at Westminster would not lead to a demand for comparable terms from other small Colonies, but there was no certainty that this would be so if it were seen that Malta was to obtain financial assistance on a scale substantially greater than had been foreshadowed. Moreover, there was no doubt that Mr. Mintoff's demands, if conceded this year, would be raised next year. If, however, the demand were to be refused there would be a general election in Malta and Mr. Mintoff might then abandon the constitutional policy recommended by the Round Table Conference and propose a settlement based on self-determination for Malta with a defence treaty and a subsidy from the United Kingdom on the Libyan model.

The Lord Chancellor supported the views which the Colonial Secretary had expressed. The level of aid which had previously been agreed had been based on figures which had been put to the Round Table Conference by experts on Malta's behalf.

It was the general view of the Cabinet that, in spite of the consequences which might follow, Mr. Mintoff's demands would have to be resisted. Ministers considered a number of counter-proposals which might have some face-saving value for Mr. Mintoff without conceding the substance of his claim. It was suggested that Mr. Mintoff might be attracted by a proposal that the level of aid should be expressed in terms of a grant of £7½ millions to cover a programme for an eighteen months period and should be combined with the offer of a Commission to be appointed by the United Kingdom to review Malta's financial needs and resources and the relative burdens which should be carried by Malta and the United Kingdom respectively. It was agreed that this course should be adopted and that the statement which the Colonial Secretary proposed to make in the House of Commons on the following day should be expanded to include a reference to it.

The Cabinet:—

(1) Agreed that the proposals of the Maltese Prime Minister for additional financial aid for the forthcoming year should be rejected.

(2) Agreed that Mr. Mintoff should be offered aid amounting to £7½ millions to cover a period of eighteen months and that this should be combined with a proposal that a Commission appointed by the United Kingdom should conduct a further investigation into Malta's financial needs and resources.

(3) Authorised the Colonial Secretary to make a statement in Parliament on the following day in the terms of the draft annexed to C.P. (56) 159 expanded to include reference to the point recorded in Conclusion (2) above.

77 CAB 129/82, CP(56)169

13 July 1956

'Malta: outcome financial talks': Cabinet memorandum by Mr Lennox-Boyd

As my colleagues are aware, I concluded my statement in the House on 29th June,¹ by announcing that I had conveyed to the Maltese Government an offer to provide assistance of £7½ millions to cover a period of 18 months from last April, coupled with the proposal that a Commission, appointed by the United Kingdom, should conduct a further investigation into Malta's financial needs and resources. This I had been authorised to do by the Cabinet on the previous day (C.M. (56) 46th Conclusions, Minute 8).²

Maltese government's reactions

2. As a result of this proposal, the Prime Minister of Malta withdrew his demand for acceptance or rejection by Her Majesty's Government of a proposal involving United Kingdom aid at the rate of £6½–£7 millions for this financial year and announced that he has resumed negotiations with Her Majesty's Government.

3. My colleagues should, however, be aware that Mr. Mintoff is seeking to impose conditions about the appointment of the Commission, which are now under consideration.

Other points of conflict

4. Even if the negotiations are successful and the present financial crisis is averted, there is a possibility that conflict with the Maltese Government may shortly be resumed on other issues. The main points of probable conflict in the future are as follows:—

(i) The principle of economic 'equivalence'

The members of the Conference cannot deny that they cast considerable doubt on the validity of this principle or of the economic reasoning on which it was based by the Maltese Government and its advisers. In all his recent public statements, however, Mr. Mintoff has reiterated his attachment to this demand.

(ii) The Maltese electoral system

Mr. Mintoff told the Round Table Conference that he wanted a change from the present Maltese electoral system of proportional representation (for elections to the Maltese Legislative Assembly) to the British system, even before integration took place. The reasons he gave were the disadvantages of proportional representation and the desirability of uniformity of the system of election which would, of course, apply to the election of representatives at Westminster. His real reason, however, is probably that the change to the British system would probably increase his Party's representation in the Maltese Legislative Assembly, possibly giving him the two-thirds majority without which the present Maltese Constitution cannot be amended except by Act of the United Kingdom Parliament or prerogative instrument. He has not yet publicly declared his desire for this

¹ See 76, note 2.

² See 76.

change to take place before the next General Election in Malta, which is to decide on integration, against which the Maltese Opposition have already made representations to me. I consider that their representations are justified, since the Maltese people should be given an opportunity of demonstrating their views. If Her Majesty's Government accept Mr. Mintoff's proposal, they would be exposed to the charge that they were in effect trying to bring about integration by unfair means. For it appears that if Mr. Mintoff maintains his total vote, he would under the British system obtain 35 seats to the Opposition's 5 instead of the present ratio of 23 to 17. I am therefore of the opinion that, if Mr. Mintoff presses this proposal, it should be resisted by Her Majesty's Government.

(iii) *Methods of consultation with Her Majesty's Government*

The evidence of Her Majesty's Government to the Conference and the Report laid great stress on the need for increased and improved consultation at all levels between Her Majesty's Government and the Maltese Government. In fact, there has been a fairly regular process of informal consultation, even under the present Constitution, since Mr. Mintoff took office and although there have been some difficulties, relations between the Maltese Government and Maltese Imperial Government have been better than for many years past. These relations promised well for the experiment of integration. Mr. Mintoff's recent tactics throw some doubt, however, on their ability or willingness to use the processes of consultation in the spirit or manner envisaged in the Report.

Arguments in favour of integration

5. My colleagues will recall that the main arguments in favour of integration were as follows:—

- (a) The advent of nuclear weapons had not substantially changed the importance of Malta in our defence plans.
- (b) The proposals of the Nationalist Party for a form of Dominion status did not offer sufficient safeguards for Her Majesty's Government's defence interests in Malta.
- (c) Constitutional and administrative reforms short of a form of Dominion status or representation at Westminster would not satisfy the Maltese people and would not create the spirit of co-operation necessary to facilitate Her Majesty's Government's free exercise of their responsibilities in Defence and Foreign Affairs.
- (d) The plan of integration as proposed by the Conference appeared to offer the best chance of securing Her Majesty's Government's interests and ensuring a happier and more successful political and economic relationship between Her Majesty's Government and Malta in the future.

Changes in the position

6. As my colleagues know, Her Majesty's Government's acceptance of the Report of the Conference was welcomed on all sides of the House and by the Maltese Government. But, as indicated above, Mr. Mintoff's recent actions and the probable recurrence of conflicts on other aspects of the Report of the Round Table Conference may be indications that the implementation of integration may give rise to serious friction in the near future if not in the long run. The reason for this may be found primarily in Mr. Mintoff's erratic and intemperate character, but he may have

reached the conclusion that, once the scheme of integration recommended by the Conference is put into effect, he will have to settle down to a long period of patient and careful administration, involving many domestic difficulties. Among these would be the state of his relations with the Roman Catholic Church in Malta and the difficulty of maintaining the support of the Malta Labour Party for a policy of wage restraint and of raising living standards only in relation to improvements in Malta's economic capacity. He will thus be placed on the defensive and will have no dynamic policies with which to counter inevitable criticisms from the Opposition in Malta. His present tactics may, therefore, be based on an attempt to outbid the Opposition in nationalistic gestures and so possibly even capture some of their followers. It is consistent with this view that Mr. Mintoff keeps talking of 'an alternative solution' on the lines of our arrangement with Libya. It will be recalled that these involve an agreement on the use of defence facilities by Her Majesty's Government, certain assistance in the development of Libya's defence, and a separate financial arrangement by which Her Majesty's Government provides money towards Libya's economic development.

Conclusion

7. I draw two conclusions from this:—

(1) Whatever may be Mr. Mintoff's motives in pursuing his present tactics, I consider that Her Majesty's Government must not expose themselves to further pressure from the Maltese Government and must, if necessary, be prepared to risk Mr. Mintoff throwing in his hand, even if it endangers the implementation of the Report of the Round Table Conference. I still hope that the difficulties can be overcome and that the plan, which still offers the best prospect of a successful relationship between Malta and the United Kingdom, can be made to work. But we cannot have Mr. Mintoff setting conditions which we are committed to accept.

(2) We must have an alternative policy ready in case the integration plan breaks down. It may be assumed that full integration in the sense of making Malta another county of the United Kingdom would be ruled out by the Maltese themselves irrespective of any objections on our part. It may also be assumed that, failing implementation of the present form of integration, the Maltese people would accept either the quasi-Dominion status advocated by the Maltese Nationalist Party or a 'Libyan solution.' If, however, the assumption about Malta's continued strategic importance is still valid, it would seem to follow that neither the alternative proposed by the Maltese Nationalist Party nor *a fortiori* a solution granting independence on the Libyan or another pattern would meet Her Majesty's Government's defence requirements. The only other obvious solution would be a return to a form of Crown colony government. This would certainly not be acceptable to the Maltese people for long nor would it be easier to work than integration under Mr. Mintoff.

Recommendation

8. In order to form our views more clearly, I suggest that we should, as a first step, ask the Chiefs of Staff for a reassessment of Malta's importance as a base in the light of any recent changes in our Defence requirements. We should also ask them for their views on the implications, for our defence needs, of allowing a situation to

develop in which we might be confronted with the need to find an alternative solution.

78 CO 926/327

21–22 Aug 1956

[Integration]: minutes by E Melville and Sir H Poynton voicing doubts about Mr Mintoff's commitment to integration

We have discussed with the S of S the draft now at (460)—see my min. of 18/8 above—and he has instructed that a stronger and more forward looking reply is needed, as the general policy of Ministers is to do everything possible to avoid breakdown with Mintoff at this—i.e. the Suez crisis¹—juncture.

An alternative draft on that basis is now submitted.²

I should like, in sending it forward, to add some observations from my knowledge and experience of Maltese G[overnment] gained over the past year. I shall be as brief as I can.

The position we are now in with Mr Mintoff has come about from causes which lie much deeper than the Suez crisis. That has only brought things to a head and provided Mr Mintoff with what he clearly regards as a heaven sent opportunity to pursue his relentless tactics of imposing his own will on Malta and on H.M.G.

In the long discussions about Integration, Mr Mintoff has preserved his freedom to act as he sees fit, either to get Integration on his own terms or to slide out of it onto an entirely different policy—‘the Libyan solution’.³ He has taken his stand publicly, and in advance of negotiations with H.M.G., on a number of crucial issues on which he knows there is disagreement—particularly ‘economic equivalence’.

Until after the Debate in March at which the Report of the Round Table Conference was adopted by Parliament,⁴ we covered all these differences and, to some extent, connived at Mr Mintoff's tricks. But his tactics over the referendum gave us pause; and his subsequent conduct of negotiations, especially over this year's grants by H.M.G. to the Maltese budget, put us on notice some months ago that we were going to have to choose between letting Mr M[intoff] write his own terms and having a head-on collision with him on one or more important issues.

We have consistently taken the view in the Department that finance was a less important issue on which to preserve H.M.G. position than e.g. the definition of defence and foreign affairs in the new constitution. But Ministers, from the beginning of their discussion of the Report of the R[ound] T[able] Conference—and, indeed, while it was being drafted—made it a clear condition of acceptance that the cost to H.M.G. should not be more than £4–£5 m. a year. There are Cabinet minutes and the text of the S of S's statement in Parliament confirmed this beyond all shadow of doubt.

¹ On 26 July 1956, President Nasser of Egypt had announced the nationalisation of the part British-owned Suez canal company sparking a crisis in Anglo-Egyptian relations which culminated in military confrontation a little over three months later.

² At this point Melville noted in the margin: ‘Now as dft tel—see (467).’

³ In a marginal note, Melville added: ‘by which he means political independence with agreements on bases and financial aid’.

⁴ See 66, note 1.

Given this clear ruling, and the equally clear discussion not to underwrite 'economic equivalence' (which Mr M[intoff] had already said publicly was a 'must') clashes with Mr M[intoff] were inevitable and it became a question of tactics to decide when the real show-down should be allowed to take place.

When the money issue arose in June—Mr M[intoff] demanding £8 m. against our 'ceiling' of £5 m.—it was felt by Ministers that the time for a show down had arrived. And up to the last movement, this view was sustained. The background is contained in the S of S's statement in the House on 29th June.⁵ When Mr M[intoff] looked like carrying out his threat to resign, however, a compromise was offered, part of which was the Economic Commission about the composition of which we are still arguing with Mr M[intoff].

The Rediffusion issue⁶ has been even more outrageously raised by Mr M[intoff]. It would have been a perfect occasion to be firm, and the Governor (who had, on the whole, advised against making a stand on money, was strongly in favour of seizing the occasion to bring Mr M[intoff] up with a sharp jerk. But, because of the Suez business, Ministers have decided not to follow this advice; instead, we are making concessions all round to avoid a further deterioration in our present very strained relations with Mr M[intoff].

I do not question the rightness of Ministers' decision not to have a Malta crisis on their hands while the Suez crisis continues. But I do seriously question our ability to buy time with Mr M[intoff] and I am even more doubtful about the consequences of doing so. I think we have a Malta crisis on our hands already and that we cannot afford not to treat it as such.

Can we buy time? I think not because

- (1) Mr M[intoff] will see we are on the rack (see (462) opposite) and keep on putting up his price
- (2) This will lead to insistence on 'high level talks' which in turn will mean that
- (3) Ministers will have to face up to a break-down with Mr M[intoff] on a wide front giving way to all his major demands and terms for Integration (no compromise is too small [?], on any issue, with Mr M[intoff]).

Even if we could buy time we should have to pay a heavy price for it and

- (a) we have already given way on cash and the composition of the Economic Commission; and this will automatically cost us money;
- (b) we should lose all our negotiating strength and concede major points of principle on which the R[ound] T[able] Conference and Parliament were not willing to give way; and
- (c) the further we go the more expensive the buying of time becomes and the less likely are we to be able to find a breaking point on which we can really support in the Press and Parliament here.

⁵ *H of C Debs*, vol 555, cols 849–65, 29 June 1956.

⁶ On 13 August, Mintoff had given instructions for the Rediffusion broadcasting service to be forcibly cut off (CO 926/327, no 421, telegram no 314 from Sir R Laycock to Lennox-Boyd, 13 August 1956). The governor upbraided Mintoff not merely for taking action 'unilaterally and unconstitutionally', but also for endangering 'such a vital means of communication in a time of potential emergency' (CO 926/327, no 429, enclosure, letter from Sir R Laycock to Mintoff, 13 Aug 1956).

I am myself now convinced that Integration won't work—or rather that Mr M[intoff] won't let it work—in a way which is tolerable to us and which preserves our vital interests in Malta. If I am right on this, and in my previous analysis, then we shall be lucky if we can hold the position long enough to enable us to preserve any freedom of action at all, after the Suez crisis has passed, to make a careful re-assessment of our policy towards Malta and to plan the strategy of our future battles with Mr M[intoff].

E.M.

21.8.56

Since my minute of 21/8 was prepared, two further messages have gone to Malta about the pressing issues—Rediffusion and the Economic Commission—and a further telegram about a possible visit by Mr Mintoff.

In addition, we now have (at (466))⁷ a clear admission that Mr M[intoff] is deliberately exploiting Suez and playing for the highest possible stakes. With all the allowances about Party tactics, this tel. seems to me to put beyond any reasonable doubt Mr M[intoff's] insincerity in appearing to accept Integration (as a means of bringing about closer association and cooperation between the two Governments) on terms which could reasonably have been expected to result from HMG's acceptance of the Report of the R[ound] T[able] Conference.

It is not true that the situation has deteriorated, except in the sense that Mr M[intoff] regards H.M.G.'s refusal of equivalence etc as a denial of Integration. What he is therefore now offering is either Integration as he interprets it (quite a different animal from the one the R[ound] T[able] Conference produced) or a new policy—presumably independence with a leased base agreement ('the Libyan solution'). In my view, neither of these alternatives is acceptable to us and I see little prospect of a compromise, so long as Mr M[intoff] is in control in Malta.

E.M.

22.8.56.

I have read Mr. Melville's minutes of the 21st and 22nd August together with the exchange of telegrams to which he refers, and the latest draft telegram to the Governor of Malta containing the 'shorter' reply to Mr. Mintoff. I am afraid that I must record that I view the latest developments as to the line to be taken with Mr. Mintoff with grave anxiety. Like Mr. Melville, I do not question the rightness of Ministers' decision not to have a Malta crisis on their hands while the Suez crisis continues, but I do also share his view that the Malta crisis is there already and that it cannot be tackled by giving way on every point. In particular, I hope I am not arguing an entirely lost cause when I say that I should still very much prefer to see our own case fully stated. I cannot really believe that to state one's reply to a series of wholly untenable and provocative arguments by Mr. Mintoff is of itself of a provocative nature which is likely to exacerbate the situation. I should much have preferred to see something on the lines of the longer draft at (460) which was never sent. I am afraid that the only interpretation which Mr. Mintoff will place on our refusal to go into detail about the way in which our various difficulties have arisen will be that we

⁷ In this, the governor reported a speech delivered by Mintoff to the Malta Labour Party in which the latter asserted: 'Time had now come to give crushing blow to Imperial Authorities such as never before' (CO 926/327, no 466, telegram no 332 from Laycock to Melville, 21 Aug 1956).

are unable to answer his highly misleading presentation of the case. The latest tactics appear to be based on the assumption that Mr. Mintoff is a man who will respond to suavity and an appeal to 'reasoned argument and a spirit of mutual consideration and trust'. I find it very difficult to believe that he will.

On the purely financial aspect, I am not worried about the decision to pay over a sum of £500,000 on the basis of the present figures, but I hope that we shall not issue any further payments until we have evidence of need in as great detail as we should expect in dealing with any other territory which is claiming an issue of grant-in-aid.

As regards the Economic Commission, we first of all had a battle with Mr. Mintoff over the terms of reference and in the end accepted his draft. This, as I understand, was part of a package deal agreed with the Financial Secretary to the Treasury, the understanding being that if we accepted Mr. Mintoff's terms he would accept our ideas as to personnel. It is of course unfortunate, and cannot be helped, that Mr. Austen Robinson⁸ is no longer available, but we have now moved one further stage in giving way to Mr. Mintoff by inviting Sir George Schuster⁹ to fill the gap. I do very much hope that there is no risk of Sir W. Scott¹⁰ now dropping out and leaving Sir G. Schuster in sole possession of the field, which is precisely what Mr. Mintoff has been working for all along. If so, it will be a complete victory for Mr. Mintoff and a complete humiliation for H.M.G.

The admission in (467)¹¹ that Mr. Mintoff is deliberately using the Suez crisis and the Cyprus situation¹² for his own ends surely must remove the last possible ground for thinking that our relations with him can be dealt with on a policy of appeasement.

I am sorry to minute so outspokenly, but I do in fact feel strongly on this subject.

A.H.P.
22.8.56

⁸ Poynton is possibly referring to (Edward) Austin (Gossage) Robinson, treasurer of International Economic Association (1950–59); member, council, Department of Scientific and Industrial Research, 1954–59.

⁹ See 13, note 3.

¹⁰ Sir William Dalglish Scott, permanent secretary to the Ministry of Finance and head of the Northern Ireland civil service, 1944–53; member (with Sir G Schuster) of a two-man economic commission to Malta, 1956–7, see *Malta: Report of the Economic Commission* Col No 332, 1957.

¹¹ Poynton presumably means no 466 (see note 7).

¹² On 1 April 1955, the National Organisation of Cypriot Fighters (EOKA) had started a terrorist campaign designed to facilitate Enosis, or union with Greece. On 9 March the following year, Archbishop Makarios, leader of the Greek Orthodox Church in Cyprus and keen advocate of Enosis, was deported to the Seychelles.

79 DEFE 5/71, COS(56)337, Annex

31 Aug 1956

'The strategic importance of Malta': COS Committee report

[This report was approved by the Chiefs of Staff on 30 Aug 1956 for submission to the Minister of Defence as an expression of their views.]

Introduction

1. British strategic interests in the Mediterranean are centred on ensuring the security of vital Commonwealth sea and air communications. We have obligations to

support NATO, the Baghdad Pact,¹ Jordan, Libya and the Tripartite Declaration of 1950,² all of which contribute to the stability of the area. To meet these commitments it is necessary to station British forces in the Mediterranean.

Bases in the Mediterranean

2. No one base in the Mediterranean can meet all the requirements of the three Services. Libya and Cyprus between them accommodate the land and the majority of the air forces normally required in peace. Gibraltar can accommodate the maritime forces but it is badly placed for exerting influence in the Middle East. Malta is, however, well placed and equipped as a base for naval forces; it has good airfields, but can only accommodate limited land forces. If the three Services are to play their part in the Mediterranean then the retention of Malta as a maritime base is essential.

Malta as a base in peace

3. The strategic importance of Malta has been relatively increased by the loss of facilities in Egypt and the Levant. It is also a most important link in the British air routes to the Middle East and the Far East. There exist in Malta extensive facilities for command, supply, repair, training and recreation which cannot readily be found elsewhere in the Mediterranean. There is, in addition, a supply of technically trained labour. The British contribution to NATO in the Mediterranean is centred on the organisation of CINCAFMED, whose Headquarters, together with the comprehensive communications, is strategically well sited in Malta.

Malta as a base in global war

4. If global war occurs Malta might well be the target for nuclear or conventional air attack. However, as it is not planned to use it as a strategic bomber base the probability of nuclear attack is reduced. The possibility could be further reduced by dispersing the NATO maritime forces, but in view of the effort being expended in strengthening the facilities for command Malta will remain the first choice for the centre of maritime command in the Mediterranean.

5. The acceptance by NATO of the new strategy which is being proposed by the United Kingdom would not, we consider, reduce the importance of Malta, since CINCAFMED's command is a visible sign of NATO's preparedness to resist aggression.

Malta as a base in limited war

6. The unsettled political climate in the Mediterranean and Middle East may force us to relinquish our treaty rights to station forces in Libya. It is already clear that we cannot use our Libyan bases for mounting operations against any other Arab state. In addition, political developments could at any time radically alter the strategic value of Cyprus. Should these two eventualities occur we would be left with Malta and Gibraltar as our only Mediterranean bases.

7. The present situation over the Suez Canal emphasises the importance of Malta in the mounting and launching of any limited war operations in the Mediterranean and Middle East. The success of any limited war operation in the Far East will depend

¹ In February 1955, Turkey and Iraq had formed the Baghdad Pact which Britain subsequently joined in April. The Pact was augmented by the adherence of Pakistan in July and Iran in September.

² Issued in May 1950 by Britain, France, and the United States, the Tripartite Declaration placed an embargo on the shipment of arms to the Middle East and rejected the use of force to alter state borders.

to a large extent on the use which the United Kingdom can make of the Mediterranean sea and air routes. If we are denied the free use of Malta, the lack of the excellent facilities for the command and support of military operation would gravely prejudice the prosecution of a limited war in the Middle East and, to a lesser extent, the Far East.

Conclusion

8. We conclude that the strategic value of Malta has increased during the past year and, in the foreseeable future, is likely to increase rather than decrease.

80 DEFE 7/1001, no 23

30 Oct 1956

'Malta: "economic equivalence"': minute by F W Mottershead¹

[Extract]

We agreed yesterday that this was one of the subjects to be transferred from Division 5 to Division 3.

2. I agree generally with Mr. Gough's² draft within,³ particularly the passages sidelined in paragraphs 7 and 8. I would not however go so far as to say that the case for 'economic equivalence' was plausible. In principle, I do not think there is anything to be said for economic equivalence. The standard of living of Maltese living in Malta should be determined primarily by what they can earn by applying their labour to the resources of the Island. If Malta were not a British colony and a defence base the people would of course be very much worse off than they are now. Even within the United Kingdom the average standard of living varies considerably in different parts according to economic circumstances, and there seems no reason at all why 'integration' should carry with it the right for Maltese living in Malta to receive the same average standard of living as, for example, the citizens of Birmingham.

3. If 'economic equivalence' was conceded the U.K. taxpayer would have to bear the cost and a large proportion of it would no doubt fall on the defence votes. As defence votes as a whole are limited this would be at the expense of U.K. defence.

4. For some years now the Maltese have succeeded in steadily raising their standard of living at the expense of the U.K. Malta wages since before the war have risen by a much greater proportion than have wages in the U.K. The method has been for the Malta Government to raise the wages of their own employees, and the Service Departments, although they have tried to resist, have in practice found themselves compelled to follow suit. Maltese Ministers have on occasion stated quite openly that there was no difficulty about raising the wages of Malta Government employees, because the Service Departments would have to do the same and extra money would flow in from the U.K. to the Island.

5. The only argument for conceding economic equivalence would be an argument of expediency, and in my view this would have to be very strong indeed to justify the concession. Presumably the argument would be that a contented Malta is essential for defence; the only hope of a contented Malta was integration; and

¹ Under-secretary (principal establishment officer), Admiralty.

² C E F Gough, assistant secretary, MoD.

³ DEFE 7/1001, no 22, draft brief for the minister by Gough, 24 Oct 1956.

integration could not be achieved without economic equivalence. I see no reason, however, why this argument should be accepted. If we refuse economic equivalence there seems no reason at all to think that Malta could do better for herself than by continuing in something like her present status, with no doubt a steadily, if slowly, rising standard of living. . . .

81 CAB 134/1202, CA(56)32

15 Nov 1956

‘Malta: economic equivalence’: memorandum by Mr Lennox-Boyd for the Cabinet Committee on Colonial Policy

The subject of economic equivalence is the most important and pressing of the outstanding differences between Her Majesty’s Government and the Maltese Government about the principles of integration.

Background.

2. The background note which is attached¹ sets out the circumstances in which the Maltese Labour Party’s claim to ‘economic equivalence’ became associated with integration, and summarises the respective attitudes of the Maltese Government, the Round Table Conference and Her Majesty’s Government on this question.

Attitude of the conference

3. It will be seen from the note that:—

(a) although the Maltese Labour Party’s original programme referred to ‘absolute parity’, it was established by the Round Table Conference that what the Maltese Government wanted was the gradual attainment of ‘equivalence’ (a comparative standard allowing for the different circumstances of Malta) over an indeterminate period, during which social and economic advance would be geared to the successful efforts of the Maltese people to raise their own productivity with assistance from the United Kingdom;

(b) the Maltese Government have adhered to this aim, although the emphasis has been increasingly on the obligations of Her Majesty’s Government and decreasingly on the contribution of the Maltese people, and they are now publicly pledged to reject integration unless the principle of equivalence is conceded;

(c) the Round Table Conference, without specifically rejecting it, did not recommend acceptance of the principle of economic equivalence. Had they done so, they would presumably have recommended not that the question of transferring the power of direct taxation should be left in abeyance, but that the transfer should be accepted in principle immediately, with a view to implementation at a date to be ascertained in the future;

(d) we have not accepted (or rejected) the principle of economic equivalence in view of the dangerous implications of doing so (see paragraph 4 below), but in our public statements confined ourselves to emphasising that economic development

¹ Not printed.

must depend essentially on the efforts and the success of the Maltese people themselves in raising their productivity and that integration had been accepted on the basis that it would not involve financial assistance in excess of the levels then forecast.

Economic objections to economic equivalence

4. The reasons for our attitude so far may be summarised as follows:—

(1) Economic equivalence is incapable of any satisfactory definition, although certain aspects of it, such as the extension of United Kingdom social services at similar rates of benefit, would be recognisable. There would be room for constant argument and disagreement between the Maltese Government and Her Majesty's Government as to what meaning was to be attached to it in its application to a particular set of circumstances in Malta at any given time.

(2) It is extremely doubtful whether economic equivalence could ever be attained as a result of increases in productivity in Malta brought about by economic development on private and Government account, even if substantial financial assistance were made available by the United Kingdom. Quite apart from any success in Malta's efforts it would be necessary to take into account any concurrent increases in the standard of living in the United Kingdom.

(3) If the principle is under-written now, there is great danger that the Maltese people will forget all the recommendations about the need for increasing their productivity, and will overlook the emphasis in the Report of the Round Table Conference on the need to ensure that increases in social expenditure do not run ahead of Malta's ability to support it, in the longer term, from her own resources. This would seriously prejudice whatever prospects there may be of Malta ever being able to approach to something roughly like equivalence by her own efforts.

(4) Maltese Governments would no doubt continually press for more rapid advance towards the attainment of equivalence and for the United Kingdom Treasury to bridge the gap by increased grants if the expected rises in productivity did not in fact occur.

(5) Acceptance of economic equivalence would not make sense politically unless accompanied by Maltese acceptance of the progressive application of U.K. rates of taxation to Malta. It would in fact be extremely difficult to apply the U.K. tax structure to Malta. It would scarcely be possible to separate direct from indirect taxation, and it would involve a radical change in the present strongly protectionist policies of the Maltese Government.

(6) Application of economic equivalence, unless it resulted from a corresponding increase in Malta's own productivity, might well have the ultimate result of turning Malta into a permanently depressed area, since it might eliminate what few attractions exist for new industries to establish themselves in the Island, and might lead to a falling off of emigration.

(7) If the principle of equivalence is conceded for Malta, there is a danger that other claims for privileged treatment will arise in Colonial territories which might think integration financially worth while, and possibly even in Northern Ireland where U.K. taxation is fully applied direct and where there is a lesser degree of local autonomy than proposed for Malta.

Political implications of rejecting economic equivalence

5. On the other hand, the following points should be considered before H.M.G. take the serious step of finally rejecting the principle of economic equivalence.

(i) Mr. Mintoff has publicly committed himself to 'economic equivalence' as part of the new constitutional deal with us. If the principle of equivalence is not conceded, therefore, there will be a period of constitutional and political unrest in Malta, following Mr. Mintoff's resignation or his change to a policy of seeking 'independence'.

(ii) Provided that no time limit is accepted for the attainment of 'equivalence', it is theoretically possible that concession of the principle would not involve a substantially higher level of assistance, although this is extremely unlikely.

(iii) It would be difficult to present to public opinion H.M.G.'s case for appearing to reject what many people would regard as a natural aspiration of a colonial people to reach U.K. standards of living, especially as it could be represented that the Maltese at present formally recognise that economic equivalence could be attained only at the end of a long period of years through increases in their own productivity and would be ready to accept the same burden of taxation as the U.K. when they had achieved economic equivalence.

(iv) This difficulty would be greater if the Maltese Government were ready to agree to a formula that did not guarantee the eventual attainment of equivalence, but only described it as an aim of policy.

(v) It is possible that an acceptable formula might be devised on this basis which could, for example, place the onus of striving to implement the aim of policy primarily on the Maltese Government and people. If so, the opportunities for misapplying the formula in the future might possibly be slightly reduced.

A possible formula

6. A formula on the lines described above might be something as follows:—

'It is agreed that it shall be an aim of policy of the Maltese Government and of Her Majesty's Government so to develop the economy of the Islands as ultimately to achieve economic equivalence with the U.K. so far as this may be practicable and in the interests of Malta. The Maltese Government will make every effort to improve the productivity of the Islands and H.M.G. in the United Kingdom will be prepared to assist the Maltese Government in their efforts to this end, taking into account their own financial ability'.

7. The above formula might include a reference to what the Round Table Conference said about the meaning of economic equivalence. We would offer it as part of a long-term agreement on financial aid, which would stabilise the U.K. contribution for a period of, say, five years and which would provide for annual or biennial budgetary reviews by the two Governments. Further, the integration bill would take powers to divest the Maltese Parliament of the power of taxation and to implement this provision at some future date.

Summary.

8. Economic equivalence is almost impossible to define satisfactorily; it is extremely doubtful whether the Maltese productivity could ever rise sufficiently to

make equivalence an economic reality; artificial creation of equivalence might lead to Malta's economic depression.

9. On the other hand, particularly as Mr. Mintoff is already publicly committed to it, it would be politically very difficult to reject equivalence as an aim of policy, and to do so would probably lead to acute political unrest in Malta. Even if integration were to proceed without acceptance of economic equivalence, H.M.G. must expect to be under continuous pressure from any Maltese Government to increase their aid, so that the Bill to H.M.G. might not be so very different whatever objective were accepted as an aim of policy. It might however be possible to resolve this dilemma by devising a formula on the lines of that in paragraph 6 above, coupled with a long-term financial agreement, which would safeguard the interests of the U.K. taxpayer.

10. Acceptance of equivalence was neither recommended in the report of the Malta Round Table Conference, nor explicitly rejected. What the Conference said was that the process of raising Maltese living standards would be slow and gradual, and the attainment of economic equivalence with the U.K. was difficult to envisage at the present time. It is quite clear that integration on the basis of economic equivalence would be substantially different from the concept of integration embodied in the Round Table Conference Report. It might therefore be held that the Conference should be reconvened to consider further the question of economic equivalence and in particular to express its views on the implications of accepting the principle in the field of their recommendations on the Economic and Constitutional questions. An alternative approach might be for the Prime Minister to invite the leaders of the Opposition in the U.K. Parliament to private talks on the subject, before H.M.G. reach a decision.

11. In either case, it would appear desirable that H.M.G. should put forward positive and constructive proposals consistent with their present policy of going ahead with integration. This would appear to entail at least a fresh presentation of the July 1955 Statement (copy attached),² which was agreed and issued before the Round Table Conference had been convened; or else a compromise formula on the lines of paragraphs 6 and 7 above, if it were decided on grounds of the broadest policy that H.M.G. would have to go this far in accepting the principle of economic equivalence.

² Not printed. See *H of C Debs*, vol 544, cols 1351–2, 28 July 1955.

82 CAB 134/1202, CA(56)34

26 Nov 1956

'Malta: economic equivalence': memorandum by Mr Macmillan for the Cabinet Committee on Colonial Policy

In C.A. (56) 32,¹ the Secretary of State for the Colonies sets out his views on this question, and I wish to urge upon my colleagues how extremely undesirable it would be to associate H.M.G. with the concept of equivalence. There is not a great deal that I can add to the arguments against the concept in paragraph 4 of C.A. (56) 32. In brief, it is so vague that its interpretation will lead to endless friction; it will

¹ See 81.

constitute a drain on our limited resources; and it will prejudice any chance of reasonable development in Malta itself. My colleagues may perhaps not be aware of (a) how very favourably Malta is already treated in relation to our other colonial territories; (b) how our aid is continually increasing. As regards (a), the U.K. aid to Malta is already £17.7 per head compared to an average of £0.45 for all colonies. As regards (b), the figures for the last four years are:—

	£
1953/54	3,469,397
1954/55	2,873,231
1955/56	4,512,818
1956/57	5,660,705

2. If we associate ourselves with equivalence, these figures will undoubtedly continue to rise and may well soon be over £10 million a year or, say, £30 per head. As the Colonial Secretary points out, 'equivalence' may also lead to serious repercussion in other territories at a time when our resources are already seriously stretched. In my view, the first essential in any financial settlement with Malta must be based on paragraph 60 of the Round Table Conference Report, namely, that there should be a clear understanding at the outset of the maximum assistance H.M.G. can supply over a period. Only so can we confine our aid within reasonable limits, and only so can we provide the Maltese Government with a real incentive to make a proper contribution towards their development. And the bulk of this aid should go towards capital expenditure, not to meet the ever-increasing deficit on current account. I hope my colleagues will agree that this must be the basis from which we proceed. If so, it remains to be considered how far, if at all, we need go beyond the silence of the Round Table Conference report on the subject of equivalence.

3. It is argued that Mr. Mintoff has publicly committed himself to equivalence, and that it will be impossible for him to dissociate himself from this aim. I think it is fair to point out that such a unilateral declaration on his part is a far from happy augury for integration, since it is clearly an attempt to force us into accepting integration on his own terms, regardless of the consequences to our own—and indeed the Maltese—economy. And I suggest that far our safest and most prudent course would be to refuse to accept such an approach. If, however, it is held that for political reasons it is essential to save Mr. Mintoff's face, I would argue that we should go no further than the compromise formula immediately below.

'It is agreed that it shall be the aim of policy of the Maltese Government and the United Kingdom Government to secure the social and economic development of Malta and that this calls for a joint and sustained effort by both countries. The Maltese Government will make every effort to improve the productivity of the Islands and the United Kingdom Government will be prepared to assist the Maltese Government in their efforts to secure this and, taking into account the financial capacity of Malta.

2. In pursuance of these aims, the United Kingdom Government, for their part, are prepared to make available a contribution of £x million a year for the next five years, to be devoted primarily to the long-term development plan

envisaged in the statement made by both Governments in July, 1955; and, secondarily, to a measure of assistance towards balancing the Maltese budget on recurrent account in the first few years of the plan.

3. The United Kingdom Government consider that this represents the most effective approach to the concept of economic equivalence. They sympathise with the purpose of the Government of Malta in putting forward this concept, but they feel that the implications of this expression are so uncertain that its use would lead to constant difficulties of interpretation and would thus not be in the best interests of the two Governments.'

83 CAB 134/1201, CA 39(56)

20 Dec 1956

'Malta: economic equivalence': Cabinet Colonial Policy Committee minutes

The Committee had before them a memorandum by the Colonial Secretary (C.A. (56) 32),¹ setting out the background to the Maltese Government's demand for the recognition of the concept of economic equivalence as a condition of the integration of Malta with the United Kingdom, the economic objections to the recognition of this principle and the political implications of rejecting this demand, and suggesting a possible formula as a basis for an agreement with the Maltese Government. The Committee also had before them a memorandum by the Chancellor of the Exchequer (C.A. (56) 34),² emphasising the undesirability of any recognition by Her Majesty's Government of the concept of economic equivalence, and proposing an alternative formula which would make clear from the start the maximum amount of assistance which Her Majesty's Government would be prepared to give to Malta over a period of years.

The Colonial Secretary said that there would be political advantage in finding a formula which could be agreed with Mr. Mintoff, the Maltese Prime Minister, if one could be devised which did not bind Her Majesty's Government—as the Government of Malta had shown was their desire—to the improvement of Maltese economic life to British standards. He thought that the Maltese Government had not gone back on their acceptance of the view that equivalence need not represent absolute parity with United Kingdom standards and that it could only be achieved gradually. Even so, he fully recognised the difficulties and dangers set out both in his own paper and that by the Chancellor of the Exchequer, of the concept of economic equivalence. Her Majesty's Government had so far entered into no commitment on this subject and had not gone beyond the terms of the 1955 declaration on the social and economic development of Malta, which was attached to C.A.(56) 32; and he was not yet convinced that it would necessarily be wise to go so far as the formula suggested in this paper under which it would be agreed that it should be an aim of policy of the Maltese Government and Her Majesty's Government so to develop the economy of the Islands as ultimately to achieve economic equivalence with the United Kingdom,

¹ See 81.

² See 82.

so far as this might be practicable and in the interests of Malta. The talks which he was due to have with Mr. Mintoff early in February might in any case founder before this economic issue was reached, on the Maltese Prime Minister's desire to write into the Integration Bill a plan to alter the electoral system of the Islands so as to secure his Party's majority; and he doubted whether the Maltese people would then be prepared to follow their Prime Minister in attempting to sever their connection with the United Kingdom.

In discussion serious doubts were expressed whether any true economic equivalence with the United Kingdom could ever be attained by Malta without very heavy expenditure by Her Majesty's Government on what would be likely to be—through rising labour costs—a permanently depressed area.

*The Lord President*³ suggested that it might be possible somewhat to revise the formula set out in C.A. (56) 32 so as to emphasise that economic equivalence was an aim of the Maltese as distinct from the Government of the United Kingdom: such a formula might run—

‘Her Majesty's Government view sympathetically the aim of the Maltese Government so to develop the economy of the Islands as ultimately to achieve economic equivalence with the United Kingdom, so far as this may be practicable and in the interests of Malta. The Maltese Government will make every effort to improve the productivity of the Islands. For their part Her Majesty's Government will be prepared to assist the Maltese Government in their efforts to this end, taking into account their own financial ability.’

It was, however, feared that even these safeguards would not serve adequately to dissociate Her Majesty's Government from the dangerously abstract concept of economic equivalence.

The further suggestion was made that the Round Table Conference might be reconvened to deal explicitly with the question of economic equivalence. *The Lord Chancellor* said that such a course might involve the risk that the problem would come to be discussed upon party lines and that the issue would merely be transferred from Malta to Westminster. As it was, Her Majesty's Government possessed, in the 1955 Report of the Round Table Conference, a series of recommendations in the economic sphere with which a number of leading members of the Opposition were fully identified. In broad equity Malta had some case for economic assistance in the development of living standards in that, though the Island derived great benefit from the base, the latter's existence had in the past served to distort the Maltese economy, certain sectors of which had suffered from neglect. The Round Table Conference had, however, related their economic recommendations to the agreed statement on social and economic development issued after the discussions with the Maltese party leaders in the summer of 1955, and they had emphasised both the long-term nature of the process of raising living standards in Malta, the joint nature of the effort required and the fact that over the next few years the present level of aid was as much as could be absorbed by the

³ Lord Salisbury.

Island's present capacity for capital development. The Report had further explicitly stated that the attainment of equivalence with the United Kingdom was difficult to envisage at the present time, and for that reason it had recommended that the question of transferring powers of taxation from the Maltese legislature to the Parliament at Westminster should be left in abeyance.

The Chancellor of the Exchequer said that it was important to lay down clearly the limits of the financial assistance which the United Kingdom was prepared to make available to Malta over a period of years. He suggested that Her Majesty's Government's approach to the problem should be based on the practical considerations of the extent and method of their contribution to the Maltese economy, and should eschew reference to the principle of economic equivalence which was incapable of precise definition. It might well be that the Integration Bill should contain financial provisions somewhat on the analogy of the Government of Ireland Act of 1920. The Bill might set out both the amount of the United Kingdom contribution to the Maltese budget over, say, the next five years and the criteria upon which the levels of future contributions would be assessed, perhaps making provision for machinery for the settlement of such matters on the lines of the Joint Exchequer Board established by the Government of Ireland Act. In such provisions the vague generality of economic equivalence would be out of place. He proposed, therefore, that officials should consider a revised form of words which could form the basis of a financial section of the Integration Bill and could be presented to Mr. Mintoff in that context. It could then be made plain to the Maltese Prime Minister that such a statement was based upon Her Majesty's Government's acceptance of the observations in paragraphs 57, 59, 60 and 85 of the Report of the Round Table Conference.⁴ This more limited and more precise formula would leave us with a freer hand in considering levels of aid in future years, when strategic developments might considerably reduce the present value to us of the Malta Base. There was general agreement that the possibility of such an approach to the problem should be further examined.

The Committee:—

Invited the Chancellor of the Exchequer, in consultation with the Colonial Secretary, to arrange for the preparation of a draft statement, to form the basis of financial provisions of the proposed Integration Bill on the lines mentioned in discussion, for consideration by the Committee at a subsequent meeting.

⁴ The key paragraph was perhaps 59 which stated: 'Her Majesty's Government in the United Kingdom is this year providing between £4 and £5 millions towards Malta's capital and current needs. In the agreed statement on economic policy issued at the end of the June talks . . . Her Majesty's Government undertook to continue financial aid over the next few years; first, to promote new capital development and, secondly, to assist, as may prove necessary, towards balancing the budget and improving social services. Although the amount of this aid has not yet been determined, we understand that a continuation of aid at about present levels for the next few years is not considered by Her Majesty's Government to be unreasonable. It seems to us to be unlikely that more money could be spent productively in Malta during these years because of the limits set by the skilled labour force available, and the building and constructional capacity of the Islands' (*Malta Round Table Conference 1955, Report Cmd 9657, 1955, p 16*).

84 CO 926/692

24 Jan 1957

[Economic equivalence]: minute by R J Vile¹ assessing the advantages and disadvantages of economic equivalence

Because of the Treasury insistence on their view that the concept of economic equivalence for Malta should not be adopted either explicitly or implicitly as part of U.K. policy I think we must consider again the advantages and disadvantages as we see them of economic equivalence.

2. The disadvantages could perhaps be summarised as follows:

(a) The idea has no precise meaning.

(b) In general terms the national income per head in Malta seems to be about 60% of that in the United Kingdom. If we assume an annual increase in national income of 5% per year in the United Kingdom and if we assume an annual increase of 8% per year in the national income of Malta (no higher figure would seem be justified) it would take 13 years to achieve an identical level of national income per head. This assumes a massive capital investment in Malta primarily concerned with industrial and commercial development but with a heavy share of investment in agriculture. It seems hardly within the bounds of reason to imagine that such a programme is physically possible. Perhaps a comparable case in this country is the highlands of Scotland.

(c) Mr. Mintoff would never be daunted by the impossibility of achieving economic equivalence. We are convinced he would in fact be happy to achieve equivalence through in effect making the population of Malta the pensioners of H.M.G. This would represent a permanent and heavy burden which at present levels of prices could grow to a figure of £30m a year i.e. about an additional £100 per head for the population of Malta.

(d) The short term advantage of buying Mr. Mintoff off with a formula for economic equivalence would therefore carry a serious danger of long term embarrassments.

3. The advantages of reaching agreement with Mr. Mintoff seem to be:

(a) the consequences of falling out with him could be an extremely serious internal security situation in the Island;

(b) There is probably no alternative elected, government to that led by Mr. Mintoff in present Maltese circumstances;

(c) Mr. Mintoff despite his many and irritating faults is doing something to improve the standard of living in Malta;

(d) If we in effect make integration impossible there is no other political concept that we have to offer to the Maltese people which is likely to interest them.

4. The choice seems to be therefore between two kinds of nonsense because I take it as read that the creation of a first class political crisis in Malta comes in the category of nonsense. The difficulty of course is to decide which kind of nonsense is likely to be more expensive to the United Kingdom. One thing is reasonably certain.

¹ Assistant secretary, CO.

The nonsense of economic equivalence would be with us for a very long time indeed. The nonsense of a political crisis in Malta is not necessarily so long lasting. In addition the adoption of economic equivalence does not mean that we need not subsequently fear a major political crisis. We might therefore have both types of nonsense.

5. I think the conclusion which is to be drawn from all this is that we cannot accept a formula for economic equivalence which binds H.M.G. to implement it. I think it also follows that it is our duty to use every endeavour to prevent a major political crisis in Malta and that therefore we should do everything we can to persuade Mr. Mintoff to accept a formula which is less than full blown economic equivalence supported by H.M.G. but which is not so obviously a public rejection of his demand that he cannot accept it. This I think represents broadly the policy which we have been trying to get adopted with the idea in our minds that tactically we should attempt to create a position in which if Mr. Mintoff chooses to break on this point we would hope to have a sufficiently strong case to convince public opinion in Malta and the United Kingdom that our views were reasonable and that there was a perfectly feasible alternative policy to that advocated by Mr. Mintoff.

6. I suggest that in any paper which we put in simultaneously with the Chancellor's paper to the C.P.C.² we might cover the points made in this minute as well as those proposed by Mr. West in his minute of the 23rd January.

² See 85.

85 CAB 134/1555, CPC(57)4

6 Feb 1957

'Financial provisions of Malta integration Bill': memorandum by Mr Thorneycroft for the Cabinet Committee on Colonial Policy

1. At their meeting on 20th December, 1956 (C.A. (56) 39th)¹ the Committee invited my predecessor to submit to the Committee a summary of the financial provisions of the proposed Integration Bill. I have not had an opportunity to consult the Colonial Secretary but there have been discussions by officials of the two Departments.

Interim arrangements

2. The Round Table Conference proposed that Malta should be given representation in Westminster in recognition of the fact that foreign affairs and defence were handled by the U.K. and that Malta's economy depended on U.K. defence expenditure. The Conference contemplated that, for a period of years, the Maltese Parliament and Government would remain in control of their finances, subject to such measure of control as might be required by the U.K. Parliament as a condition of financial assistance from the U.K. Exchequer. The Conference went on to say that there should be a clear understanding about the maximum amount of assistance which could be given annually by the U.K. Exchequer over a period of years. This would assist the Maltese Government in drawing up its annual budget and

¹ See 83.

would remove the friction that was otherwise likely to occur in any annual examination of Malta's need for assistance.

3. On examination of the position, it seems to be unnecessary to set up by statute any machinery for the financial relations between Malta and the U.K. during this period. There will have to be discussions between the Maltese and U.K. Governments about the level of grant to be settled for each quinquennium: but this will be a matter for discussion between Governments. No question of machinery will arise in connection with the use of U.K. Exchequer assistance since it will all be expended on services under the control of the Maltese Parliament and Government. It is presumed that the U.K. agency (which will attend to questions of defence and foreign affairs in Malta) will, like the present Imperial Government in Malta, be paid directly out of U.K. funds, other than the grant.

4. It will be desirable to specify by statute the maximum amount of assistance which can be provided to Malta in the first five years. This may be expressed either as a specified sum per annum or as a lump sum for the five years. In the latter event, the amounts to be paid per annum would be agreed between Governments at the beginning of the quinquennium as a phased programme of assistance.

To enable the amount of U.K. assistance for the first five years to be determined, the Malta Government would have to produce its development plan, its plans for the extension of the social and other services and its proposals for raising revenue: and the assistance would be designed to facilitate the implementation of a practicable programme that did not place an unreasonable burden on the U.K.

It should be our aim to seek over a period to reduce, and eventually eliminate, Malta's dependence on U.K. aid towards her recurrent, as opposed to her capital, budget.

It will be desirable to specify the information which Malta should furnish to the U.K. Government to enable the amount of assistance in successive quinquennia to be determined.

Provision should be made for audited accounts of the Maltese Government to be placed annually before the U.K. Parliament with a view to scrutiny by the Public Accounts Committee, a procedure similar to that in respect of Nationalised industries.

5. The object of settling the level of annual grant for a period of five years is to require the Maltese Government to cut their coat according to their cloth, and supervision ought, therefore, to be on a five yearly, rather than on an annual, basis. If one went beyond this and provided statutory machinery for an annual review of the Maltese finances in order to ensure that the general lines agreed upon at the beginning of the five years were being followed, the U.K. Government might easily find itself being asked to supplement the assistance already agreed upon.

6. A short statement of financial provisions for inclusion in an Integration Bill is appended to this memorandum.²

Long-term arrangements

7. In evidence before the Round Table Conference the Maltese Government suggested that, when Maltese incomes had attained a level approximating to that in the U.K., the Parliament at Westminster should assume responsibility for direct taxation in Malta which would then be levied at rates equivalent to those in the U.K.

² Not printed.

The Conference envisaged that direct taxation might ultimately be handled by the Parliament at Westminster, but considered that this question should be left in abeyance for the time being.

8. It is clear from the terms in which the Maltese Government introduced the subject of direct taxation by the U.K. Parliament that the Maltese Government linked the matter very closely with so-called economic equivalence. To introduce into the Integration Bill a provision that ultimately direct taxation would be fixed by the U.K. Parliament would, therefore, involve a tacit acceptance of economic equivalence and is open to objection on that ground.

9. The Maltese Government were clearly envisaging a stage at which economic development had been carried to a point when Malta was becoming able to sustain an economy on U.K. standards of living. Presumably at that stage the need for financial assistance from the U.K. Parliament would become less. Could one justify taking over from the local legislature at that stage so fundamental a power as that of direct taxation? Maltese representation at Westminster could be justified on the ground that the interests of Malta in matters of defence and foreign affairs were handled at Westminster, without the addition that direct taxation was to be settled there. Moreover, since Malta is not likely to make a contribution to the costs of defence or the conduct of foreign affairs, and since it is unlikely that U.K. Departments would operate in Malta, the effect of placing the collection of direct taxation on the U.K. Government could be that Malta herself would receive the proceeds, but would leave the odium of collection to officials employed by the U.K. Government and might ask to be relieved of the cost of collection. The fact that indirect taxation would remain within the province of the Maltese Parliament would make it exceedingly difficult to decide what levels of direct taxation should be fixed at Westminster in respect of Malta in order to reflect in Malta the general burden of taxation borne in the U.K.

10. In all the circumstances, it would not seem to be desirable to make provision in the Integration Bill for the levying of direct taxation in Malta by the U.K. even in respect of some problematical period in the distant future. The subject could be considered further, at a later date.

86 CAB 134/1555, CPC 4(57)2

8 Feb 1957

'Malta: economic equivalence': Cabinet Colonial Policy Committee minutes

The Committee had before them a memorandum by the Chancellor of the Exchequer (C.P.C. (57) 4)¹ setting out a summary of possible financial provisions of the proposed 'Integration' Bill, as requested by the Committee at their last meeting. The paper expressed the view that direct taxation of Malta by the Parliament of the United Kingdom would be impossible in the foreseeable future, that nothing should be done to imply acceptance of the idea of economic equivalence, and that United Kingdom assistance to Malta should be given by means of a quinquennial block grant specified by statute.

The Colonial Secretary said that great care had so far been taken on the United Kingdom side not to prejudice the issue of economic equivalence. But, while he

¹ See 85.

agreed that Her Majesty's Government could give no guarantee on this subject, he thought it not unreasonable that we should be ready to recognise economic equivalence as a natural aspiration of the Maltese people and to encourage their efforts to attain this end in the fulness of time. The consequences of a breakdown in the coming talks with the Maltese Prime Minister would be serious. It was therefore for consideration whether we should try to secure acceptance of a formula somewhat on the lines of that suggested in his earlier paper (C.A. (56) 32),² whereby it would be agreed that it should be an aim of policy of the Maltese Government and of Her Majesty's Government so to develop the economy of the Islands as ultimately to enable Malta to achieve economic equivalence with the United Kingdom, so far as this might be practicable and in the interests of Malta. In his view such a formula need not have an adverse effect upon the amounts of financial aid which we should be called upon to find in the future.

In discussion, *The Lord Chancellor* drew attention to the statements made regarding United Kingdom aid in the report of the Malta Round Table Conference, to which a number of leading Members of the Opposition stood committed. In so far as these statements referred to the attainment of equivalence with United Kingdom living standards as difficult to envisage at the present time, and emphasised the need for a clear understanding about the maximum amount of assistance to be given by the United Kingdom Exchequer over a period of years, they represented an approach to this question which could still be regarded as wholly reasonable.

On the other hand *The Chancellor Of The Exchequer* suggested that economic equivalence was an impossible conception in relation to Malta and that to arouse expectations on this subject would not be consonant with our responsibilities for the Island. Any undertaking of this kind on our part would be bound to lead to continued heavy demands upon the Exchequer which we should have some moral obligation to meet, and, if the importance of Malta as a naval base were reduced, these responsibilities would become particularly heavy. It would be preferable, therefore, not to commit ourselves to more than a general undertaking to seek to raise the standard of living in Malta.

*The Lord President*³ drew attention to the variant of the Colonial Secretary's formula which he had proposed at the Committee's last meeting (C. A. (56) 39th Meeting).⁴ This variant sought to emphasise that economic equivalence was an aim of the Maltese, as distinct from the United Kingdom, Government. A further alternative might be—

'The Maltese Government will make every effort to improve the productivity of the Islands, with a view to achieving economic equivalence with the United Kingdom. For their part Her Majesty's Government (, being in full sympathy with this aim,) will be prepared to assist the Maltese Government in their efforts to this end to the extent of their own ability to do so.'

There was some division of opinion as to whether the square bracketed phrase should be included. If it were omitted Her Majesty's Government's position would be

² See 81.

³ Lord Salisbury.

⁴ See 83.

both more secure and more straightforward. On the other hand, unless we were to some degree associated with the aim of economic equivalence, the coming talks might break down.

It was agreed that the Chancellor of the Exchequer and the Colonial Secretary should give further consideration to this question with a view to raising the matter, if necessary, at Cabinet.

The Committee:—

Invited the Chancellor of the Exchequer to consult further with the Colonial Secretary about a possible statement of Her Majesty's Government's financial policy towards Malta, in the light of the Committee's discussion.

87 CO 926/692, PM(57)8, no 26, enclosure 22 Feb 1957
[Economic equivalence]: minute from Lord Perth to Mr Macmillan
specifying his interpretation of 'equivalence'

The position of the economic talks at the moment is as follows:—

Mr. Mintoff maintains that it is essential that both Governments should guarantee the attainment of economic equivalence in a reasonable period. Integration is meaningless unless it includes the certainty that Maltese standards will be the same as those in the United Kingdom. It appears from his latest memorandum that the following fundamental principles are his interpretation of economic equivalence:—

- '(a) the attainment in 10 years of comparable social services in Malta, including Health and Educational services;
- (b) the attainment in 10 years of comparable food subsidies;
- (c) the attainment in 10 years of equivalent wages and salaries of Government and Imperial employees; i.e. wages and salaries which are capable of procuring the same standard of living for identical work and identical conditions of service;
- (d) the creation of opportunities for industrial development, including tourism, which will make possible the economic viability of the Island, and which will reduce its dependence on U.K. contributions;
- (e) the acceptance of financial responsibility by the British Government to deal with the result of any unemployment caused directly by U.K. Government action.'

For our part we have said that Her Majesty's Government cannot guarantee the attainment of such standards. In other words, give a blank cheque. At the same time we have said we express great sympathy with the Maltese Government's objective and specifically put forward the Chancellor's formula which is as follows:—

'The Maltese Government will make every effort to improve the productivity of the Islands with the long-term objective of achieving economic equivalence with the United Kingdom. For their part Her Majesty's Government will continue to assist the Maltese Government in their efforts to this end, to the extent of their ability to do so. Her Majesty's Government have taken this opportunity to reaffirm their adherence to the declaration made in July 1955.'

Furthermore, we have said we are most anxious to help the furtherance of educational, health and social welfare facilities ((a) of their principles). With this in mind we are prepared for a period of 5 years in the first instance to consider paying a fixed percentage (? 25%) of whatever the Maltese themselves may spend on education, health and social welfare. We have said that we are anxious and ready to help in the furtherance of their capital schemes for productive development (d) above. We have recognised that drastic changes in Imperial defence policy may seriously affect Maltese economy. In the event, we would be ready to consider appropriate measures to take care of any unemployment that resulted therefrom. This might mean new capital schemes, emigration assistance, or unemployment relief (e) above.

We showed no sympathy on (b), that is, food subsidies, or (c), equivalent wages.

For all the foregoing we suggested that fixed quinquennial periods would be the most satisfactory as a practical method of operation and before their end there would be a review for the subsequent period.

At the moment Mr. Mintoff has said that he could not move from the ground of guaranteed economic equivalence without returning to Malta to consult his colleagues. He has, however, agreed that officials should meet today to try a redraft of the British proposals outlined above, the thought being that they should be given a more specific form than heretofore.

There is no immediate ground for pessimism—at any rate the talks are still going on!

88 CO 926/692, no 31

23 Feb 1957

[Economic equivalence]: minute no M74/56 from Mr Macmillan to Lord Perth explaining his interpretation of ‘equivalence’

I am grateful for your minute of February 22 about the present state of the economic talks with Malta.¹ As far as I can see it, the difference here is one of interpretation. Mr. Mintoff says that if Malta is to be part of the United Kingdom it must ultimately attain the same standards as the United Kingdom, and demands that they should be reached in ten years. He interprets ‘equivalent’ as ‘equal’.

But we think the word ‘equivalent’ means something different. I take it that it means comparable but taking account of their different conditions.

I have a certain sympathy for Mr. Mintoff’s position, although I think he has overstated it. Is not the position of Malta comparable to that of Northern Ireland? But the Treasury put forward the view not only that we cannot give a blank cheque, but also that we should establish a formula which we do not intend to adjust or develop any further. That is, they suggest that we should not follow out even our own interpretation of ‘equivalent’, but that we should simply pay a fixed percentage of whatever the Maltese spend on education, health, social welfare, etc. We also of course refuse equivalent wages or agricultural subsidies.

Of course wages in Malta must be lower than in London, just as wages vary all over the United Kingdom. The Government have nothing to do with wages. When the

¹ See 87.

Government is an employer, it should pay the wages appropriate to the location and to the situation.

The question of agricultural subsidies is awkward, since we have no hesitation in paying our own farmers £250 millions. I am not surprised that the Maltese think it would be fun to get in on this racket. The Northern Ireland farmers share in the price guarantees, so of course the Maltese could ask for the same. I think the way out here is to say that as their form of production is quite different, the problem of their markets is quite different, and that their future is as exporters of early fruit and vegetables. However, in view of the agricultural subsidies which Northern Ireland enjoys, we should perhaps give Malta some grant for agricultural development.

That deals with wages, where I am sure we are on firm ground, and with the agricultural subsidies where we can make an offer suitable to conditions. But how do we stand on education and social benefits, including a health service? Do they want to come into our central fund system, in other words, to pay weekly contributions for health, pensions, unemployment, sickness and the like? If so, it clearly cannot be a full United Kingdom contribution, which anyway will probably be higher in a few months time. They could of course pay a contribution appropriate to their wage structure, let us say, a half or one-third, in which case I imagine they would draw one third the benefits; or they might say that the whole system was unsuitable for them and we would then make some contribution to their own efforts on a fair basis. I take it that this is what the 25% means. On education I am not clear what is the Northern Ireland system. I think Malta have a claim to the same *mutatis mutandis*,² that is to say, brought down to the level of what their education expenses are: teachers' salaries, building, etc. If we were to make this clear it might well be that they would choose to commute for a proportion of their own expenditure on the ground that to belong directly to our system was too difficult for them, e.g. the collection of weekly sums, etc. Still I am bound to say that if we offer them membership of the United Kingdom I feel that they ought to have a right in principle to belong to the United Kingdom social structure with contributions appropriate to their wage and salary basis, and correspondingly reduced benefits. But this would also entail that their taxation system should be comparable to ours as is the Northern Ireland system, and that they should bear Imperial taxes as does Northern Ireland.

If you offer them this right in principle in order to make them accept in practice a package deal, they might well say that a 25% rate is all right for the time being; but if you refuse them the right to be treated in principle as members of the United Kingdom they have a good case and we shall be accused of having brought the negotiations to an end.

I would really like this to be studied as I think it is more a matter of public relations than reality. I am sure that we could for the time being buy them off by a subsidy, but I think logically they have a right to Northern Ireland treatment. It is for us to show that the percentage grant system is a more convenient method, but it must be accepted as such by both parties.

I am sending a copy of this to the Chancellor of the Exchequer and to the Lord Chancellor. Perhaps we could all have a talk about this on Monday. I expect I shall see Mr. Mintoff then, and it would help if he returned to Malta with a more favourable view of our attitude on 'equivalence'.

² With due alteration of details.

89 CAB 130/122, Gen 575/1st meeting 25 Feb 1957
 ‘Malta: economic equivalence’: minutes of a meeting of ministers held
 at 10 Downing Street

[The meeting was attended by Macmillan, Butler (Home Secretary), Lord Kilmuir, Thorneycroft, Lord Perth, Sir H Poynton (deputy under-secretary, CO), F A Bishop (principal private secretary to the prime minister), P R Odgers (secretary).]

The Meeting was held to consider the difficulties which had arisen in the negotiations with Mr. Mintoff, the Maltese Prime Minister, regarding the financial arrangements to be made consequent upon the proposals for a new constitutional relationship between the United Kingdom and Malta. It was explained that the latter difficulties were proving the most serious issue in the present discussions, though on the constitutional side questions were still unresolved regarding the Royal Title and the proposals that Her Majesty’s Government should retain powers to legislate for Malta by Order in Council in the reserved fields of defence and external affairs. Mr. Mintoff had refused the formula proposed by Her Majesty’s Government, that the Maltese Government would make every effort to improve the productivity of the Islands with the long term objective of achieving economic equivalence with the United Kingdom, and that for their part, Her Majesty’s Government would continue to assist the Maltese Government in their efforts to this end to the extent of their ability to do so. He had regarded Her Majesty’s Government’s proposals as alien to the conception of Malta’s integration with the United Kingdom and had demanded acceptance, as fundamental principles, of the attainment in ten years of social services and food subsidies in Malta comparable with those in the United Kingdom, and of a wage structure for Government and Imperial employees capable of procuring the same standard of living as in the United Kingdom for identical work.

In discussion the point was made that there might be some illogicality in our offering Malta political integration with this country, which invited comparison with the position of Northern Ireland, when it was manifestly impossible in the foreseeable future for the Maltese economy to reach a level sufficiently comparable with that of the United Kingdom to justify the treatment of Malta on such an analogy in the economic field. None the less, the United Kingdom could not face the expense which would be involved in increasing Maltese income per head to the much higher level which would be required and indeed, if such a point were to be reached, the Maltese would be most unlikely to be ready to accept direct and indirect taxation at United Kingdom levels or the mobility of labour which would follow from the unification of the two economies. The Colonial Office had, therefore, prepared a revised formula in which Her Majesty’s Government supported the ultimate aim of the Maltese Government for a standard of living in Malta comparable to that of the United Kingdom, but both Governments agreed that this aim would take a long time to achieve and that special arrangements were needed meanwhile to advance the Islands’ economy. It would be open to the Maltese Government at the end of a specified period to request that their economy should become an integral part of that of the United Kingdom (with the resulting effect on direct and indirect taxation and social service contributions), but both Governments would agree that any such change would only be appropriate if and when the level of the two countries’ economies had been brought on to a comparable basis.

The Prime Minister said that it was important to arrive at a clear statement of principle, upon which Her Majesty's Government's policy towards Malta could be defended in Parliament: although the report of the Round Table Conference had contained no commitment on economic equivalence, the Government must not be open to the charge that they were retreating from the report's recommendations. Such a statement might start from the fact that the economies of the United Kingdom and Malta were not at present comparable and that full economic integration was, therefore, at present impracticable. The Maltese were entitled to seek a comparable standard of living as their ultimate goal following political integration and to have agreed a set of principles operative in the event of their attaining that goal. In the meantime, however, good sense and good will would be necessary to plan the measures needed to start bridging the gap between the two economies.

It was agreed that the Colonial Office draft¹ might serve as a basis for such a statement, to which the Lord Chancellor was asked to give further consideration in consultation with the interested Departments. Mr. Mintoff had proposed to return to Malta on the following day. If he returned with the economic issue still unresolved serious unrest might be expected in Malta. It was agreed that Mr. Mintoff should be encouraged to remain in London for further discussions, and that the Prime Minister should have a brief talk with him later that day, in the course of which the revised formula might be put to him.

The Meeting:—

Invited the Lord Chancellor, in consultation with the Chancellor of the Exchequer and Minister of State for Colonial Affairs, to revise the draft formula regarding financial arrangements for Malta, in the light of the discussion.

¹ C0926/692, no 30, 'United Kingdom proposals for financial assistance to Malta consequent upon the new constitutional arrangements': draft by the Colonial Office, 25 Feb 1957.

90 CAB 128/31, CC 23(57)5

25 Mar 1957

'Malta': Cabinet conclusions on the provision of economic assistance to Malta within the framework of integration

The Cabinet had before them a memorandum by the Colonial Secretary (C. (57) 76)¹ submitting for approval proposals about the provision of economic assistance to Malta within the framework of the proposed constitutional arrangements for integrating Malta with the United Kingdom.

The Colonial Secretary said that the Prime Minister of Malta, Mr. Mintoff, had put forward, during discussions in February, proposals for attaining parity in wages, social services and subsidies which would have involved the United Kingdom in expenditure of the order of £20–£30 millions a year, equivalent at present prices to an annual grant to Malta of £100 per head of population. These proposals were wholly

¹ CAB129/86, C(57)76, 'Malta: economic equivalence': memorandum by Lennox-Boyd, 21 Mar 1957.

unacceptable and, after consultation with the Chancellor of the Exchequer, he had put forward more realistic counter-proposals for financial assistance in connection with both capital development and current expenditure in Malta which might cost some £6 millions a year in the first quinquennial period. These counter-proposals would fairly reflect the unique constitutional status of Malta under Mr. Mintoff's proposals for integration with the United Kingdom. If Mr. Mintoff rejected them and the constitutional discussions broke down as a result, the Government would have the support of public opinion in this country.

The Cabinet endorsed the proposals in C. (57) 76. *The Minister of Defence* said that the revised defence programme would probably involve a significant curtailment of Service expenditure in Malta.

The Cabinet:—

Authorised the Colonial Secretary, in consultation as necessary with the Lord Chancellor, to proceed on the lines proposed in C. (57) 76 in negotiating with the Prime Minister of Malta on the question of economic equivalence.

91 PREM 11/1932

29 Mar 1957

[Economic equivalence]: outward telegram no 93 from Mr Lennox-Boyd to Sir R Laycock warning that the breaking point of the integration plan may have been reached on this point

Following personal for Governor from Secretary of State.

A meeting was held yesterday afternoon to discuss our proposal to set up an independent Commission to review progress every two years towards ultimate aim of reaching economy and standard of living comparable with United Kingdom. But Mintoff produced new counter proposals which in some respects were worse than before. In particular he held fast to principle that United Kingdom must accept liability for achieving equivalence in social services and Government wages and salaries, regardless of success in productivity drive. The meeting was inconclusive and it was left that David¹ and Mintoff would consult today on question of further meeting. David and I have arranged to meet him on Monday morning.

It now seems that we may have finally reached real breaking point over whole integration plan on this single issue. You know our friend better than we do. He is being told by some who should know better that we are bluffing and he probably believes this. When he sees that it is not so he may relent though we think it unlikely. But tone of discussions has so far been calm and friendly and there have been no threats. Cabinet have left decision to Lord Chancellor and myself. David and I are seeing him this afternoon.

I know you have been anxious that there should not be a break on 'money' and that you regard such a break as difficult to defend in Malta. Although both sides in discussions have agreed that only principles not 'money' came into the argument leading to the present impasse this could and no doubt would be presented by Mintoff locally in Malta as a money issue with British Government wanting to keep

¹ Lord Perth.

Maltese workers' wages low. This being so, do you regard present issue as one on which you think break would be undesirable, bearing in mind satisfactory progress made on constitutional issues? Do you think Maltese people could be brought to appreciate H.M.G.'s case or would Mintoff succeed in presenting break as solely due to H.M.G.'s unwillingness, when it came to the point, to face the financial consequences of integration?

I know you feel a showdown at some stage may well be necessary. We are not at the least reluctant to face it. We cannot of course expect Mintoff not to suggest that showdown has come on a money issue which will help to unite Maltese people behind him.

Glad to have your assessment of position and on local consequences of break on this issue as urgently as possible.

92 PREM 11/1932

30 Mar 1957

[Economic equivalence]: letter from Mr Mintoff to Mr Macmillan arguing that the abandonment of economic equivalence would 'kill integration before it sees the light of day'

The Secretary of State and the Minister of State for the Colonies have no doubt kept you informed on the outcome of our talks. Next Monday an effort will be made on a Ministerial level to resolve a fundamental difficulty. In brief this is the heart of our problem.

It appears to me and my colleagues that Her Majesty's Government do not accept the consequences which flow logically from the political act of union between Malta and the United Kingdom. In the economic and social field they refuse to extend to Malta the principles of national welfare and security applicable to all parts of the United Kingdom. In the case of Malta, they insist that increases in Government (both metropolitan and local) wages and salaries, and in social services, should be geared to increases in productivity in the restricted Maltese private sector. Yet in no part of the United Kingdom is this criterion applied. Such a departure from the context of economic unity is even more absurd in the case of Malta.

Malta, at the moment, is only producing a negligible quantity of industrial goods: she is playing the role of an important strategic fortress vital to the United Kingdom and the Commonwealth. Nearly half the working population of Malta is employed in the Government (metropolitan and local) sector on work the productivity of which is not measurable. Even with successful industrialisation the manpower resources for this new pursuit will be determined by the level of defence activities of Her Majesty's Government in Malta. Therefore productivity in the private sector cannot be used as the criterion by which to allow advances in standards of living towards eventual equivalence.

Once the Maltese people agree to undertake the same tax and other burdens of citizenship, they expect to be given the same social treatment and to share in the same social benefits. We had hoped that the phasing of the eventual operations to achieve economic equivalence was a compromise acceptable to Her Majesty's Government. We now find ourselves faced with a request to abandon this principle in practice. In my view this would kill integration before it sees the light of day.

Therefore, should our efforts fail on Monday, it will be my duty to discuss the matter with you personally.

As my departure is scheduled for Tuesday, I would appreciate it if you could fix a tentative time for the interview.

I have sent copies of this letter to the Secretary of State and the Minister of State for the Colonies.

93 CO 926/693, no 63

4 Apr 1957

[Economic equivalence]: outward telegram no 399 from the CRO to UK high commissioners reporting the breakdown of talks on economic equivalence

Talks were resumed in London on 22nd March and continued until 2nd April. Mr. Mintoff returned to Malta on 3rd April for consultations with his colleagues.

2. The talks broke down over means whereby economic equivalence with United Kingdom, i.e. an economy and standard of living comparable with those in United Kingdom, which has been accepted as ultimate aim by both sides, is to be achieved.

3. United Kingdom argument, based on paragraphs 59 and 61 of Report of Round Table Conference of 1955 (CMD. 9657),¹ is that increased expenditure on social services, wages and salaries, must depend principally upon success of efforts to develop production in Malta and to expand Island's income. Her Majesty's Government are however prepared in meantime to guarantee generous financial assistance on quinquennial basis for capital development, to develop productivity, and for recurrent expenditure to enable improvement of social services.

4. Mr. Mintoff acknowledges importance of efforts to develop production in Malta but insists that if they prove unsuccessful United Kingdom Government must be prepared to give additional financial assistance necessary to pay for such higher wages and social services as will gradually bring Malta into line with conditions in United Kingdom.

5. This policy is unacceptable to us because it amounts to presenting Malta with blank cheque against United Kingdom Exchequer, and because resultant increase in wages, salaries and social services would be artificial and might seriously damage any chance of developing Malta's economy.

6. When Mr. Mintoff left he took with him memorandum containing United Kingdom proposals as outlined in paragraph 3 above, to which he and his colleagues were invited to give their careful consideration. Before leaving he stated, however, that he could not accept these proposals and that he did not believe his colleagues would accept them.

(To all except Colombo)

7. You may at your discretion inform Commonwealth/Federation authorities as above for their secret information.

¹ *Malta Round Table Conference 1955, Report Cmd 9657, 1955, pp 16, 17.*

8. For your own information only, it seems doubtful whether Mr. Mintoff could be brought to change his mind. But it is equally difficult to forecast what alternative course he will propose.

(To Colombo only)

Above for your own information only.

94 CAB 128/31, CC 35(57)6

17 Apr 1957

'Malta': Cabinet conclusions authorising Mr Lennox-Boyd to examine further the possibility of accomplishing by stages the integration of Malta with the UK

The Cabinet had before them a memorandum by the Colonial Secretary (C. (57) 98)¹ reporting that the negotiations with the Prime Minister of Malta had reached a deadlock on the subject of economic equivalence and recommending that consideration should now be given to the possibility of accomplishing by stages the integration of Malta with the United Kingdom.

The Colonial Secretary said that the negotiations had reached an impasse despite the substantial measure of financial help which we had offered to the Government of Malta over the next five years. The Prime Minister, Mr. Mintoff, had refused to enter into a binding arrangement for the permanent constitutional integration of Malta with the United Kingdom if the parallel financial proposals were limited in the first instance to a five-year trial period and contained no definite guarantee that Malta would be assured of achieving economic parity with the United Kingdom within ten or fifteen years. Since such an unlimited commitment was out of the question, it was for consideration whether, in order to provide an alternative approach to the problem, we should suggest that both the political and the economic aspects of integration should be explored by successive steps. If this course was approved, the offer of financial assistance would be reaffirmed, together with an offer of constitutional advance on the lines discussed in the recent negotiations, but without representation in the United Kingdom Parliament for the time being. At the end of five years progress would be reviewed by an independent Commission, and in the light of its findings the two Governments would jointly consider the possibility of proceeding to the final stage of integration, comprising Maltese representation in the United Kingdom Parliament and ultimate comparable living standards. There was some reason to believe that Mr. Mintoff might prove responsive to proposals on these lines.

The Lord Chancellor said that, while Mr. Mintoff's attitude was disappointing, it would be unwise to reject any opportunity of encouraging a dependent territory to seek to develop a closer relationship with the United Kingdom. He therefore favoured a fresh approach to the problem, on the lines which the Colonial Secretary had suggested.

The Prime Minister said that the situation which had now arisen required careful consideration. It should be sufficient, for the moment, to acknowledge Mr. Mintoff's latest communication. Thereafter the proposals in C. (57) 98 should be examined in

¹ CAB 129/86, C(57)98, 'Malta': memorandum by Lennox-Boyd, 16 Apr 1957.

greater detail, initially by officials and subsequently by the Ministerial Committee on Malta. This examination should take account of the possible adjustment of our strategic interests in Malta as well as the constitutional and economic development of the Island. It would also be for consideration whether, in any resumption of negotiations with Mr. Mintoff on the lines which the Colonial Secretary proposed, it would be wise to make a limited offer initially and to hold in reserve the further concessions which we might need to make.

The Cabinet:—

(1) Authorised the Colonial Secretary formally to acknowledge the communication from the Prime Minister of Malta rejecting our latest offer of financial assistance.

(2) Invited the Colonial Secretary to arrange that the proposals in C. (57) 98 should be further examined, initially by officials and subsequently by the Ministerial Committee on Malta, in the light of the points made in their discussion.

95 CO 926/694, no 132

26 Apr 1957

[Defence cuts]: record of a meeting¹ between Mr Sandys and representatives of the Maltese government on the effects of the Defence White Paper on Malta

[The White Paper had been published as *Defence: outline of future policy*, Cmnd 124. In Cabinet, it was said to reflect ‘a fundamental revolution in our defence policy, which might have far-reaching effects on our influence in world affairs and on our ability to maintain our position in the more remote Colonial territories’ (BDEEP series A, vol, 4, Ronald Hyam and Wm R Louis, eds, *The Conservative government and the end of empire, 1957–1964* (London, 2000) part 1, p. 233, document no 53). ‘As for Malta,’ Lennox-Boyd subsequently told the first lord of the admiralty, Lord Selkirk, ‘you know how heavily dependent is its whole economy on the dockyard and you will have seen copies of recent letters from Mr. Mintoff which I have circulated to the Malta Committee. In view of our commitment to give Malta substantial aid for development and to balance her budget, I am not at all certain that it would be financially prudent for us to close the dockyard there. I should certainly want to see this worked over in detail before I could agree to it’ (*ibid.*, p. 236, document no 54.)]

1. After welcoming the Minister of Defence *Mr. Mintoff* referred to the Memoranda he had submitted to the Minister and said that the Maltese Government were concerned as to the effects of changes in Commonwealth defence policy on Malta, mainly in the economic sphere. They were anxious to know the prospects for the future.

2. *Mr. Sandys* thanked Mr. Mintoff for putting his Government’s views on record in the Memoranda, and explained that Her Majesty’s Government had decided to go over to all-regular forces, and thereby to reduce the total strength of the three Services to about half, over five to six years. There would be big reductions in the first three to four years, especially in garrisons, which would be reduced to the

¹ The meeting was attended by Sandys, Sir W Dickson (Marshall of the Royal Air Force), Trafford Smith, Mintoff, Ellul Mercer (deputy prime minister and minister of works), E C Tabone (minister of emigration and labour), Bruce (economic adviser to the Maltese government), Paris (economic secretary).

absolute minimum, reliance being placed in future on rapid reinforcement by air. These reductions would take place everywhere, including Malta, but details had not yet been worked out. The military plan for Malta would be decided in the light of the views expressed to him during his present visit.

3. Major changes would not come about overnight. But it was clear that the large reductions in the manpower of the Navy, Army and Air Force would inevitably curtail the volume of civilian employment in naval dockyards and other ancillary establishments, both at home and in Malta.

4. Malta could not, any more than the United Kingdom, be insulated against the effects of these cuts. Aircraft, munitions and ordnance factories would all have to be severely cut. Her Majesty's Government would consult fully with the Maltese Government and would try and help to ease the transition by giving maximum warning and encouraging commercial and other work being taken on where possible.

5. *Mr Sandys* said he was examining the possibility of using any spare capacity in the Dockyard for commercial work. He did not, however, thereby intend to convey that Her Majesty's Government would accept any responsibility for providing other work payable from public funds to make up for the cuts in defence work. Her Majesty's Government would co-operate and be helpful in every possible way, but were definitely not prepared to replace defence orders by other Government expenditure.

6. *Mr. Mintoff* then went on to suggest that a reduction of employment in Service establishments might give an opportunity to reduce such establishments as the Dockyard, R.E.M.E. and the R.A.F. maintenance base at Safi, by turning over some of the capacity to the Maltese Government, who would use it either directly or by lease for commercial purposes.

7. *Mr. Sandys* said that if there were a major reorganisation, some capacity might be made available for commercial use. Partial use – e.g. at certain seasons – would be more likely, in which case the Admiralty would not part with control over the establishments, but would undertake civil work where there was spare capacity. *Mr. Mintoff* and *Mr. Ellul Mercer* both pressed the idea of turning over surplus capacity to the Maltese Government.

8. *Mr. Mintoff* then referred to the Declaration of July, 1955, by the two Maltese political Parties and Her Majesty's Government, in which the 'avoidance of unemployment' was set out as an agreed 'objective' of policy of the Maltese and British Governments.² When the Minister of Defence pointed out that this was not a 'guarantee to maintain' the existing level of employment, *Mr. Mintoff* referred to the passage about the 'sustained effort by both Governments'. The Declaration was not to be regarded simply as a pious hope. He also referred to Her Majesty's Government's Integration offer on the subject of employment. *Mr. Sandys* said that the problem was in some way similar to that in Northern Ireland, where cuts had had to be made despite the lack of alternative employment. Her Majesty's Government had done all they could to encourage industry to place more work there, but had not been wholly successful. *Mr. Mintoff* countered that the economic relations between Her Majesty's

² Following talks between Malta party leaders and HMG in June-July 1955, a joint statement had been issued with a view to improving standards of living in Malta.

Government and Northern Ireland were different from those between Her Majesty's Government and Malta. *Mr. Sandys* emphasized that Her Majesty's Government would certainly make a 'sustained effort' to encourage commercial activity in Malta as they had done in Northern Ireland, but they could not guarantee to maintain the present level of employment.

9. *Mr. Ellul Mercer* said that Her Majesty's Government were under a moral responsibility to maintain employment in Malta, in which, the Welfare State having not yet been established, unemployment really meant grave privation. Hence the necessity to discuss discharges from Service establishments with Her Majesty's Government. In the spirit of integration, there should be full co-operation between Her Majesty's Government and the Maltese Government in providing alternative employment.

10. *Mr. Mintoff* likewise insisted that Her Majesty's Government and the Maltese Government must accept joint responsibility for providing alternative employment. *Mr. Sandys* described any such principle as fantastic. *Mr. Mintoff* pressed him to undertake to apply the same measures as in England to avoid unemployment. *Mr. Sandys* said that, as in Britain, Her Majesty's Government would do everything practicable to encourage an increase in civilian work in the dockyards. This, however, could not be brought about overnight. It was a long-term job.

11. *Mr. Mintoff* said that the responsibilities of each side must be defined. *Mr. Sandys* agreed that any misunderstanding about the meaning of the 1955 Declaration should be removed.

12. *Mr. Ellul Mercer* pointed out that whereas the British economy was not based on defence, in Malta reductions in defence expenditure attacked the very foundations of the Island's whole economy. *Mr. Tabone* added that discharges threw all the Government's plans, based on the latest budget discussions with Her Majesty's Government, out of gear. *Mr. Mintoff* maintained that the current budget had been framed in consultation between the Economic Commission and the Services', on the basis that the Services were pledged not to reduce local employment. *Mr. Trafford Smith* pointed out that while the Services no doubt said in their evidence to the Economic Commission that they would try and minimise unemployment, and might well have referred to plans to take on more labour for the underground oil scheme, they could hardly have given a general pledge to maintain employment at a fixed level.

13. *Mr. Sandys* said that the Dockyard, like a private firm, could not keep on labour for which there was insufficient work. *Mr. Mintoff* returned to his point about the exclusive dependence of the Maltese economy on Service employment. If there had been a mixed economy, the position would have been different, but if Her Majesty's Government wish to retain the good will of the people of Malta, which would be necessary for the running of an efficient base, they must maintain employment.

14. *Mr. Sandys* referred to the deep sentiment of good will for Malta in the United Kingdom and made it clear that this was the primary reason why Her Majesty's Government had welcomed the integration initiative. Britain's response to this proposal was inspired from the heart and not from hopes of material advantage. He warned *Mr. Mintoff* not to overplay the defence card. It was easy to exaggerate Malta's military importance. While Malta was still a very convenient naval base, especially in peacetime, it was strategically very much less important in the present

world situation than in the last war which was largely centred on the Mediterranean. Mr. Sandys said that in the event of global war, in which the threat was primarily from Russia, Malta was of little strategic importance. Malta's position was not favourable as a base for the launching of ballistic rockets or bomber aircraft, which could be better operated from elsewhere. One could not foresee any large scale naval threat in the Mediterranean apart from submarine activity. Unlike Cyprus, Malta did not play any major part in our global war plans.

16. [sic] *Mr. Sandys* added that while Malta offered facilities as an aircraft staging post, with the increasing range of modern aircraft this was becoming less important. For example the Comet in which he was travelling, had flown from London to Cyprus direct in 4¾ hours. Nevertheless, the naval base in Malta was undoubtedly of great convenience particularly in peacetime. It was cheaper to repair ships of the Mediterranean Fleet in Malta than to send them back to England, provided of course that local costs did not rise too much. If wages and other costs were allowed to go on rising, it might become more economical to repair and refit them in Britain.

17. *Mr. Sandys* went on to refer to paragraph 9(iii) of Her Majesty's Government's Integration offer, viz:

'For the first five years, Her Majesty's Government have agreed:—

(i) . . .

(ii) . . .

(iii) Lastly and most important, to review the position in the event of any drastic change in Imperial defence policy affecting employment in Malta and to assist the Maltese Government in taking remedial measures to be agreed. This obligation again is unique and is not paralleled in any part of the United Kingdom. Such an important undertaking could only be given in the light of Malta's special fortress position and as an earnest of Her Majesty's Government's attachment to the Objectives of Policy consequent on the new constitutional proposals.'

19. *Mr. Sandys* said that Her Majesty's Government could not undertake additional obligations beyond this; and in any case this offer was dependent upon integration taking place. The Maltese Government could not claim more favourable treatment in the matter of employment without Integration than Her Majesty's Government were prepared to give with Integration.

20. *Mr. Mintoff* said that there was no logic in Her Majesty's Government's approach, and that he did not wish to discuss what the Maltese Government's moves would be if Integration fell through. *Mr. Sandys* asked whether it was a fact that the Maltese Government had rejected Her Majesty's Government's integration proposals.

21. *Mr. Mintoff* seemed reluctant to reply but, when pressed, he hesitantly agreed that this was the position. *Mr. Sandys* said that, quite frankly, many people in England thought that Her Majesty's Government had been over generous, and they would heave a sigh of relief if we were released from this offer, through Malta's rejection. *Mr. Mintoff* remarked that in Malta the Nationalists and the Church considered that in going ahead with Integration he was selling Malta down the river. *Mr. Sandys* asked what in fact Her Majesty's Government would be getting out of Integration which they had not already got. *Mr. Ellul Mercer* agreed that the British would only continue to get what they were getting now.

24. [sic] *Mr. Sandys* reiterated that he could not advise Her Majesty's Government that the importance of Malta as a defence base was such as to justify their going further than the present proposals. Judged by any standards other than sentiment, Her Majesty's Government's offer was already over-generous. On the other hand, the British Government would be sad to see Malta's fine initiative for Integration come to nothing.

23. [sic] *Mr. Mintoff* said that he was very sorry that Her Majesty's Government found it impossible to go the whole hog. The Maltese Government would have supported them up to the hilt against the Church, the Nationalists and any other opponents. He had just heard that the Italian Government had given a 12-year guarantee to Sicily which was in much the same relationship to metropolitan Italy as Northern Ireland was to the United Kingdom. If Italy could do this for a population of several millions, should Britain be frightened to unite with a small people of only 320,000? The principle must be accepted, however, that the Maltese people would be treated the same as the British.

24. *Mr. Sandys* said he felt sure that the Maltese, who were a proud[sic] people, would not wish to become pensioners of Britain. *Mr. Mintoff* said he had no desire for that; but the Maltese Government could not carry the people with it, if moral values were not satisfied. *Mr. Ellul Mercer* said that *Mr. Mintoff* had always had to fall on his knees before U.K. Treasury officials to prove that some £5,000 project in Malta was justified. In the face of this attitude, the Maltese Government were right in requiring guarantees of Her Majesty [sic] Government's willingness to help in future. The Minister's attitude seemed to imply a repudiation of Her Majesty Government's obligations in the matter of employment. *Mr. Sandys* said that what he contested was the suggestion that Her Majesty's Government had some hard and fast obligation indefinitely to guarantee to maintain the present level of employment. He emphasized the need to get away from the concept of a 'guarantee'. He did not accept the responsibility for providing alternative work for those discharged as a result of defence cuts. But he did accept a moral responsibility to co-operate with the Maltese authorities in helping the men affected to find other work, as the Government would do in similar circumstances in Britain. The longest possible notice would be given of intended discharges, and Her Majesty's Government would not allow Dockyard capacity to stand idle where this was avoidable. Her Majesty's Government were prepared and anxious to help in this way to ensure that any reductions were carried through with the least hurt to the Maltese workers. He has asked the Admiral Superintendents to study the whole problem and to keep in touch with the Maltese Government and the Trade Unions. *Mr. Sandys* advised *Mr. Mintoff* to rely on the sense of fairness and moral responsibility of Her Majesty's Government. He would get more out of them that way than by legalistic arguments.

26. [sic] The meeting then turned to the effect of possible defence cuts on the Maltese regiments. *Mr. Sandys* asked whether men who were suitable and willing would like to join the British Army in the full sense. Would the Maltese Government wish this to be encouraged? *Mr. Mintoff* said he thought that the response would be favourable but only if they did not lose the benefits of their previous service.

27. *Mr. Mintoff* thanked the Minister for his frankness and asked if there would be any objection to his publishing the Maltese Government's Memorandum. *Mr. Sandys* said that he would like to consult the Governor. *Mr. Mintoff* asked whether detailed written answers could be given to the points in the Memorandum, possibly

by officials after it had been closely studied. Mr. Sandys said he thought it better not to embark upon further correspondence.

Despite the frank exchange of views the meeting ended in a most friendly and affable atmosphere! In conclusion *Mr. Mintoff* pressed the Minister to urge his colleagues not to allow the proposal for integration to fail.

96 DEFE 5/76, COS(57)150, Annex

28 June 1957

'The strategic importance of Malta': COS Committee report

[At their meeting on 27 June 1957, the Chiefs of Staff approved the report at Annex as an expression of their views (DEFE 4/98, COS 51(57)2).]

Introduction

We assume from the Statement on Defence that the United Kingdom strategic aims in the Mediterranean will remain:—

- (a) Support for the southern flank of NATO.
- (b) Support for the Baghdad Pact.
- (c) Security of essential bases and sea and air communications.
- (d) Maintenance of the ability to undertake limited operations in emergency.

However, the forces to be permanently stationed in the area to support this policy will be much reduced.

Aim

2. The aim of this paper is to assess the future importance of Malta in this context.

The importance of Malta in peace

3. So long as it is necessary to retain United Kingdom maritime forces, including an Amphibious Warfare Squadron, in the Mediterranean in peace, Malta is essential as a base for their support.

4. It will continue to be essential as an air staging post so long as British forces are retained in Cyprus, although its importance in respect of the air routes to the Middle and Far East will fluctuate in proportion to the extent and effectiveness of the air barrier in the Eastern Mediterranean. For normal trunk route flying its importance will, in the future, somewhat diminish with the advent of the long-range transport aircraft.

5. Malta is well equipped with the apparatus of command and control and has good facilities for the operation, supply and maintenance of all three services, together with facilities for recreation. In addition there exists in Malta a reserve of technically trained labour. Training facilities for land forces are limited.

6. There are other possible factors which may affect the importance of Malta in peace. These are:—

- (a) *Command functions*. Although in the future Malta may cease to be the location for a NATO area command, it may well provide the location for a British Mediterranean Theatre Command Headquarters.

(b) *Support for the deterrent.* It is the present intention to rotate medium bombers, through Akrotiri in support of the deterrent. Should Cyprus not be available in the future, Malta, although not so satisfactory, would be the only British Mediterranean base available for this purpose. It would, however, be necessary to extend the facilities at one of the Malta airfields.

(c) *Support for the Baghdad Pact.* It is psychologically important in peace to base the light bombers committed to the Baghdad Pact in Cyprus. Should conditions in Cyprus in the future not be suitable for the permanent stationing of a nuclear force, it would be possible to afford some limited support to the Baghdad Pact by stationing this force in Malta.

The importance of Malta in limited war

7. The problem of limited war in general is now being studied by the Joint Planning Staff in conjunction with the Joint Intelligence Committee. Whatever the result of the study, we believe that, as a result of the loss of the Canal Zone base, the restriction of facilities in Libya and the political uncertainty concerning the possible future use of Cyprus, Malta is likely to be the only secure base from which limited war operations in the Mediterranean could be mounted. The assumption that we might only undertake a limited war with allies, or as part of a UNO force, strengthens the importance of Malta.

The importance of Malta in global war

The strategic air offensive

8. The requirements of the United Kingdom medium bomber force for Mediterranean bases in war will depend on the ultimate size of the force and on target co-ordination with Strategic Air Command. If such a requirement emerges, Akrotiri may not in the future be able to meet it. In this case Malta could be of some value, but extension of the facilities of one of the Malta airfields would be necessary.

NATO

9. The deterrent shield concept does not exclude the possibility of a period of anti-submarine war which might be prolonged beyond the phase of nuclear destruction and organised fighting.

10. CINCFMED's previous Emergency Defence Plan was aimed primarily at securing the safe passage of convoys to the Eastern Mediterranean for support of the South-east flank of NATO and tanker traffic from the Levant and Suez with forces based on Malta. Under the new concept it may well be that this task is much reduced, since the sailing of convoys from the United States may not occur until later and the use of the Suez Canal is uncertain.

11. Nevertheless if the Russians should be successful in seizing the Black Sea exit or infiltrating through the Straits of Gibraltar, there is likely to be an anti-submarine task in the Mediterranean. It is at present under discussion for the ACLANT area to evacuate shipping, of great importance in the survival stage, from all the main ports of Northern Europe during the nuclear phase; such a policy might be

extended to the Mediterranean, where large numbers might therefore be at sea. It would be premature to assume that Malta will not be required for the protection and control of such shipping or that other NATO bases would be usable in the face of the nuclear offensive and could alone provide all that is required. The island of Malta is not subject to land attack or communist subversion.

12. Whilst the Malta radar is not an essential link in the NATO early warning chain and no NATO air defence units have been earmarked to operate from there, at present at least, warning facilities would be necessary if Malta is to be a deterrent base.

13. There may be some doubt whether Malta will remain the location of a NATO subordinate command.

Baghdad Pact

14. In global war Cyprus could only be regarded as a forward springboard for air operations, Bomber squadrons based there in support of the Baghdad Pact¹ might have to be dispersed or staged through alternative bases in the interests of better early warning and immunity from attack by tactical aircraft. Malta could provide such a base and it is the only one in the Mediterranean on British soil. It would be premature to say that it will never be required for MEAF squadrons in global war.

Air defence

15. Unless Malta becomes essential to the strategic air offensive, we do not consider that, on military grounds, there should be any diversion of air resources to provide a higher grade air defence, other than the normal replacement of obsolete equipment already planned for the Control and Reporting System. We consider that, since the present military requirement does not make Malta a high priority Russian target, it would be acceptable to plan on using its facilities until they are put out of action, but this situation may change when Russia achieves a plentiful stockpile of nuclear weapons.

Conclusions

16. We conclude that:—

- (a) The importance of Malta in peace has not changed.
- (b) In limited war, the importance of Malta has increased, because it is likely to be the only secure base from which operations in the Mediterranean could be mounted.
- (c) Pending a NATO re-appraisal of the use to be made of the Mediterranean, such shipping as may be in it on the outbreak of war and the importance accorded to the submarine threat, we see no reason to reduce the present importance of Malta to NATO in global war.
- (d) Although the existing military requirement does not warrant the provision of additional air defence, (other than the normal replacement of obsolete equipment already planned for the C. and R. System) it would warrant it if Malta became essential to the strategic air offensive.

¹ See 79, note 1.

97 CO 926/853, no 202

10 Sept 1957

[Malta dockyard]: minute by Mr Birch¹ to Mr Macmillan assessing the advantages and disadvantages of closing the Malta dockyard [Extract]

You asked me to report to you on the future of naval dockyards. I have now had a series of discussions with officials of interested departments who have maintained the widely differing views already expressed by their Ministers. It has not therefore been possible to arrive at agreed recommendations on the main issues.

2. There is no disagreement over the dockyards at Hong Kong, Portland and Sheerness. I recommend that the Admiralty's present plans for closing them down should be endorsed. It is agreed that Gibraltar should be retained. No arguments have been put forward for relinquishing the Rosyth Dockyard.

3. There are thus two questions for decision.

(a) In a few years' time the Admiralty will have excess dockyard capacity on their hands at home and in the Mediterranean. The excess could be removed by closing down either Malta or Chatham. Which is it to be?

(b) Should Singapore be closed?

4. The attached report sets out the facts and contending arguments over these three dockyards. My conclusions are as follows.

Malta versus Chatham

5. The Admiralty's case is that they would save about £6m. by closing Malta rather than Chatham and that the closure of a major home dockyard would, because of its effect on the attitude of dockyard workers, put off for many years the hope of improving productivity in home dockyards—a problem on which the Admiralty are working with some hope of success. On the other hand we have given a promise to Mintoff to 'take remedial measures' if defence policy decisions create unemployment in Malta.² We may well find the cost of the measures wiping out much of the Admiralty's saving, though no real estimate can be made.

6. My own feeling is against the retention of Malta as a naval dockyard to bolster up the Maltese economy. With the decline in our naval forces in the Mediterranean a dockyard in Malta will become more and more of a strategic nonsense. It can provide neither a satisfactory nor a continuing solution of the Maltese problem. At the same time the Admiralty are looking for an increase in productivity in the home dockyards of maybe 30% over the next 6 or 7 years if their latest proposals are successful. This might also bring with it, by example, a valuable increase in productivity in commercial ship yards in this country, but the Admiralty are quite certain that their hopes of success would be jeopardized by the closure of Chatham.

7. There is a fair prospect of warding off the worst effects on Maltese employment since commercial interests may be willing to take the dockyard over (Vickers are the best candidate from every point of view). My recommendation then is that the Admiralty should be instructed to press on with all speed with negotiations for transferring the dockyard to commercial interests. As a centre for commercial ship

¹ Nigel Birch, economic secretary to the Treasury.

² See 101, para 6.

repairing Malta is well situated and has many natural advantages. It seems much more doubtful if she could even compete without subsidy as a centre for Light Industry. The Admiralty say that there is enough naval work which could be given to Vickers, or whomever it may be, to keep the dockyard operating at full capacity for the next three years. This should give time for the development of the business of commercial ship-repairing in Malta and of such other industries as may be started to absorb displaced dockyard workers. But if the worst came to the worst we should be able to avoid costly 'remedial measures' by slowing the rundown of naval work in the dockyard.

8. If the Admiralty fail to negotiate a transfer of the dock-yard to commercial interests on satisfactory terms, we shall have to look at the whole question again. . . .

98 CO 926/917, no 22

5 Nov 1957

'Malta: Mr Mintoff's letter of November 1st': minute by Mr Thorneycroft to Mr Macmillan rejecting Mintoff's claims for additional financial assistance

[Mintoff had written to Macmillan on 1 November expressing his annoyance at 'the reluctance of the British Treasury to release the unspent balance of H.M. Government's contribution to Malta for the financial year 1956-57'. If unresolved, warned Mintoff, this problem 'would wreck all our prospects and play havoc with all the constructive work which both Governments have been doing during the past two years' (CO 926/917, no 18, enclosure, letter from Mintoff to Macmillan, 1 Nov 1957).]

1. This is a very simple issue on which Mr. Mintoff has been turned down both by Colonial Office Ministers and by myself. I have also seen Mr. Harold Wilson¹ and Mr. Creech Jones and, I think, convinced them that Mr. Mintoff's case is not a good one.

2. Our financial help to Malta in 1957-58 is governed by the recommendations of the Schuster Commission (copy immediately below).² George Schuster recommended that it should be just over £6 million and, since this was in a sense an arbitration award, it is important not to depart from it. Mr. Mintoff is now claiming that £6 million will not suffice to meet his needs and is demanding an extra £400,000 towards his estimated additional deficit of £700,000. There is no justification for this on merits, nor is it in any way connected with the long term financial arrangements on which agreement has been reached. An appreciable part of the £700,000 is said to be needed to pay for wage and salary increases which Schuster himself recommended should be met by increased taxation in Malta (see paragraph 41 of the Report). This recommendation has been disregarded by Mr. Mintoff. If we give way on this point it will have three unfortunate consequences:

- (i) We shall undermine the Schuster award which was in itself an increase on what we thought right.
- (ii) We shall make it impossible to hold our aid to Malta in 1958-59 at a reasonable level.

¹ President of the Board of Trade, 1947-51; leader, Labour Party, 1963-76; prime minister, 1964-70, 1974-6.

² Not printed. See *Malta: Report of the Economic Commission* Col No 332, 1957.

(iii) We shall have accepted the principle of subsidising wage and salary increases in Malta; we fought and won a major battle over this in connection with the long term arrangements.

3. The question of the alleged unspent balance of our aid for the financial year 1956–57 is in fact a red herring. What happened was that we made Malta an issue of £1,531,357 on 28th March 1957, based on Mr. Mintoff's revenue and expenditure estimate. In the event he obtained a great deal of extra revenue at the very end of the year and it proved that we had made an over-issue of £450, 000. Since our aid to Malta in that year was based on the normal principle of need we should have been quite entitled to ask for this money back. We did not in fact do so but have agreed that it should form part of our contribution in 1957/58. This is standard practice with our territories and Mr. Mintoff has no claim whatever in equity to be allowed to have this on top of the Schuster recommendation of £6 million.

4. To put the matter in perspective, we assume that Malta's local revenue for 1957–58 will be something like £8 million; our contribution will be £6 million. To say that unless we make a further £400,000 available Malta's financial position will be jeopardised is plainly absurd. If Mr. Mintoff really needs this money there are numerous ways in which he can in fact raise it, for example by local borrowing.

5. Attached note by Lord Perth³ sets out the position as he sees it and reinforces the need to make further concession to Mr. Mintoff.

³ Not printed.

99 PREM 11/1933

5 Nov 1957

'Malta': minute from Lord Home to Lord Perth expressing concerns about the repercussions on relations with Commonwealth countries of concessions made to Mr Mintoff

I am concerned at the way the negotiations are going with Malta and at some of the concessions we appear to be making to Mr. Mintoff on points which may affect quite seriously our relations with Commonwealth Governments.

2. There are three points.

3. The first relates to the proposal that Malta should be made 'a part of the United Kingdom'. This would involve amendment to the Royal Style and Titles which is not only undesirable in itself but might well lead to difficulties with some of the Commonwealth countries. I therefore prefer the suggestion that Malta should not become part of the *United Kingdom* but part of *Great Britain*, which would avoid this difficulty. I understand that this suggestion is now being examined and I hope it can be accepted.

4. The second important issue is the proposal to insert in the body of the Malta Integration Bill an affirmation of the U.K. Parliament's intention not to legislate for Malta in matters within the competence of the Maltese Parliament except with their consent or for the fulfilment of the U.K.'s responsibilities for defence and external

affairs. I see two difficulties about this proposal. First it is contrary to precedent; such a clause has not been incorporated in the body of any previous Bill in relation to e.g. Northern Ireland or the Rhodesian Federation, and indeed it is only in April of this year that we gave the Rhodesian Federation an assurance on similar lines without legislation. If we legislate in this sense for Malta I fear that other territories who are at present relying upon our simple assurances to this effect, as distinct from legislation, will demand legislation too. My second fear is that it might at some time become necessary to amend this provision. Such action could raise serious difficulties in relation to the Commonwealth because of the similarity between the provision which would be inserted in the Malta Bill and the provisions of the Statute of Westminster.¹ I understand that the Lord Chancellor is of the opinion that such an affirmation could not bind succeeding Parliaments. But, if this is true of an affirmation in a Malta Bill, it is also true of the Statute of Westminster. For us to imply that we think the Statute of Westminster to be susceptible of amendment in such a way, could raise very serious constitutional difficulties with Commonwealth Governments. I have spoken to the Lord Chancellor on this point but there was no opportunity to develop the matter in detail and I think it requires very careful scrutiny.

4. [sic] My third difficulty relates to any assurance to Mr. Mintoff that the U.K. Government will use their best endeavours to ensure that Malta and its people are treated by foreign and Commonwealth countries in the same manner as people from this country. What Mr. Mintoff wants, I understand, is that we should press Australia and Canada is particular to admit immigrants from Malta as freely as from here. I really could not do this. At present most Commonwealth Governments impose no restrictions upon immigrants from the U.K. If we were to press them to treat Maltese in the same way as people from this country, there is a serious danger that they might be led to restrict immigrants from here in order to be able to curb the number of immigrants from Malta, who are by no means popular with them.

5. I suggest that it would be inadvisable to allow the discussions with Mr. Mintoff to conclude without a statement to the effect that these are matters to which we wish to give further thought before firm undertakings can be given.

¹ The Statute of Westminster had given legal effect to the independent status of the dominions agreed at the 1926 Imperial Conference.

100 CAB 21/2903

8 Nov 1957

**[Financial assistance]: letter from Mr Macmillan to Mr Mintoff
rejecting the provision of additional financial assistance**

When you came to see me on Wednesday, November 6, you mentioned your anxieties about the financial situation in which the Maltese Government find themselves. I promised to look into the matter and to let you have a statement of the position as we see it.

At the moment, the United Kingdom is giving Malta financial assistance on an unprecedented scale. The purpose of this is to improve the economic viability and social services of the island. Thus, the United Kingdom Government agreed to meet the Malta deficit to the extent of £6,077,000 in 1957–58. This was the highest amount ever promised to Malta, although it was less than what the Malta Government sought. The figure was, however, based on the recommendations of Sir George Schuster and Sir William Scott.¹ These two gentlemen had investigated the position in Malta in considerable detail as an independent commission.

Under existing arrangements, the United Kingdom Government does not promise to give Malta a definite sum of money in any one year, but undertakes to meet the Malta deficit up to a stipulated amount. There was therefore no question of the figure being affected by the out-turn of the previous year's budget. The Malta Government knew what Her Majesty's Government was prepared to do, and could make their plans in the light of that knowledge. In the event, however, Malta not only planned the biggest budget in her history, but appears to be exceeding it, partly on capital and partly on current account, by about £1½m.

In these circumstances, the United Kingdom Government could not be expected to provide additional assistance for Malta, whatever the financial circumstances of the United Kingdom might be. In fact, however, the United Kingdom Government are themselves having to take severe financial measures in order to save the pound sterling and to fight inflation. Current Government expenditure, including subsidies, has been cut, capital expenditure has been rephased and the Bank Rate has been raised. Against this general background, Her Majesty's Government certainly cannot contemplate any further financing of Malta's current financial deficit, and the same considerations will apply to Malta's budget for 1958–59.

I am afraid that this means that the Malta Government must itself meet any deficit which arises after taking account of the generous financial assistance which Her Majesty's Government are providing, and which cannot be increased next year. As the Malta Government is exhausting its Consolidated Fund this year, it would seem that the wise course would be for them to take action, which would have an effect at least over this year and next. Such action might include raising taxation, cutting subsidies and rephasing capital expenditure this year and next. It might also be wise to borrow towards capital expenditure, especially as Malta must be almost unique in having no capital debt.

I hope that this will make clear Her Majesty's Government's position on the financial question which was, I think, your immediate concern. On the constitutional side of the integration plan, I understand from Lord Perth that some welcome progress has been made. I am very glad of this, but I think that I should emphasise that your talks with Lord Perth have, of course, been proceeding on the assumption that the question of Malta's future status in relation to the United Kingdom could be settled to the satisfaction of both sides. I should perhaps also emphasise that some of the questions which you have been discussing with Lord Perth are difficult for us and this is particularly true of the form of status. I shall be considering all this with my colleagues soon.

¹ See 98, note 2.

101 CAB 129/90, C(57)268**13 Nov 1957****'Malta: the naval dockyard': memorandum by Mr Lennox-Boyd on the importance of the dockyard to the Maltese economy and recommending the retention of employment there 'at much the same level'**

The problem of the dockyard in Malta can be looked at from two points of view. There is the question of defence expenditure and the interests of the Maltese economy. This paper deals with the second aspect.

2. The dockyard is in effect Malta's only industry. It provides direct employment for nearly 12,000 including most of the skilled and best-paid workers in the Island. The largest private industry is a brewery employing 400. There are only ten other establishments employing more than 100 people each.

3. The contribution from dockyard employment and other Royal Navy expenditure in Malta to Malta's National Income is £11.4 millions. Expenditure by the other Service Departments in Malta totals £8.3 millions. In addition, Her Majesty's Government are currently contributing £6 millions towards Malta's budgetary deficit. This goes mainly towards capital expenditure on the basic services (water, electricity, harbour, &c.), which must be developed in order to attract industries to Malta. All this income provides the source for most of Malta's ancillary business which in its turn makes up virtually the whole balance of the country's national income.

4. The net product of Malta's agriculture is only about £2 millions. There is no other natural product of any significance. The only other large employer is the Maltese Government, employing about 14,000 people. This employment of course depends on the revenue they receive from taxation. Maltese Government expenditure is currently £15.7 millions, of which £8.2 millions comes from taxation. As indicated above, the sources of money on which this tax revenue depends arise by and large out of dockyard employment, Services expenditure and Her Majesty's Government's contribution to the Budget.

5. Malta's livelihood thus depends in a unique way on the dockyard, and if this is to be closed or substantially run down, Malta faces economic ruin, and could not sustain anything approaching its present population of 315,000. Emigration is a possible long-term solution, but it is essentially *that*, particularly as the major receiving countries, *e.g.*, United States and Australia, impose very severe limitations on immigration from Malta which may not be affected by making Malta part of the United Kingdom. The introduction of alternative industries may help in due course, but the building up of alternative employment will be very difficult and slow, and nothing spectacular can be expected in the foreseeable future. The fact is that Malta has no natural resources other than its fortress position, the potential skill of the work-people, and possible, though this is largely speculative, oil.

6. Her Majesty's Government are already committed by the July declaration of 1955 to work together with the Maltese to avoid unemployment, to diversify the economy, and to raise the standard of living.¹ In the Memorandum of Agreement on

¹ See 95, note 2.

economic and financial arrangements consequent upon the new constitutional status (C. (57) 183),² which it is proposed should come into force with the new Constitution after a General Election in Malta in, say, October 1958, Her Majesty's Government have agreed that if as a consequence of any drastic change in Imperial defence policy affecting Malta, 'the level of unemployment in Malta should reach and for six months remain at a higher level than the rate of unemployment in the United Kingdom at the time, the United Kingdom Government would be willing to assist the Maltese Government in taking remedial measures to be agreed.' The closure or substantial running down of the dockyard would undoubtedly bring this obligation into effect.

7. The cost of complete closure would appear prohibitive until such time as alternative measures could if possible be worked out and brought into effect. An indication of what is involved is contained in a paper prepared by the Maltese Government, with which I hesitate to burden my colleagues but copies are available if required.

8. At the same time, I recognise that the state of affairs outlined above, which in a sense holds Her Majesty's Government to ransom, is most undesirable. We are therefore proposing to do what we can to encourage the establishment of new industry and tourism in Malta, and have encouraged the establishment of the Industrial Advisory Committee headed by Lord Hives, which was announced on 6th November. This Committee will no doubt put forward some early recommendations about financial inducements to industry, and will bring to a head any outstanding negotiations, *e.g.*, for the construction of an oil refinery or dry docks. We are, of course, committed to provide capital grants amounting to £25 millions over a period of five years and percentage grants for education and social services, particularly education which should, but only in the long term, make emigration easier.

9. In time these measures might lead to an easing of the situation and allow a transfer of employment from the dockyard. It cannot be contemplated that any substantial run-down of employment in the dockyard could be brought about however for many years.

10. I, therefore, recommend my colleagues to agree that in so far as the future of the naval dockyard in Malta is concerned, the Admiralty should be authorised to work out plans for the retention of employment in the dockyard at much the present level. We could then consider adjusting these plans if the measures outlined above are successful in creating alternative employment.

² CAB129/88, C(57)183, 'Malta': memorandum by Lennox-Boyd, 30 July 1957.

102 PREM 11/1933

13 Nov 1957

'Malta': minute by Sir B Trend to Mr Macmillan reflecting on the possibility of a break with Mr Mintoff and alternatives to integration

The Cabinet might first seek to decide whether we and Mr. Mintoff really want the current negotiations to succeed or whether either (or both) of the parties is in fact seeking for an excuse to break them off. It seems unlikely that Mr. Mintoff genuinely wants them to fail—the consequences, both politically and financially, would surely

be very disadvantageous to him. But do we ourselves want to extricate ourselves, by a break with Mr. Mintoff, from the possible embarrassment (both at home and in the Commonwealth) in which the present negotiations may involve us?

It would not be easy to take this course. We are committed by Sir Anthony Eden's statement on the 28th March, 1956,¹ to give legislative effect to the Report of the Round Table Conference, involving acceptance of Maltese representation at Westminster, provided that the desire of the Maltese people for such action is confirmed at a general election. Since then, there have been long and laborious discussions with Mr. Mintoff, and successive obstacles, particularly on the economic side, have been overcome. Morally, we are now pretty far committed to bring integration into effect. And, if we are to do so, we should aim to extract the maximum credit from our policy by acting willingly and spontaneously. If, on the other hand, we wish to break with Mr. Mintoff, we must be sure not only that we have a good case for doing so but also that we have some workable alternative on which to fall back.

The possibilities are:—

- (i) Continuance of the present dyarchy, or a reversion to direct rule. These clearly offer no long-term answer.
- (ii) Independence for Malta, subject to shared control of defence and external affairs with the United Kingdom. This proposal (which is the solution advocated by the Malta Nationalist Party) was rejected by the Round Table Conference as lacking essential definition. Moreover, any solution which gave Malta independence subject to a United Kingdom voice in defence and external affairs would involve an unworkable division of authority.
- (iii) Full independence. But this would be wholly inconsistent with the degree of economic support from the United Kingdom which Malta will continue to need. On the other hand, to grant independence without economic support would be very difficult to justify to public opinion in the light of the historic associations between Malta and the United Kingdom.

For all the above reasons, it is difficult to avoid the conclusion that we cannot, at this late stage in the game, draw back from accepting integration.

On the other hand:—

- (a) Accurately, our commitment extends only to the integration of Malta with the United Kingdom; it does not bind us to accord Malta any particular status. We must expect considerable difficulty with public opinion, both at home and in the Commonwealth, if we amend the Royal Style and Title, the title of the United Kingdom itself and the title of the United Kingdom Parliament. Both of the alternative drafts in Annex C of C. (57) 262² avoid any amendment of the Royal Style and Title. But, whereas the longer alters the title of the United Kingdom and the title of Parliament, the shorter confines itself to altering the title of the United Kingdom and does so only by implication (i.e. by simply providing that 'the United Kingdom of Great Britain and Northern Ireland' shall be construed as including Malta). The Colonial Secretary expresses a preference for the longer draft; but,

¹ See 69, note 2.

² CAB 129/90, C(57)262, 'Malta: constitutional development': memorandum by Lennox-Boyd, 15 Nov 1957.

from every point of view, the shorter version, which exposes the minimum of flank to attack, seems to be the wiser.

(b) It will be very difficult to reconcile a decision to give effect to integration with a decision to close the dockyard. And, quite apart from the fact that the first act of Her Majesty's Government, after integration, would appear to be aimed at ruining the economy of the Island and precipitating very considerable local political unrest, we should be committed, under the economic agreement recently established (C. (57) 183),³ to assist the Maltese Government in financing the relief of unemployment on a large scale. Despite the policy reasons which the Minister of Defence can advance in support of closing the dockyard, the counter arguments of the Colonial Secretary in C. (57) 268⁴ are very strong indeed. The position would, of course, be transformed if there were any real chance that, *in the near future*, either a private company would be willing to take over the whole dockyard as a going concern or some other measures could be taken to provide alternative employment for the labour discharged on the closure of the dockyard. The Minister of Defence might be pressed hard on these points. Is there really no way in which, without exceeding the agreed ceiling on defence expenditure, we can avoid creating substantial unemployment either in Malta or in the Medway towns?

³ CAB 129/88, C(57)183, 'Malta': memorandum by Lennox-Boyd, 30 July 1957.

⁴ See 101.

103 PREM 11/1933

12 Dec 1957

'Malta': minute no 124/57 by Lord Home to Mr Macmillan expressing anxieties about the domestic political reaction to integration

I am getting more and more anxious about the political reaction to Maltese integration and representation in the United Kingdom Parliament.

I have been as guilty as any in letting this drift in the hope that we would not be faced with the reality. But conditions are very different from the days when we first considered this. With the demise of the dockyard Malta will be a distressed area. They breed like flies and as the immigration programmes in countries which take them are being curtailed the poverty and unemployability of the population is going to be worse.

When the full implications of the proposal for integration are understood by the Party I believe there will be the strongest reaction against it.

The question may well face us as to whether we shouldn't look for a way out. I can only see one which is fairly respectable, namely to insist that a General Election on this issue should return two-thirds or more of members who are in favour of the project.

That I think was the idea in the case of the referendum and it might well be made the test in the deciding election. One must, of course, face the criticism that there is at present no constructive alternative for the island. It may be that if talks break down Malta will be content with the money without the integration. But if not might it not be possible to devise some extra Parliamentary machinery which might cover

this and similar territories? Perhaps a joint-committee of both Houses which would review progress and development from time to time and before which representatives of the territories might appear.

I don't know but I have a strong feeling that the Party is going to react violently and it may not be politically possible to push the bill through.¹

¹ At the end of Home's minute, Macmillan wrote: 'Chief whip to see'.

104 CO 926/855, no 336

30 Dec 1957

[Financial assistance]: letter from Sir R Laycock to Mr Lennox-Boyd calling for increased financial assistance to Malta in the light of defence cuts

Reviewing the situation in Malta at the turn of the year, I regret to state that I can find no cause for optimism.

When I came here 3½ years ago the insecurity of the Island's economy alarmed me but, with the prospect of integration, I began to see daylight. Unfortunately, of late, the view has become obscured again and the 'status quo' restored.

To recapitulate. When I was first appointed I found myself Governor of an island lacking in natural resources, with little soil and without sufficient water supplies, an island patently incapable of supporting more than, say, 35,000 people but with a population ten times that in number.

I was, however, immediately impressed by the fact that the standard of living in Malta was appreciably higher than that obtaining in neighbouring lands, though it did not take me long to realise that this state of affairs was visibly artificial. It was clearly dependent on two factors: first, the extent of Service expenditure (particularly in the Dockyard) and, secondly, on employment made possible through the grant of some £33 million from Great Britain on account of war damage.

The problem which then confronted us was what was to happen when the War Damage Fund was exhausted? for, clearly, Service expenditure alone was insufficient to maintain even existing standards, far less to allow for improvements which we have always admitted to be a legitimate aspiration of the Maltese people.

No sooner, however, did a solution to this question appear to be forthcoming in the shape of the generous financial agreement set out in the Integration proposals, then another and even more momentous problem took its place in consequence of the imminent danger of collapse of the major of the two props (i.e. Service expenditure) on which the economy of Malta is so precariously balanced. Thus, the palliative effect of solving the first problem is negated by the advent of the second and results in the financial offer which seemed so fair when it was originally made being no longer generous but pitifully inadequate.

As I see it, if we are to retain a friendly Malta, we must now radically review our offer in the light of changing circumstances. We must, I feel, adjust that offer so as to ensure that it is as generous as it was when it was first made, which is the same thing as saying that we must increase our financial aid by the amount which Malta will suffer through defence cuts.

I am aware that this policy could not be put into effect in other parts of the world, but I submit that as exception must be made in the case of Malta where conditions are unparalleled and where a whole people would find themselves subjected to intolerable hardships as a result of defence cuts owing to their unique dependence, at present, on Service expenditure.

I suggest therefore that H.M.G. should agree to adhere to the financial arrangements already offered in respect of contributions to current expenditure, social services, education, etc., but that the £25 million promised over the next five years for capital development should be increased by an amount which would compensate the defence cuts.

I must admit that I am not myself clear how this figure is to be calculated, or how it would be best applied (e.g. possibly in subsidies to induce civilian firms to start light industries in Malta, such as the assembly of television sets, etc.), but I do not suppose that the solution would be beyond the ingenuity of expert financiers and industrialists. It might, for instance, be possibly to ask Lord Hives' Commission¹ to advise us on this problem.

I regret having to suggest further remedial financial measures in these troublesome times but, until alternative industries are established and until people have learned to have smaller families, I can see no alternative if widespread unemployment, hardships and consequent discontent are to be avoided in Malta.

¹ An industrial commission had been established under Lord Hives in 1957 to examine ways and means of encouraging industrial development in Malta.

105 ADM 1/27145

21 Feb 1958

[Maltese independence]: letter from Admiral Sir C Lambe¹ to Lord Selkirk² reporting that Mr Mintoff has lost faith in integration and sees independence as the only alternative

I arrived back in Malta after three weeks away on 16th February, to find a marked deterioration in the local political situation of which you should be aware. H.E. the Governor came to see me on the evening of my return and, since then, I have been in daily contact with him and, at his request, I had two hours alone with Mintoff on the evening of 19th February. You will doubtless have seen the recent telegrams exchanged between Mintoff and the Secretary of State for Colonial Affairs. This letter is intended to fill in the background, by summarising Mr. Mintoff's viewpoint.

2. The era when a people such as the Maltese could be treated as 'chattels' by a great power has passed. In 1958 you cannot treat people as you could in 1921. Moreover whilst people may not mind being the 'chattels' of a rising and expanding nation the situation is different if that nation's star is diminishing in magnitude. Today a people must feel the self respect that comes of a knowledge that they control their own destinies. Self respect in this national sense is more important than material well being.

¹ Commander-in-chief, Mediterranean.

² First lord of the admiralty.

3. In this situation there are only two possible ways of achieving this national self respect according to Mintoff. The first is 'Integration'—by which the people of Malta become sooner or later one with the people of Britain. The second is 'Independence'—of which more later.

4. As regards 'Integration' the Maltese Government has lost faith in the British Government's intentions. Mintoff quoted a number of examples in which the interpretation of the agreements already reached differed entirely as between the two parties. The most understandable and telling (to me) of these illustrations was the effect of the Defence Cuts on the dockyard. The £25 million over 5 years was intended (according to Mintoff) to cover the development of basic facilities in the island such as water, power, harbour facilities, etc. and, at the time when this was agreed, there was no talk of 'Defence Cuts'. Now that the dockyard may shortly be either turned over to Commercial work or closed, the U.K. Government apparently expect the cost of developing alternative employment to be found from this same £25 million—in other words the British Government have added by unilateral action a substantial extra charge to this sum to which Mintoff would never have agreed had he known about it at the time.

Both the Governor and I feel there is considerable substance in this argument.

In developing his reasons for thus losing faith in British 'Integration' intentions, Mintoff quoted the recent union between Egypt and Syria. Though many details remain to be settled he said, the fact remains that they have made public an act of faith. He implied that in several years of negotiation with London he has failed to achieve a similar confidence.

5. There is thus left only the alternative of 'Independence', or so his argument ran. By this he means a status comparable to Libya. 'Independence within the Commonwealth' is insufficient since that title presupposes acceptance of agreements such as N.A.T.O. (though he believed in N.A.T.O. principles) or G.A.T.T. or the threat of atom bombs.

The only thing Malta has to sell is its strategic importance. 'Independence' meant freedom to sell this to the highest bidder. He hoped of course that it would be the British who would buy this commodity (after bargaining of course) and that a Treaty of Friendship would result. But if the U.S.A. or the Italians wanted facilities here too, he would deal with them as well. Asked if the people of Malta would sell themselves to Russia he replied that if Moscow offered a substantial interest free loan and the alternative was starvation, empty bellies would dictate the answer.

He refused to accept that there was any half way house such as a tripartite agreement between Italy and Malta under the good auspices of the U.K. Government. Such a concept was not possible unless Malta controlled her own foreign policy.

He foresaw that this concept of 'Independence' would be unpalatable to Great Britain and himself likened the present position here to that in Cyprus several years ago.

6. The above summarises the unpleasant situation in Malta today as expounded by the island's only leader. Though much of what Mintoff said to me was obviously designed for me to pass on to H.E. and others there is no doubt in my mind that we are at a cross roads, one lane of which leads to a country very like Cyprus from the internal security point of view. Whither do the other roads lead?

7. I have had several discussions with the Governor on this crucial question and we are agreed that decisive action must now be taken. Without a clear lead from

home, the situation will deteriorate rapidly here. Perhaps we have a year in which to act, probably not more. When the alternative possible policies have been further examined here and the recommended course of action has been decided, I will write further. In the meantime I feel you should be aware of our disquiet.

I am sending a copy of this to First Sea Lord and Secretary.

106 CO 926/918, no 130 27 Feb 1958
 [Maltese independence]: letter from Trafford Smith to E M West¹ on
 the dangers of an independence campaign by Mr Mintoff. *Minute* by
 E M West

It is to be hoped that the latest message being sent to Mintoff today (Secretary of State's telegram No. 47)² will do the trick. Whichever way this particular move turns out, however, one of the things we should begin to turn our minds to in the present situation is what is to be done if Mintoff goes to the country on an independence platform. There may not be too much time, as he is quite capable of deciding to do this in the fairly near future instead of going to London and negotiating further with H.M.G.: or he may do it if he goes to London and fails to get an agreed solution.

2. If he went to the country on independence, he would no doubt begin by representing H.M.G. in the worst possible light as having been responsible for leading him and the Maltese up the garden path about Integration, and then letting them down just before it was attained. A line of this kind put over as an excuse for the fact that Mintoff has himself wrecked Integration, and for the consequent change of front, would no doubt be bolstered up by optimistic talk about oil prospects etc. on the lines reported by Dick (if there is anything in that) and by a combination of promises that Malta had enough resources to carry on for a year or two while a rent-for-bases settlement was reached with somebody, plus solemn propaganda about the necessity for short-term belt-tightening in the national interest.

3. If he took some such line as this, the Nationalists would find it difficult to go all out against him, though they might decide to fight on their own alternative of quasi-Dominion status within the Commonwealth. If they did that, Mintoff would be able to taunt them with their continued wish for a connection with their hated enemy the British etc.: or alternatively, and perhaps more probably, he might be able to steal most of their thunder by saying that he was going for a Treaty of Friendship with Britain including a rent-for-bases settlement plus freedom to play the British off against other nations (this is really what the relevant passage in his message to the Secretary of State in your telegram No. 40 means). The only Party taking the straight British line would of course be the P.C.P., which might gain a few seats but would certainly not win control of the next Parliament.

4. If matters worked out like this, then H.M.G. would be faced either with a Mintoff victory in which a majority of the Maltese people would have declared for independence, or with a Borg Olivier victory declaring for quasi-Dominion status, or

¹ Principal, CO.

² CO 926/918, no 121, telegram no 47 from Mr Lennox-Boyd to Sir R Laycock, 25 Feb 1958.

with a Mabel-Borg Olivier Coalition guaranteeing total futility; (though this would of course temporarily shelve the issue from H.M.G.'s point of view – a good point if one disregards the desirability of efficient administration in Malta). While obviously no certain forecast can be made, the possibility of a Mintoff victory in these circumstances is certainly not so remote that it does not have to be taken very carefully into consideration. In any case, the two most serious probabilities are that at the end of such an election H.M.G. would be faced with a majority either for straight independence (which H.M.G. are presumably not prepared to grant), or for quasi-Dominion status (which they have already said they are not prepared to grant).

5. It seems to me that this would be extremely serious, always assuming that H.M.G. definitely require to stay on in Malta as at least the defence experts say they do. I will not weary you with a disquisition about the possible consequences of clearing out of Malta on the political situation in the U.K., in the general field of Colonial politics, in the United Nations, and in world opinion generally.

6. Let us assume that H.M.G. are determined not to grant Malta independence at this stage. In that event, the worst possible situation would have arisen if the Maltese were allowed to have an election in which they were pressurized-cum-bamboozled by Mintoff into giving him a majority vote for it. The majority of the electorate definitely does not now want that, and would be seriously perturbed if they were now told that the British are likely to depart. But they have no access to the true facts of the situation, and lack the background against which to assess them even if they had. In short, they are so immature and so easily led that Mintoff could probably get them to follow him by promises and his persuasive powers. The Church will not like it, but the Ecclesiastical Authorities will not wish to be put into the position of seeming to go contrary to the national aspirations of the Maltese people, especially if current Protestant criticism of Maltese affairs is skilfully exploited as part of the campaign.

7. Thus it seems that matters must not be allowed to go that far. There is no Party, except the P.C.P., which would fight the British case in an election campaign, and the P.C.P. in any case could not win. H.M.G. could certainly not stand on the touch-line during an election campaign and put out propaganda favouring their own cause and against the set platforms of the political Parties engaged in the campaign.

8. If this is correct, then it is clear that we cannot afford to run the risk of an election in which the Maltese people may decide for independence since once the campaign has started we cannot effectively influence it. It would be almost as great a travesty of democracy if the British Government put a propaganda machine into action during an election to prevent the Maltese people voting for Mintoff, as it was when the Archbishop said that the Maltese people must not vote for Lord Strickland.³

9. This means that if Mintoff goes all out for independence, the election really ought not to be allowed to take place, and the question immediately arises: can this

³ Stemming from a dispute between the prime minister, Lord Strickland, and the Franciscan Conventual Order, the archbishop of Malta issued a pastoral letter in 1930 in which the electorate was warned: 'You may not, without committing a grave sin, vote for Lord Strickland and his candidates, or for all those, even of other parties, who in the past have helped and supported him in his fight against the rights and the discipline of the Church or who propose to help and support him in the coming elections.'

be prevented by democratic means? It could of course be stopped by suspending the Constitution, but short of an emergency this could only be done by Act of Parliament. If we wanted to produce an emergency we could no doubt do so by using our powers under the present Constitution, since if we did this Mintoff would probably not be able to restrain himself from hitting back against the Services, etc. in such a way as to enable an emergency to be declared. All this, however, does not sound very promising.

10. I cannot myself think of a way out of this situation. Could the bi-partisan approach be re-established for example by reconvening the Round Table Conference or some parallel all-Party body? Otherwise there is of course always the time-honoured gambit of the Royal Commission. It is just possible that Mintoff might agree to accept a new look by a reconvened Round Table Conference, but I have more doubt about a Royal Commission. In any case, all sorts of difficult questions arise over the conduct of another enquiry of that kind. Could it take place if Mintoff was not prepared to agree to it? If he did agree, could it complete its task before the next Maltese General Election which must take place at the latest in April, 1959: and would H.M.G. if necessary be prepared to legislate to prolong the life of the existing Maltese Parliament? If he did not agree, would they be prepared to suspend the Constitution and then carry out the enquiry?

11. So far this is all so much thinking aloud. The central point on which I am certain is that H.M.G. should not countenance an election fought by Mintoff on an independence platform unless they are prepared to see him win it. If they are not so prepared, then means must be found of closing down Maltese democracy for a while. But how? I should be grateful for your views.

P.S. The Governor has seen and approved this letter.

Minute on 106

The letter referred to in paragraph 2 of telegram No. 72 from Malta at (128) arrived after our talk with the Minister of State on Monday. The letter is now at (130).

The letter deals with the danger of an independence campaign by Mr. Mintoff, which was one of the main subjects of our discussion with Lord Perth on Monday evening. The letter is a useful analysis of the Party outlook in Malta. I agree with Mr. Trafford Smith that the Nationalists would find it difficult to oppose Mr. Mintoff, if the latter opened a campaign for independence. Their own programme is for quasi-dominion status within the Commonwealth and they might feel foolish if Mr. Mintoff outbid them by going for independence either inside or outside the Commonwealth. It is, however, just possible that they would oppose Mr. Mintoff's programme on the grounds that it was not as practicable or as good for Malta as their own.

As regards the outcome of an election on independence, I think that the Lt. Governor is probably right in assuming that it would result in some sort of majority for independence or dominion status, at least if H.M.G. were standing by and doing nothing. This is what Mr. Trafford Smith assumes would be the case in his paragraphs 7 and 8. While I would agree that one does not want to involve the Governor and other members of the Maltese Imperial Government in a Maltese electoral campaign, there are precedents, notably the Governor's intervention at the last election which Dr. Borg Olivier bitterly claims ousted him and let in Mr. Mintoff!

I do not see why H.M.G., through ministerial statements in Parliament and other media of publicity, should not address the Maltese electorate and make clear their intentions. Such action might not avert a majority of votes being cast for either Mr. Mintoff or Dr. Borg Olivier or a coalition, but the issue before the electorate and consequently the electoral results might well be very confused and inconclusive. Moreover, we need not assume that the election would be followed immediately by unilateral action. Legislation by the U.K. Parliament would be necessary if H.M.G. were prepared to agree to independence or dominion status and presumably there would be opportunity for talks with the Maltese Government or, preferably, with all the Maltese Parties, or even for a wider forum of discussion including the Parties here. We have faced problems of this kind before in Colonial territories and things have not always worked out in such black and white terms as (130) suggests, e.g. Dr. Jagan's present position in British Guiana.⁴

The alternative which appears to be suggested by Mr. Trafford Smith, on the basis of his assumption that the Maltese must not be allowed to have an election on independence, is that H.M.G. must prevent an election taking place. Mr. Trafford Smith, rightly I think, rejects the suggestion that H.M.G. should effect this by suspending the constitution. But he is presumably thinking of a situation in which H.M.G., quite unprovoked, would be taking the initiative. My guess would be that if Mr. Mintoff went for a campaign of independence after a breakdown of talks in London, he could not resist his urge to be aggressive towards the Services and dictatorial towards the Maltese, and he might well give us more than sufficient grounds for taking counter action which might lead inevitably to having to suspend the constitution.

The possibility of reconvening the Round Table Conference is discussed in paragraph 10 of Mr. Trafford Smith's letter. As he points out, all sorts of difficult questions arise out of such a proposal. Mr. Trafford Smith concludes by asking for views, but this was before the arrangements were made for Mr. Mintoff and himself to come to London. We should no doubt hold for discussion with him.

In the meantime, however, I have revised the draft Cabinet Paper at (100) and submit a new draft opposite. The object of placing this Paper before Ministers would be to secure their support for our present attitude on the Budget and to seek their views on the probable outcome of rigidity on that issue. If it were possible, it should be considered at the outset of the talks with Mr. Mintoff, i.e. next Tuesday. It should, if possible, be cleared with the Treasury and Ministry of Defence and Service Departments in advance. They should certainly have warning of any decision to table it.

E.M.W.
5.3.58

⁴ In 1950, Dr Cheddi Jagan had formed the People's Progressive Party (PPP) in British Guiana with a radical programme of social and economic reform in keeping with his Marxist ideas. Jagan's PPP won the general election on 27 April 1953, only to be deposed 133 days later following the suspension of the constitution and the declaration of a state of emergency (BDEEP series B, vol 6, S R Ashton and D Killingray, eds, *The West Indies* (London, 1999) pp 56–8, document 15.) Although Jagan was imprisoned for six months from February 1957, he returned to government later in the year as minister of development and planning.

107 ADM 1/27145

28 Feb 1958

[Future policy]: letter from Sir C Lambe¹ to Lord Selkirk² examining possible courses of action open to the British

As a follow up to my letter of 21st February,³ I now attach an appreciation of the effects of a British withdrawal from Malta,⁴ which I have had prepared at the verbal request of H.E. the Governor.

This appreciation shows up the necessity for us to keep Malta but somehow we must manage to persuade the Maltese to remain with us in the future of their own volition. To keep the Island by force is, in my view, useless and in any case were a situation to arise in these islands in any way comparable to that in Cyprus, it would probably be the death knell of our Colonial Empire.

The cardinal point in our favour today is that there is plenty of goodwill towards the United Kingdom amongst the Maltese who, as a whole, are still proud to be European and Catholic. In my view, however, this goodwill can and will diminish if the present situation is allowed to drift and deteriorate. It is I believe essential for us to take the initiative and to act boldly and quickly to cash in on this goodwill whilst it still exists.

In order to try and clarify my own mind as to what form this action should take, I have tried to think out the possible courses of action open to us and I enumerate them, with comments, below:—

(a) To suspend the constitution and to govern Malta ourselves. This would have to be done before it were forced upon us but it would not allow the Maltese people any free choice in their future. Moreover such an action is illiberal by implying force even if not actually using it. In any case I doubt if we could compete in selling our viewpoint against the Maltese leaders selling their 'national' viewpoint. It would be an invitation to agitation.

I do not believe this course is on.

(b) To support the local opposition.

Unfortunately this course is not possible as there is no local opposition of any consequence.

(c) To publish to Malta and the world the British Government's offer of integration and to invite Mintoff to obtain a better offer from anywhere else, and provided such an alternative offer were acceptable to the Maltese people as a whole to say we would consider it.

This course obviously involves a serious risk but it may be just the sort of risk we ought to take now in preference to the certainty of trouble later on. I realise that such a course would invite repercussions from many other Colonies but, if it were right for Malta, might it not also be right sooner or later for other Colonies? I think it would be true today to say that the traditions and sentiments of the Maltese people would probably defeat any alternative offer

¹ See 105, note 1.

² See 105, note 2.

³ See 105.

⁴ Not printed.

from the Communists or from a Moslem country. This may not be true for very long.

(d) If any sort of federation takes place between Morocco, Tunisia, Algeria and possibly Libya, it is I suppose just possible that Malta might willingly join in such a federation tied to the West.

This thought is, however, at present so speculative as hardly to be worth pursuing unless or until something more solid emerges from the present North African disputes.

(e) To announce our intention of granting Malta independence on a certain date and to plan withdrawing there from.

This might I suppose call Mintoff's bluff but I could not see it being regarded as anything but a sign of weakness by the world at large.

These are but random thoughts but I think they indicate the sort of way we should be thinking if, as I firmly believe, the moment has come when we are faced with the choice between doing something and doing nothing, the latter course being the only one which is likely to be fatal in my view.

I personally believe that something on the lines of (c) is the only possible thing. I am sending copies of this letter as before.

108 ADM 1/27145

5 Mar 1958

[Integration]: letter (reply) from Lord Selkirk to Sir C Lambe commenting that 'the last two or three months have virtually killed integration'

I have your letter of 21st February¹ for which I am grateful. I have sent copies of it to the Foreign Secretary and the Colonial Secretary.

I do not doubt for one moment your diagnosis. The fact really is that in the modern world it is impossible to see how a community such as Malta can survive without attachment to some other major Power: nor is it possible to see how with such attachment it is possible to retain the measure of freedom of action, coupled with a substantial subsidy, which is what the Maltese Prime Minister is looking for. In fairness to the present Government, it is proper to recall that this situation was foreseen three or four years ago. It was precisely with this object in view that a Parliamentary Commission was sent out under the chairmanship of the Lord Chancellor and including the leaders of all Parties: probably the most representative Commission which has ever existed outside the U.K. Although there were doubts raised in the Commission and certainly outside, Parliament accepted the principles of integration two years ago. This was a step of enormous importance and the general terms on which it was to proceed cannot I think under any circumstances be held to have been ungenerous.

¹ See 105.

It is difficult to see why the deterioration has set in. No one could have taken more trouble than the Colonial Secretary both in his personal relations with Mintoff and in forcing the Government to accept his proposals, which they did, a little reluctantly.

As you may feel from this letter, I am rather smugly saying that the Government were always right and Mintoff was always wrong. Of course that is not the whole explanation. I am afraid I must be more pessimistic and say that I have considerable doubts whether, with the evolution of political thought, the intimate relationship between Malta and this country can continue except under unusually enlightened leadership: and one cannot always expect to find such leadership, nor that it would continue indefinitely.

The fact is, however, that in relation to her latitude, from the material angle Malta is better placed than any of her neighbours. I have very little doubt that the situation could have continued. Perhaps that is not enough: even this, however, I am afraid is not easy in the present state of public finance.

What is more serious, however, is that the last two or three months have virtually killed integration dead. Even Alan Lennox-Boyd is tired of haggling for good or bad reasons and at the moment is not well. I recognise it is not enough to say to the Prime Minister—though I know it is true—that he will certainly find the Island worse off under any other regime: but he must appreciate that the reason why we are not an inexhaustible source from which funds can be supplied is because we have not got the old overseas assets to do it, even if we wanted to, at least on a scale which I know he thinks desirable.

This is, I know, a negative letter but I cannot really hold out any hope that we will be able to bid as high as the Prime Minister wants us to and if he prefers to take a chance on the other routes you mention, it will no doubt be a loss both to him and to us. I can only say to you that we will do what we can to make your relations with the Prime Minister easy.

As soon as I get the full estimates for Portelli I will get them cleared with the Chancellor of the Exchequer. It is not possible to promise anything until that has been done. Whilst I agree it is nice to settle these little points, I frankly do not believe they are more than very minor items of friction and with the best will in the world I do not believe that the Prime Minister has grounds for real complaint at the way in which his overtures have been met in the past.

109 CO 926/790, no 5 10 Mar 1958
[Integration]: record of a meeting¹ between Mr Lennox-Boyd and Mr Mintoff on the impact on integration of the Maltese government's December resolution

[On 30 December 1957, Mintoff had called a special meeting of the Maltese parliament to consider a motion proposing 'severing ties' with the UK and its allies unless a guarantee was given that alternative employment would be found for all Maltese employees

¹ The meeting was attended by Lennox-Boyd, Lord Perth, J D Profumo (parliamentary under-secretary of state, CO), Mintoff, J Cassar (minister of justice), J J Cole (minister of agriculture, posts and telegraphs).

discharged as a result of defence cuts (CO 926/855, no 363, telegram no 5 from the CRO to UK high commissioners, 3 Jan 1958). This action stemmed, at least in part, from open criticism he had received from the Admiralty section of the General Workers' Union. Although the union had withdrawn its criticism following Mintoff's resignation (which was quickly rescinded), Lord Perth remarked that 'Mintoff now took the view that the Dockyard issue was far more important than the new Constitution' (CO 926/855, no 312, note of a meeting held in the first lord's room at the Admiralty to discuss the Malta dockyard, 19 Dec 1957).]

Mr. Mintoff said he would like to clear up what he felt was a misunderstanding during the morning session. The Secretary of State had said that no industrialist in the United Kingdom would stand for the direction of labour.

The Secretary of State interposed that he had said that an industrialist must maintain freedom to engage or discharge employees. Naturally this would not apply when emergency powers were in force. *Mr. Mintoff* explained that an employer need not apply to the Labour Office to engage staff unless there were more than fifty men on his books. There was no obligation to accept the first man offered by the Labour Office. There was no control over discharges except for the trade unions, as in this country. The Services had said that they would only make use of the Labour Exchange if the existing procedure were maintained, so they evidently found it satisfactory.

The Secretary of State explained that this was not a complaint which had been made by Lord Hives² but something to which he felt Vickers would attach importance. *Lord Perth* said the point was that a private company could not assume similar obligations to H.M.G. as regards re-employment in the dockyard. *Mr. Mintoff* fully accepted this.

The meeting then reverted to discussion of the December resolution at the point where it had broken off in the morning. *Mr. Mintoff* could not understand how, when H.M.G.'s actions were killing integration, the Secretary of State should take the trouble to defend it before the 1922 Committee. Before the resolution there had been a number of conflicting documents and he had tried unsuccessfully to get satisfactory action on the question of dockyard discharges. A mass meeting had been staged and he had received a telegram from the Secretary of State which was vague and required interpretation. He had failed to get a satisfactory explanation. Then there had been the document about there being no guarantee. He had pleaded but nothing had happened. Then there were the discharges. H.M.G. were trying to evade their moral obligations under the 1955 declaration and were refusing to convert them into material ones. The only weapon the Maltese Government had was to show that they too were prepared to repudiate agreements—hence the resolution.

The Secretary of State said that his message of November, 1957 had been more specific than previous undertakings. *Mr. Mintoff* replied that he had asked for explanations of what exactly was meant by 'level of activity' and 'subject to certain economies', but no answers had been forthcoming until after the resolution.

Lord Perth felt that *Mr. Mintoff* did not appreciate the grave damage which had been done in this country by the passage of the resolution and the way in which it was done. This was not limited to members of the Conservative Party.

² See 104, note 1.

Mr. Mintoff complained that the Admiralty had refused to postpone the discharge of 40 men until he had received an explanation of the above phrases. He had sent a letter to the Governor but it had not been answered.

The Secretary of State said that the request for a guarantee in the resolution was completely unrealistic. Owing to the resolution the support he had built up for integration had disappeared. It might be possible to revive it, but certainly not while the resolution remained.

Mr. Mintoff said that if integration was moribund in the U.K. it was dead in Malta. *The Secretary of State* said he was very sorry to hear it. He had pinned his faith, and to a certain extent his fate, on it. Because of *Mr. Mintoff's* actions the original timetable for integration was certainly off.

Mr. Mintoff said he could not be expected to fight another election on the basis of integration after three years' sterile negotiations. Their term of office was up on the 10th March, 1959, but the election would have to be held three or four months before then. If the original timetable was dead here, then integration was dead in Malta.

The Secretary of State said it would then be necessary to think out afresh the relationship between Malta and the U.K. *Lord Perth* hoped it would not be necessary to bury integration as deeply as that. *Mr. Mintoff* thought it might be possible to revive it if the immediate difficulties could be solved and if it could be brought into effect before the next Maltese election. He would be interested to hear any proposals H.M.G. had.

The Secretary of State said it was completely unrealistic to imagine H.M.G. in the U.K. could do anything to put integration into effect while the resolution stood. It had lost support amongst the Labour Party as well as others. *Mr. Mintoff* said that he was not banking on a change of government in the U.K. or on anyone else's support, only on the brains and resources of the Maltese. The resolution was not immovable but the Maltese people would have to be convinced that the situation warranted its removal.

The Secretary of State said that independence was a non-starter. Defence and foreign affairs were reserved to H.M.G., who would ignore any resolution on independence and if necessary use their emergency powers. The resolution would thus have no effect whatsoever. Malta was still a Colony and the fact could not be ignored. The constitution simply did not provide for a status of independence.

Mr. Mintoff said they were being offered integration on a 'take it or leave it' basis without the free alternative of independence. *The Secretary of State* pointed out that the integration proposals had been hammered out together and were not presented on a 'take it or leave it' basis. *Mr. Mintoff* maintained that H.M.G.'s interpretation of the remedial clauses was an unacceptable precondition. *Lord Perth* pointed out that the guarantee demanded in the December resolution was a completely unrealistic precondition. *Mr. Mintoff* maintained that it did not differ from the 1955 declaration, but this was denied by the Secretary of State. It was also pointed out that if this was so, there would have been no object in negotiating the employment clauses in the integration proposals.

The Secretary of State said it was apparent that there was a need for finding some *modus vivendi*. He had not said he would not discuss independence. He would be ready to examine any proposals that the Maltese delegation put forward.

Mr. Mintoff said that if he could be convinced that the discussions were genuinely entered into on both sides with the object of finding a solution he would be willing to

put forward a memorandum containing some new economic and constitutional proposals.

The Secretary of State said he would be very interested to see this. Mr. Mintoff handed over a copy and the meeting adjourned.

110 CAB 128/32, CC 21(58)1

11 Mar 1958

‘Malta’: Cabinet conclusions indicating scepticism towards integration

The Colonial Secretary said that he was discussing with the Prime Minister of Malta the scale of the United Kingdom contribution to Malta’s budget in 1958–59. Mr. Mintoff was likely to ask, during these discussions, whether it was still the policy of Her Majesty’s Government to promote the integration of Malta with the United Kingdom. He was also likely to seek to make integration dependent on our granting financial assistance to Malta on a scale which we could not accept. If we rejected this approach he would probably ask for a dissolution of the Maltese Parliament and would base his appeal to the electorate on the theme of independence for Malta. An independent Malta would constitute a serious threat to our strategic interests in the Mediterranean; and, if Mr. Mintoff won the election on that programme, we should probably be obliged to suspend the Constitution.

Alternatively, however, Mr. Mintoff might adopt a more conciliatory attitude. He might be prepared to meet our stipulation that the Maltese Legislative Assembly should withdraw their recent resolution repudiating any obligation towards the United Kingdom Government unless a guarantee of alternative employment was given to workers discharged from the dockyard.¹ He might also be willing to accept the reduction in our contribution to the Maltese budget on which we felt obliged to insist. In that event could Mr. Mintoff be assured that integration remained the policy of Her Majesty’s Government, either in the relatively near future or after a moratorium?

In discussion it was suggested that, in the light of the public attitude which Mr. Mintoff had recently adopted towards Her Majesty’s Government, we might be better advised to maintain that the recent resolution of the Maltese Legislative Assembly justified us in abandoning the project for the integration of Malta with the United Kingdom. On the other hand, the Government were pledged to give effect to integration and, if this constitutional project was to fail, it was preferable that its failure should be seen to be attributable to Mr. Mintoff rather than to ourselves. The Government’s supporters were, however, deeply divided on the question of Maltese integration, and it now seemed certain that legislation for this purpose could be enacted only with the support of the Opposition. A Bill of this nature would form a very unacceptable element in the legislative programme of the final Session of the Parliament. For these reasons it would be preferable that, without appearing at this stage to break our earlier pledge on integration, we should seek to avoid its becoming an issue in the current discussions with Mr. Mintoff.

The Prime Minister, summing up the discussion, said that we should endeavour so to conduct the negotiations with Mr. Mintoff that the concept of integration would

¹ See 109.

not appear to founder on a mere difference of opinion about the relatively small reduction in our subvention to the Maltese budget which we found it necessary to make. It should be our aim rather to convince Mr. Mintoff that recent events, particularly the resolution of the Maltese Legislative Assembly, had shaken the confidence of the Government in his intentions and that it was for him to restore that confidence. For this purpose, if he desired to go forward towards integration, he should be asked for a written statement of the manner in which he was prepared to co-operate with the United Kingdom Government in the economic and constitutional development of the Island. In the light of his response to this invitation the Cabinet could then consider whether it should remain the policy of the Government to promote the integration of the Island with the United Kingdom.

The Cabinet:—

Invited the Colonial Secretary, in his forthcoming negotiations with Mr. Mintoff, to be guided by the considerations which had emerged in their discussion.

111 CO 926/790, PM(58)4, no 36 21 Mar 1958
**[Integration]: minute from Mr Lennox-Boyd to Mr Macmillan
 pressing for an announcement that the offers of the previous year
 relating to integration still stand**

Mintoff went back to Malta early this morning. We came to no agreement either on the short or the long-term arrangements.

2. At the last moment he put forward a suggestion that we should agree to an interim three months budget plan. I told him that this was impossible unless we agreed in advance on the level of our aid for the whole year, which had to be less than last year. In the absence of such an agreement we would certainly find ourselves committed in the first quarter to projects which would involve us in far greater expenditure than we can make by the end of the year. He would not, anyhow at this stage, accept this. He is returning home to consult his colleagues and will write to me.

3. The meetings in the last three days have been conducted calmly, but it is quite on the cards that he will now plan an anti-British campaign.

4. I have avoided saying that, integration is off, though I have made it clear that the timetable anyhow cannot be adhered to. I have been throughout, as you well know, very much handicapped by being unable to say that, provided he withdrew the offensive resolution and co-operated in what we regard as essentials, we would be prepared to stand by our undertakings of last year.

5. I am not proposing to make any immediate announcement, but I must make one very early next week. Quite apart from the fact that that will be unavoidable, it is about time the people of Malta knew of the imaginative and generous proposals that we have put forward from time to time. I should like in the statement to say that the offers of last year still stand, that is the integration proposals or the alternative (the same economic aid without representation at Westminster—this point to be looked at again in five years' time). I know that this would raise difficulties for my colleagues.

But if I merely state that the alternative still stands, then it will be a clear indication that it is we rather than Malta who have withdrawn the integration proposals, though we would argue that Mintoff's behaviour has created a new situation.

6. I am sending copies of this minute to the Chancellor of the Exchequer, the Minister of Defence, the First Lord and the Secretary of State for War.

112 CO 926/791, no 6

24 Mar 1958

[Integration]: minute from Mr Heathcoat Amory to Mr Macmillan expressing hope that 'the Colonial Secretary will not state publicly that last year's offers about integration still stand'

The Colonial Secretary has been good enough to send me a copy of his minute to you dated 21st March about Malta.¹

2. I hope very much that the Colonial Secretary will not say publicly that last year's offers about integration still stand.² I am sure that we are in fact justified in reconsidering these offers in the light of the attitude and actions of the Maltese Government since then; and that we ought not to make it impossible for ourselves to do so.

3. I am sending a copy of this minute to the Colonial Secretary.

¹ See 111.

² Referring in the Commons to his recent talks with Mintoff, Lennox-Boyd reported that 'I revived the tentative suggestion that rather than lose all the fruits of our long negotiations, Her Majesty's Government would be prepared, if the Maltese people so desired, to proceed with interim constitutional and economic arrangements for a period of five years. The essence of this five-year plan would be that Malta would be granted a constitution broadly on the lines of that proposed under the integration plan, save for the time being making Malta part of the United Kingdom and providing for representation at Westminster; the same economic and financial arrangements; and, at the end of the five years, both Governments would consult together to review the working of the constitutional and economic arrangements and to consider whether they could then proceed to the conclusion of arrangements on a permanent basis. . . . I repeated that we stood by the economic and financial commitments under the integration plan' (*H of C Debs*, vol 585, col 228, 25 Mar 1958).

113 DEFE 5/83, COS(58)122, *Annex*

25 Apr 1958

'The strategic importance of Malta': COS Committee report

[At their meeting on 23 April 1958 (DEFE 4/106, COS 35(58)2), the Chiefs of Staff approved the report at Annex and forwarded it to ministers as an expression of their views.]

Introduction

1. We have re-examined our previous paper¹ and in our view there has been no fundamental change in the strategic role of Malta in peace or war. In general the previous paper remains valid, although we have some comments to make on the weight given to certain aspects of its importance; these are discussed below.

¹ See 96.

2. The conclusions of the previous paper were:—

- (a) The importance of Malta in peace has not changed.
- (b) In limited war, the importance of Malta has increased, because it is likely to be the only secure base from which operations in the Mediterranean could be mounted.
- (c) Pending a NATO re-appraisal of the use to be made of the Mediterranean, such shipping as may be in it on the outbreak of war and the importance accorded to the submarine threat, we see no reason to reduce the present importance of Malta to NATO in global war.
- (d) Although the existing military requirement does not warrant the provision of additional air defence, (other than the normal replacement of obsolete equipment already planned for the C and R System) it would warrant it if Malta became essential to the strategic air offensive.

Military implications of granting independence

3. The retention of military facilities by treaty or lease and their use in all circumstances can never be guaranteed under conditions of complete independence. We consider, therefore, that the grant of independence to Malta would mean that we could no longer rely on using it for any essential military purposes. It is conceivable that in such circumstances NATO might prefer to locate AFMED headquarters and the projected oil storage elsewhere.

4. If independence were granted it might, therefore, be considered necessary to give up Malta as a United Kingdom national base. The major military implications of this would be:—

(a) In peace

(i) We believe that the repercussions of conceding independence to Malta under duress would be felt not only within the Mediterranean but on the United Kingdom's world-wide position. We consider, for example, that it would have an immediate psychological impact in Cyprus, Gibraltar, Aden and Singapore. Withdrawal from Malta might well increase the pressure on us to withdraw from Cyprus and at the same time make it more difficult to find any solution for the Cyprus problem other than unitary self-determination as demanded by the Greeks. If neither Malta nor Cyprus were available it would make it impossible for the United Kingdom to fulfil her present commitments in support of the Baghdad Pact.

(ii) The Royal Navy would be deprived of its Mediterranean fleet base, and of the headquarters and communications of the C-in-C Mediterranean. The only alternative British location for a base or headquarters would be Gibraltar. Although there is no need for Malta dockyard to remain in the hands of the Royal Navy, withdrawal from the base would inevitably lead to the subordination of the NATO AFMED Command to C-in-C SOUTH, and its loss as a British Command.

(iii) The flexibility in the use of United Kingdom air routes to Cyprus, the Persian Gulf, Aden and the Far East could be seriously impaired.

(iv) Malta at present provides logistic support to certain units in Libya. It is also envisaged that the Army units in Libya might be placed under the command of the GOC, Malta. The loss of Malta would, therefore, cause additional difficulties although they would not be insurmountable.

(b) In limited war

(i) Deprived of its base and headquarters facilities in Malta, the Royal Navy would find it considerably more difficult to support operations of any type at the eastern end of the Mediterranean, including the protection of United Kingdom merchant shipping.

(ii) Malta provides the only permanent British base for an amphibious force in the Mediterranean. Its loss, therefore, would necessitate the withdrawal of this force from the theatre.

(iii) The ability to provide air support for operations in the eastern Mediterranean area would be seriously impaired. In addition to its position as a link in United Kingdom air routes for reinforcement purposes, the geographical location of Malta permits an operational [sic] flexibility which could not be fulfilled by Cyprus alone. Furthermore, Cyprus could not accommodate much more than its garrison squadrons.

(c) In global war

(i) CINCAFMED is responsible for the sea communications of NATO forces fighting in south east Europe, and for the safe evacuation of allied shipping and the subsequent re-supply by sea of Mediterranean countries. Malta provides a strategically located and well equipped base for the discharge of these responsibilities. It is therefore, in itself, a significant contribution to NATO.

(ii) In addition Malta provides a convenient base for any United Kingdom naval forces which happen to be in the Mediterranean at the outbreak of war. It has potential value as a 'V' Bomber staging or tanker base. It is also a possible missile base; and this could contribute to the deterrent.

5. We conclude that:—

(a) The implications of granting independence to Malta must be assessed in terms of the political effects on the maintenance of the United Kingdom position and influence in the world in peace-time. Any change in our position in Malta is bound to affect our standing in Europe, the Middle East and North Africa, as well as having world-wide repercussions. From the military point of view the effect on our position in Gibraltar, Cyprus, Aden and Singapore would be the most serious aspect.

(b) Malta provides a significant contribution in the form of a strategically located and well equipped base for UK and NATO naval and air forces.

(c) In the event of the United Kingdom being engaged in a limited war in the Mediterranean, the use of Malta as a base would be essential.

(d) Inability to use Malta would seriously impair flexibility in the use of the United Kingdom air reinforcement routes to CYPRUS and beyond the air/sea barrier.

114 PREM 11/2393, PM(58)12, f 24 30 Apr 1958
 [Declaration of a state of emergency]: minute from Mr Lennox-Boyd
 to Mr Macmillan

[At a public meeting of the MLP on 6 April 1958, Mintoff announced that Britain's terms for integration were unacceptable and that he would demand independence if other terms could not be agreed. On 21 April, against a background of processions and mounting violence, the Mintoff administration resigned. Despite subsequently agreeing to continue on a day to day basis, a crisis point was soon reached when Mintoff, as minister of police in the caretaker government, ordered the commissioner of police to withdraw mounted police and cease baton charges. Following a two-hour conference with the governor, ministers declared that they could no longer give an assurance regarding the maintenance of law and order, prompting Laycock to accept their resignations and take control of the administration himself.]

As was expected, the Governor has asked me to declare that an emergency exists in Malta. This was inevitable sometime, because there are no Ministers to carry out the functions required of them in Maltese Law. But as you will see from the Governor's message, (telegram No. 197 from Malta)¹ the need was made more urgent by fears of further disturbances on May Day.

2. Late last night, I gave the Governor authority to go ahead, (telegram No. 156 to Malta).² The formal authority is going this morning. It merely clothes my last night's message in legal language.³

¹ PREM 11/2393, ff 27–28, telegram no 197 from Laycock to Lennox-Boyd, 29 Apr 1958.

² PREM 11/2393, f 26, telegram no 156 from Lennox-Boyd to Laycock, 30 Apr 1958.

³ At the foot of Lennox-Boyd's minute, Macmillan wrote: 'I agree.'

115 CAB 134/2234, MM 2(58) 6 May 1958
 'Malta: review of current situation': Cabinet Committee on Malta
 minutes

[The meeting was attended by Lord Kilmuir, R A Butler (home secretary and lord privy seal), D Heathcoat Amory, Lennox-Boyd, Duncan Sandys, Earl Selkirk (first lord of the Admiralty).]

The Committee were informed of recent developments in Malta and of the various problems which fell to be considered in the new situation which those events had created.

The Colonial Secretary outlined the situation leading up to the Governor's acceptance of the resignation of the Maltese Prime Minister Mr. Mintoff. It had been necessary for the Governor to ask for authority to declare a state of emergency on 30th April both to enable him to carry on the routine business of government without Ministers, and to take additional powers to ensure law and order. The Governor would probably be returning for consultation in some ten days' time. Meanwhile officials were considering the problems which lay ahead. When they had done so it would be helpful if the Committee could meet again.

It was, for example, necessary to determine whether or not we should in future seek to work with Mr. Mintoff again, or should oppose him with all the means at our disposal. Another problem related to the timing of the next elections. Under the

present Maltese constitution the Legislative Assembly had only to meet once a year, and having been just dissolved need not therefore meet again until April next year, but any further postponement would involve legislation in the United Kingdom Parliament to suspend the Maltese constitution. At the moment the Governor was on record as saying that elections would be held as soon as possible, but at the earliest this could not be before July. A fairly early election would not allow Mr. Mintoff time fully to mobilise support for his policies, and would disarm criticism that we were using present events to restore direct rule. On the other hand it would not be wise to embark upon elections until law and order had been fully restored. Mr. Mintoff had stated that he would only fight an election if it were held under a new constitution. By this he was assumed to mean not the full scheme of integration but the disappearance of the present dyarchy. It was however for consideration whether we could countenance a piecemeal arrangement of this nature. It might be Mr. Mintoff's aim to force us into a suspension of the constitution. Then there was the question of our attitude towards the grant of independence. Mr. Mintoff was likely to campaign on a platform of integration on his own terms or of full independence. The Chiefs of Staff had now reviewed Malta's strategic value¹ and if, as a result, we should judge it impossible to grant full independence in view of the dangerous vacuum which this might leave, should we say so outright before an election took place or would this merely serve to influence opinion generally in support of integration on Mr. Mintoff's own terms?

A special problem related to the future of the Police in Malta. The steadfast loyalty of the Civil Service and the Police in the recent events had been remarkable and had not been lost upon the Maltese people. But the Police must be reassured against the possibility of their victimisation by a future Maltese Government. It would therefore be necessary on conclusion of the emergency to ensure that control of the Police Force did not revert to an elected Minister.

In discussion the following points were made—

- (a) In view of our experience elsewhere it would be unwise to declare ourselves outright against independence as an eventual possibility, and further consideration should be given to the possible consequences of an offer of independence. We might for example have to consider placing the external defence of the Island under some form of international control, perhaps through the North Atlantic Treaty Organisation.
- (b) Deferment of elections for a year might give time for the economic consequences of independence to be brought home to the Maltese. If they sought a relationship with us on the Libyan model, this would free us from any concern with the maintenance of employment in the Island.
- (c) It might well be that the economic needs of the Maltese far outweighed the strategic value to use of the Island, provided always that they did not place themselves in the hands of a hostile power. It was unlikely that a Catholic people would be ready to turn to Russia. But it might be valuable if some indication of interest in, or lack of concern with Malta could be provoked from the Russians.
- (d) The Maltese Opposition could be expected to oppose both independence and an integration scheme. Their own policy for a modified form of Dominion status

¹ See 113.

appeared to involve difficult complications over the sharing of responsibility for defence and external affairs. The Opposition Leader, Mr. [sic] Borg Olivier, had however expressed interest in our proposals for a new constitution for a five year trial period.

(e) The present prospects for maintenance of dockyard employment through a civilian firm were not encouraging; it might be necessary to consider setting up some form of statutory body to administer the dockyard in future.

The Lord Chancellor said that it would be useful if the Committee might have a paper studying the points which had been raised in the discussion. It should discuss the factors governing the timing of the next elections in the Island, the problem of the provision of finance in the interim period including the question of a Maltese contribution, the prospects for employment including in particular the problem of the dockyard, the basis of our future aid to the Island and the prospects of a settlement for a trial period of years on the lines already discussed with the last Maltese Government.

The Committee:—

Invited the Colonial Secretary to arrange for officials of the Departments concerned to examine and report to the Committee on the questions raised in discussion.

116 PREM 11/2393, ff 5–6 4 June 1958
[Financial aid]: letter from Sir R Laycock to Mr Macmillan identifying the hypothecation to Malta of £38 million over the next five years as the price of remaining a Mediterranean power

Alan tells me that you may wish to see me before you depart for Washington. I am sorry to add to your burdens but, as our whole position in the Mediterranean is dependent on the solution of the Maltese problem, I feel I ought to give you my views for what they are worth.

In very general terms it seems to me that if we want to stay in the Mediterranean we must keep Malta friendly. This is going to cost Great Britain the £7 million a year over the next five years (already promised under integration) plus an additional capital, though non-recurrent, sum in the region of £3 million or £4 million for the conversion of the Dockyard to civilian use—also virtually agreed. My figures are of course approximations.

Can we not afford this sort of sum as the price for remaining a Mediterranean power? If not, let us admit that we are a third class power and quit.

If we want to stay and if we are to honour our pledge to protect the police and the civil servants in Malta against victimisation, we shall have to impose (rather than negotiate) certain sections of a new Constitution on Malta.

I am reasonably confident that we shall be able to accomplish this, at least for a trial period, but only provided that I can give irrefutable assurance to the Maltese people on my return that the Mintoffian doctrine of widespread unemployment in the Islands after 1960 is so much balderdash. I must add that even with the money, to make the actual jobs is going to be quite a problem.

Thus I contend that we shall be wasting our time if we attempt to tackle the constitutional problem before we have come to agreement in principle on a financial settlement.

My hope, therefore, is that you may feel inclined to induce the Chancellor to regard the hypothecation to Malta of some £38 million over the next five years as a not unreasonable price to pay for remaining a Mediterranean power, the more so as the alternative may well spell the disintegration of N.A.T.O. in Southern Europe.

117 CAB 21/2903

6 June 1958

'Malta: employment problems': Cabinet Office note of a meeting¹ held at 10 Downing Street

The Meeting had been called to consider the problem of employment in Malta in the light of the reduction in future labour requirements of the Services in the dockyard and base.

The Colonial Secretary said that the main difficulties in the present situation in Malta were economic even more than they were political. At the moment there were 13,200 employed in the dockyard and base together, and we had been able to say that this number would not fall below 1,200 by the end of 1960. Thereafter the Admiralty had stated that on the dockyard side work would continue at about a third of its present level, and Mr. Mintoff had represented this to mean that there would only be work available after 1960 for a third of the present numbers employed in the dockyard and base. It was important to secure a commercial use for the dockyard with some continuing Admiralty work. The necessary conversion would be likely to involve Her Majesty's Government in considerable expense; even so of the two firms in the field Vickers had displayed no marked enthusiasm for the project, while Baileys,² though greatly interested, were unlikely by themselves to be able to deploy sufficient resources. If an arrangement with a private firm should prove impracticable it might be necessary for the Admiralty or a statutory corporation to continue to run the dockyard. By these means employment might still be provided for some 9,500 by the end of 1963. But there would remain a need to find alternative employment for some 3/4,000. Consideration was therefore being given to the possibility of a statutory development corporation to secure ancillary employment, and it would be necessary to reverse the decline in emigration which had set in during Mr. Mintoff's period of office.

The Governor emphasised the danger of the present situation for our future position in Malta: it was the military view that, though Malta might now be of limited value to us in a global war, its importance to us was increased in conditions of cold war, and its loss would be a serious blow to our prestige, more particularly if the Island should turn to the Soviet bloc for economic aid. When a revised constitution came to be prepared it would be necessary to provide for a number of points which would be distasteful to extremist opinion in Malta, and if we were to be able to rely upon the good sense of the general body of the population a generous financial settlement

¹ The meeting was attended by Macmillan, Heathcoat Amory, Lennox-Boyd, Laycock, and P R Odgers (secretary).

² A firm of ship-builders and repairers from South Wales.

would be desirable. It might be necessary to think in terms of a United Kingdom contribution of as much as £7 millions a year, but expert examination of the development schemes might show that less was required. Although it might be possible to stimulate local industry the dockyard, apart from the considerable expenditure on public works, had been the mainstay of the Maltese economy. He hoped therefore that we should be able to say definitely that the dockyard would not be closed down after 1960, that it would continue either under Admiralty or private commercial auspices, and that Her Majesty's Government were ready to meet the expenditure involved. Although commercial use of the dockyard would be a new development the geographical position of Malta offered great commercial possibilities.

The Chancellor of the Exchequer said that he would like to see the draft of any statement which it might be proposed to make on this subject. We should enter into no commitment regarding any specific future level of employment pending further study of the practical means whereby work might be provided. He would accept the possibility of a statutory development corporation to stimulate industrial development generally; this might work in with an organisation established to run the dockyard on a commercial basis.

The Prime Minister said that attention should be concentrated immediately upon the creation of viable means for the commercial running of the dockyard rather than upon further promises to the Maltese people who were more likely to be satisfied by practical evidence of our intentions. For this purpose certain members of the committee of industrialists concerned with the attraction of industry to Malta (the Hives Committee)³ should be asked to explore the possibility of forming a commercial organisation to take over the dockyard in 1960. This might involve a consortium of interested firms to which Her Majesty's Government might make available loan capital whose repayment would be a first charge on the company's earnings, or which would later be replaced by a market issue. Some work would be guaranteed to the company by the Admiralty. When such a scheme had been prepared it would be possible to bring to a head the question of Vickers' participation. Combined with this organisation might be a statutory development corporation which would provide capital for other forms of industrial development in the Island and would be independent of any subsequent Maltese Government.

The Meeting:—

Invited the Colonial Secretary, in consultation with the Chancellor of the Exchequer and the First Lord of the Admiralty, to arrange for the preparation of plans for industrial development in Malta on the lines indicated in discussion.

³ See 104, note 1.

118 PREM 11/3423 **19 June 1958** **[Financial aid]: letter from Mr Heathcoat Amory to Mr Lennox-Boyd arguing for a re-examination of the financial offer made to Mr Mintoff**

I am writing to say how concerned I am about the way in which the Malta situation may develop.

First, it seems to me that we are in danger of rushing the dockyard business far too quickly. I agree that we must do all we can to get a reasonable settlement with

Baileys as swiftly as possible, but surely we cannot afford to weaken our negotiating position with Baileys by letting it be known that we are determined to make a deal with them, regardless of cost to the Exchequer or of the unsatisfactory nature of the bargain we may be forced to make in such circumstances. I do hope that you will agree that we must not be pushed into this kind of position, even if it means delaying any conclusive public announcement.

Secondly, the way in which the dockyard business is developing seems to me to call for a re-examination of the financial offer which we made to Mintoff. It has in any event always been my view that this very generous offer was made to buy what we were told would be peace in Malta for a period starting maybe in 1958/59; and that we are quite entitled in the new situation to reopen it. So long as we thought that the dockyard might cost only some £3m of which a substantial part would have been found from commercial sources or C.D.C., I did not feel it necessary to press my point to the limit. I am now advised, however, that the cost to the exchequer is most unlikely to be less than £4.5m. and could be considerably more. If we were simply to superimpose this figure on the integration arrangements it seems to me that we might well have to find something like £9m. or £10m. a year for Malta for the next few years; a figure which is surely beyond the bounds of reason.

I should like to suggest that we regard the dockyard conversion as the key feature of any development plan for Malta for the next few years. Such a plan, with the dockyard as its main feature, should be drawn up as soon as possible and we, for our part, would then be prepared to see what would be a suitable U.K. contribution towards it. But I suggest that, both on grounds of finance and capacity, it is not reasonable to commit ourselves to a precise figure at this stage, and equally that to contemplate a rate of £5m. a year on top of, say, £2.5m. for the dockyard is quite excessive.

Again, I should have thought that, in view of the very heavy capital expenditure which we shall have to incur on any assumption over the next few years, we should reconsider our position on the Maltese recurrent budget. We agreed to very generous percentage contributions to the social services linked with the integration plan, but I should have thought these should not apply in the present circumstances. Would it not be better to revert either to the normal basis of Treasury control, or alternatively to a flat rate contribution to the recurrent budget over a period. If, however, you feel it would be tactically wiser to stick to percentages, then I suggest that they should be materially reduced, starting from the basis that Malta's deficit on current account in 1958/59 is not likely to be more than about £500,000. On this basis to consider giving Malta aid on the scale of £1.5m, or more is surely without justification.

I am sending copies of this letter to the Prime Minister and to the First Lord of the Admiralty.

119 CAB 134/2234, MM 3(58)

23 July 1958

'Malta dockyard': Cabinet Committee on Malta minutes

The Committee had before them a memorandum by the First Lord of the Admiralty (M.M. (58) 2)¹ about possible arrangements for the transfer of the Malta Dockyard to a commercial organisation.

¹ CAB 134/2234, MM(58)2, 'Malta dockyard': memorandum by the first lord of the Admiralty, 21 July 1958.

The First Lord of the Admiralty said that of the firms which had expressed any serious interest in this matter Vickers Armstrong and Smith's Dock (who had been acting together) had been unwilling to accept responsibility for the Dockyard until at least a year after its conversion to commercial repair work had been fully completed – in effect for some four or five years. Meantime they would merely manage the Dockyard for Her Majesty's Government. Such an arrangement was unlikely to place the Dockyard upon a fully competitive basis as a ship repair establishment. On the other hand C.H. Bailey and Company Limited, were ready to take over the Dockyard in the spring of 1959 when they would assume full responsibility. The firm's ability to undertake the task had been examined independently, and although the report pointed out that there were many larger and more suitable firms in Great Britain for handling this project who would be more likely to maintain and enhance British prestige in Malta, it had concluded that there were good prospects of Bailey's being able to carry through the operation of turning the Dockyard over to commercial use and that thereafter the firm was likely to spare no effort in running the Dockyard successfully. The firm had now sought to obtain the services of the Fourth Sea Lord as managing director of this enterprise: if he were to be made available for this purpose it would be desirable on all counts to release him as soon as possible.

The financial arrangements involved the Government in a grant of £2¼ millions which would be expended on the adaptation of the Dockyard buildings and on civil engineering work, and a debenture of £2 millions which would be devoted to the provision of equipment and machinery. The return on this would take the form of a fixed prior charge of £140,000 to cover rent for the fixed assets and interest on and redemption of the debenture, together with a share of the profits above an agreed figure representing a return to Her Majesty's Government on the direct grant if the enterprise turned out to be more than ordinarily profitable. In the earlier stages when trading profits were being built up it would probably be necessary to defer payment of a proportion of the fixed annual charge. In addition some £¼ million of risk capital would be made available, the bulk of it by Bailey's themselves, the remainder by the Colonial Development Corporation and by certain Maltese interests, with provision for some local subscription by Dockyard employees. The ordinary capital was perhaps somewhat small in relation to the total size of the business; but it seemed unwise to overstrain the resources of the Company at the outset and as matters now stood they would have a considerable stake in the success of the undertaking. Mr. Brand had endorsed the general basis of these financial proposals.

As regards employment generally the Committee were informed that Bailey's had themselves suggested some form of internal unemployment insurance scheme for the Dockyard workers, and they intended to turn part of the Dockyard over to ancillary industry, both to extend employment and also to occupy Dockyard labour in periods of lower ship repairing activity. In addition the Colonial Office were exploring the possibility of a statutory development corporation for Malta to assist in the diversification of the Island's economy. Funds for this would be provided from those made available by Her Majesty's Government for capital development, possibly with some help from the International Bank. It must however be recognised that the Dockyard was Malta's single major economic asset and, the foundation of her employment prospects. If all went well Bailey's would be able to give employment to 5/6,000 men in addition to the numbers retained by the Admiralty in the Base.

The Chancellor of the Exchequer said that, while not sanguine of Bailey's prospects of commercial success in Malta, he saw no satisfactory alternative to the plan now proposed. The firm appeared to be a reputable one, but the project would stretch their capacity and experience to the utmost. Her Majesty's Government were being asked to find a large capital for this scheme which would be at considerable risk. Moreover past experience suggested that the present estimate of cost of £5½ millions would almost certainly be greatly exceeded. It was therefore important that initial expenditure on the scheme should be confined to essential requirements for its main purposes and that expenditure on other than essential equipment or upon ancillary industry should be avoided. While he was prepared to accept the financial arrangements set out in M.M. (58) 2 and further accepted that some substantial expenditure would be necessary on other capital development in Malta, he could not at this stage be regarded as committed to expenditure for the latter purpose on the scale of £25 millions over a five year period which had been envisaged in connection with the integration and subsequent interim proposals discussed with and rejected by Mr. Mintoff.

In discussion the following points were made:—

- (a) Failure of a scheme of this nature in which Her Majesty's Government were so heavily involved would be likely to have serious political repercussions, and it was doubtful whether with the present insecure political conditions in the Island there was any serious prospect of a subsequent market issue. But no alternative plan was available other than for Her Majesty's Government to retain responsibility for the Dockyard with all the political difficulty and uneconomic expenditure which this was likely to involve.
- (b) Detailed investigation of costs would be required over the next six months before a really firm figure of total expenditure could be arrived at. But the Admiralty would control any contracts entered into in this period and should be able to ensure that costs were held down.
- (c) Her Majesty's Government's offer of development finance could strictly be held to have lapsed on the breakdown of the previous negotiations. But some moral commitment remained and the Government were certainly committed to treating the cost of converting the Dockyard as a separate issue. On the other hand it might not be unreasonable for the cost of providing within the Dockyard for ancillary industries to be met from general development funds.
- (d) Without adequate expenditure on capital development generally there might be serious political unrest in Malta, leading ultimately to still greater expense, for example on military measures. While therefore in announcing the present scheme for the Dockyard it could be said that the general question of the long-term diversification of the Maltese economy would be further considered in the autumn, this must be without prejudice to the size of that programme which the Colonial Secretary would wish to discuss further with the Chancellor of the Exchequer.

The Committee finally discussed the political aspects of the proposals. They were informed of the intention to summon a conference in November of all political parties in the Island to work out a new constitution, perhaps on the lines of the interim proposals already put forward. An important preliminary to such discussions would be the improvement in the political climate which would be brought about by

the removal of the present feeling of uncertainty regarding employment prospects. It was however necessary to consider whether at this stage any public statement should be made regarding the possibility of future participation of a Maltese Government in the new Dockyard enterprise. It had been felt that any such statement would have to be in such general terms as to lose much of its impact. Moreover, although Her Majesty's Government might well be accused of disposing of assets which did not belong to them, it was most unlikely that Maltese political leaders would be ready to disturb arrangements once made for safeguarding employment in the Island. On the other hand it was conceivable that a forthcoming statement on future association of a Maltese Government with the Dockyard scheme might both attract goodwill and serve to place Bailey's in a more secure position politically. This might have particular reference to the question of future taxation and also to possible difficulties over the title to the Dockyard which had not yet been fully resolved. It was agreed that further consideration should be given to this political aspect which might possibly require the United Kingdom Government to forego some small part of their financial return. It would also be essential to assure Bailey's of a good title to their occupancy of the Dockyard. It might be necessary for Her Majesty's Government either to purchase the property from the Maltese Government or to take a long lease of it.

A further problem related to consultation with the Maltese General Workers' Union, who had previously been assured that they would be consulted before future arrangements affecting employment in the Dockyard were decided. It was agreed that this could hardly be interpreted as referring only to consultation regarding detailed arrangements to implement a major decision already taken. On the other hand full consultation at this stage might lead to premature disclosure of the scheme and action by Mr. Mintoff to prejudice its success. But there would be political advantage in fostering good relations with the Union, and the terms of the undertaking might sufficiently be complied with if two representatives of the Union were brought to this country early the following week and informed in general terms of the scheme before any agreement were finally concluded with Bailey's, returning to Malta in time for the announcement of the plan.

It would be desirable that the Government's intentions in regard to the Malta Dockyard should be announced to Parliament before it rose for the Recess. Before this it would be necessary to conclude an agreement with Bailey's and to consult the General Workers' Union in the way already decided. It was agreed, therefore, that the Lord Chancellor should submit the Committee's conclusions to the Prime Minister forthwith for his endorsement of the proposals, which might then subsequently be mentioned to the Cabinet.

The Committee:—

- (1) Took note that the Lord Chancellor would submit their conclusions for the Prime Minister's approval.
- (2) Subject to (1) above, approved the proposals in M.M. (58) 2 for the transfer of the Malta Dockyard to Messrs C.H. Bailey.
- (3) Invited the Colonial Secretary, in consultation with the First Lord of the Admiralty, to give further consideration to the possibility of some reference by Her Majesty's Government to future association of a Maltese Government with the Dockyard project.

120 PREM 11/3423

22 Aug 1958

[Financial aid]: letter¹ from Sir R Laycock to Mr Macmillan arguing that the financial offer made during the integration negotiations be honoured

I am sorry to add to your burdens, but Alan is away and I believe David Perth is off to the United States.

In my minute to you of the 3rd of June, I said that I considered the provision of financial aid (over and above that required for the conversion of the Dockyard) to the extent of about £7m. a year to be a *sine qua non* of our remaining in a reasonably friendly Malta.

I recognise that since then, a generous and farsighted plan has been devised for the conversion of the naval Dockyard and I know how much hard work and imagination has been put into this plan by the Departments in Whitehall. But the fact that this has been done makes what I now have to say more serious.

No-one has refuted the contention in my minute of June 3rd although I raised the matter over and over again while I was in London. In these circumstances I should have thought that one of two decisions would have been taken: either the money should have been made available to me, or, despite the elaborate Dockyard conversion plan upon which we have embarked, it should be admitted that the game is not worth the candle, and we should leave Malta, even though the Chiefs of Staff and the high-ranking British NATO officers, to whom I have spoken, regard our retention of the Island as an essential to Great Britain remaining an effective Mediterranean Power.

But neither course has been adopted—and we are proceeding with a policy, or lack of one, which, to my mind, provides the worst sort of compromise and is likely to result in our finding ourselves faced with another minor Cyprus in Malta (which will cost us many millions more than I am now requesting) or in our quitting the Island after a period during which the inhabitants, the majority of whom are still loyal and friendly, will have grown to hate us to an extent which may in the end drive them to the extreme course of turning to Egypt or even to the Soviet Bloc for economic aid.

I do not think that these disastrous consequences can long be staved off unless the present confusion of contradictions is straightened out. On the one hand, the Secretary of State for the Colonies has announced the generous financial aid* which Her Majesty's Government were prepared to find for Malta under Integration and Mintoff, and the whole world, including the Maltese people, knows the figures. On the other hand, now that Mintoff has resigned, and the British Government are in direct control, I as their representative am apparently to be rigidly restricted to an

* A sum of £25m. over five years for capital developments plus percentage grants for social services, and, in addition, the capital required to convert the Dockyard. It may be argued that this was to have been the arrangement if Integration had been successfully negotiated, but I cannot believe that we can now honourably repudiate it, simply because Integration is, at least temporarily, off.

¹ On 26 Aug, at the head of the letter, Macmillan wrote: '1. I would like Chancellor of Exchequer's view 2. Colonial Office view 3. Or perhaps a meeting of Colonial affairs committee if enough ministers can be got together . . .'

amount which falls short of the sum promised to Mintoff by a niggardly proportion, which is, however, calculated to wreck all prospects of viability just at a time when we are trying to prove to the Maltese that Britain is an equitable mistress.

Again, whilst the Secretary of State has announced in the House of Commons that we are forging ahead with the long-promised remedial measures such as the passing of an Aids to Industry Bill, the construction of a deep-water harbour, the development of an industrial estate, a desperately needed housing scheme and a drive to develop the tourist trade, I can make nothing but a laughably inadequate start being hamstrung on this year's budget for want of about £500,000. You yourself said at one of our meetings that the Maltese would be more impressed by action than by promises, but all I am now able to do at the moment is to promise action in the future.

I am advised, admittedly at present only at a fairly low level, that the remedy for this is for me to impose a 5 per cent surcharge on all Maltese taxation and to reduce the current Estimates by £250,000, which could only be achieved by a cut in the subsidies now provided to keep down the cost of essential commodities.

The first of these proposals to a lesser extent, and the second to a greater, is going to bear most heavily upon the poorer classes who simply could not stand the strain. There is acute poverty in many parts of Malta and to cut the subsidies on flour, milk, edible oil and kerosene for these wretched people who are not in the class which may benefit from possible wage increases, is to my mind morally unjustifiable. I need not describe the opposition that can be expected from Mintoff and indeed from all political parties here and even from the Church to a move of this sort. In short, I can think of few surer ways of losing Malta.

For these reasons I earnestly beg that you will agree that I should be permitted to draw up and implement a development plan—provided that it is strictly limited within the agreement indicated in the note at the bottom of page 2—but on the assumption that such a sum, or such part of it as is required, will in fact be hypothecated to Malta over the next five years. I stress that the whole total may not be required but that it is essential that we should be able to plan within this framework and to start work now. This amounts to my being given no more than terms as favourable as those offered to Mintoff.

To sum up, my proposals are that:—

- (1) H.M.G. should in the present changed circumstances continue to honour the financial offer they made during the Integration negotiations—i.e. £25m. over five years for capital development plus percentage grants for social services.
- (2) This programme would start as from April, 1959, but I would have latitude to spend up to £500,000 of the £25m. during the remainder of the current financial year for the purpose of making a beginning with agreed capital development schemes, this £500,000 being of course additional to the £5m. already provided for 1958/59.
- (3) Over and above the £5m. for the current year and the £25m. for the subsequent five years, the capital required to convert the Dockyard will be provided separately.

This is a crucial moment for Malta's history, and I am afraid that an urgent answer is required. Baileys have made a good initial impression here, but Mintoff may be

able to wreck the whole plan for political reasons unless the Maltese people can be relieved of their present fear of widespread unemployment. Reassurance about future employment prospects would of course be based partly on the Dockyard conversion scheme and partly on the financial undertakings by H.M.G. to which I have referred above.

I am sending copies of this letter to the Chancellor and to Lord Perth.

121 CAB 134/1557, CPC 12(58)2 28 Aug 1958
'Malta: United Kingdom financial aid': Cabinet Colonial Policy
Committee Minutes

The Committee had before them a note by the Secretary (C.P.C. (58) 15) covering a letter to the Prime Minister from the Governor of Malta,¹ in which the latter emphasised that in the changed circumstances the United Kingdom Government should continue to honour the offer of financial assistance which they had made in the context of the proposed integration of Malta with the United Kingdom (i.e. the provision of £25 millions over five years for capital development together with percentage grants for social services) and that he should be given latitude to spend up to £500,000 of this £25 millions during the current financial year in addition to the £5 millions already provided for 1958/59. The Governor also suggested that the capital required for the conversion of the Dockyard should be additional to the £25 millions.

*The Parliamentary Under-Secretary of State for the Colonies*² said that it was not certain that the Governor's request for an additional £500,000 during the current financial year was entirely justified. It implied a contribution from the United Kingdom Government of some £5,500,000; but a member of the Colonial Office, who had recently visited the Island had reported that Malta's requirements should exceed the £5 millions which we had already provided by only about £300,000. The question was being further examined by the Departments concerned.

The Chancellor of the Exchequer said that he had reserved his position on the proposal to spend £25 millions over five years for capital developments until details of the projects proposed and of their timing were worked out. He had also reserved his position on the question whether the capital required for the conversion of the Dockyard should be regarded as part of the £25 millions or should be provided separately. He could not lightly contemplate an increase of expenditure in Malta in 1959/60 of the order which the Governor appeared to have in mind.

The Prime Minister said that it was politically important that we should be able to demonstrate that our direct administration of Malta was superior to that of Mr. Mintoff, particularly if it became necessary to introduce legislation to suspend the Constitution of the Island. But the scope and purpose of the Governor's proposals needed further clarification. For this purpose the Committee should be furnished with a statement of Maltese expenditure in the Budget and in respect of the capital

¹ See 120.

² J D Profumo.

development programme, indicating the relationship between the British grant-in-aid and the funds raised internally in Malta and distinguishing between current expenditure on administration and social services on the one hand and capital development projects on the other. In the light of such a statement it would be possible to consider how far it might be necessary or desirable to accept the Governor's proposals.

The Committee:—

(1) Invited the Parliamentary Under-Secretary of State for the Colonies to circulate, as a matter of urgency, a memorandum on the financial situation of Malta on the lines indicated by the Prime Minister.

(2) Agreed to resume their discussion when this memorandum was available.

(3) Took note that the Prime Minister would send an interim reply to the Governor of Malta informing him that the questions raised in his letter of 22nd August were receiving consideration.

122 CO 926/825

3 Sept 1958

[Maltese economy]: minute by N B J Huijsman on the prospects for Malta's economic development

On MED 86/436/01 I have sent forward a note on the broader administrative problems arising out of the decision to hold constitutional talks on Malta in November. At (1) I enclose a note¹ on the various policy issues which may be expected to arise in connection with these talks. The note is, I hope, self-explanatory and may form a convenient basis for discussion.

2. As I have mentioned in my minute MED 86/436/01 we should, during the November discussions, bear in mind that we are dealing with the affairs of a territory with the population and approximate superficial area of one of the larger provincial cities in this country.² Malta has virtually no economic resources, and those which it possesses (including a rather over-vaunted labour force) need major improvement and development. Malta has lived largely isolated and insulated from the facts of economic life for a long time and has, thanks to the easy-going employer policy of the Services, plus ruthless financial blackmail and high pressure negotiations under the Mintoff regime, built up a standard of life much superior to that in neighbouring countries. The Maltese have not had to sweat for it, and without the aid of U.K. money would be quite incapable of maintaining it. The Maltese mentality has also to be taken into account. Nurtured on the legend of 'exploitation in the Imperial defence interest (for which H.M.G. must be made to pay—a favourite theme of Maltese politicians since the 19th century)', and hitherto secure in the belief that Malta's strategic importance to the United Kingdom is such that H.M.G. would in the last resort always be prepared to pay the price Maltese asked, the Maltese are not

¹ CO 926/825, no 1, 'Policy issues affecting the November constitutional talks': memorandum by Huijsman (nd).

² At this point J M Martin noted in the margin: 'At the same time we are dealing with the emotions of a "nation".'

readily accessible to arguments which do not base themselves on an identification with the self-centred Maltese view.

3. Malta's economic future is likely to differ radically from her present state. Whatever the Chiefs of Staff may feel, it by no means follows that the U.K. will be prepared to finance indefinitely the expansion of Maltese society when it has no discernible economic foundation. Nor is it likely that Services' expenditure in Malta will maintain its present level. The signs are that, unless a Maltese civilian economy, which could support a static population about the present level, is built up, Malta may either decline into a slum or (what may be more to the Maltese taste) become a parasite of the U.K. body economic, relying on a U.K. dole to keep a growing population in well-fed idleness.

4. It follows from the foregoing that, if this overcrowded island is to survive as a viable entity, and not become a pensioned appelage of a larger economy, H.M.G.'s aims must be two-fold:—

- (a) to give absolute priority to economic development;
- (b) to keep Malta's population stable by emigration.

The relevance of this to constitutional issues is that what Malta is facing is a progressive alteration of the whole basis of her existence. This fact is gradually being realised by many Maltese but the difficulty is that the Maltese isolation, environment, and political past help to obscure their impartial appreciation of the fundamental nature of the change and contribute to building up a strong resistance to anything which appears to threaten the present secure, though unstable, existence of the Maltese. The greater the degree of self-government which is restored, the more difficult will it become to re-orient the Maltese in the direction of productive investment, hard work, frugality and emigration. The not unnatural aim of an elected Maltese Government will probably be to preserve their present way of life while relying on H.M.G. to finance it. In the end the change would have to come, but it would be a much slower and probably more acrimonious process carried out as an unnecessarily high cost to the U.K. tax-payer.

5. The change is really vital to Maltese survival and the interim period offers an unique opportunity to get it started fast and reasonably economically at a time when H.M.G. may still be expected to be generously inclined towards the Maltese, or at any rate more so than after another four years of Mr. Mintoff. To that extent I am a convinced partisan on constitutional arrangements which, while vesting the maximum responsibility in the hands of the Maltese themselves, retain in the Governor's hands an overall reserve power in all fields of Government so that if the old Maltese Adam reawakens, the essential decisions required to put Malta on her feet economically could still be taken about the Maltese, without the Maltese, and, if necessary, in spite of the Maltese. I am sure that a reversion to the 1947 Constitution, or an adaptation of the integration constitutional arrangements would not be in Malta's interests for the next four or five years, which are likely to be the crucial period during which it may still be possible to achieve something in the way of providing Malta with a stable and a viable or near-viable economy.

6. I pass these papers through Mr. Gordon Smith and Mr. Vile for comments and for any addition to the policy issues to which consideration should be given.

7. In the note on preparatory administrative arrangements which I have sent forward to Mr. Higham on MED 86/436/01 I suggested (para. 15) that the

coordination of preparatory work might be undertaken by a small working party on the model of the West Africa Department Working Party on Nigeria. If that suggestion is accepted the note opposite, plus any comments thereon, might conveniently be

? remitted to the Working Party for consideration and recommendation.

123 CAB 130/153, GEN 664/1st meeting 5 Sept 1958
‘Malta’: Cabinet Office minutes of a meeting held at 10 Downing Street on financial aid to Malta following Sir R Laycock’s letter to Mr Macmillan of 22 Aug

[The meeting was attended by Macmillan, D. Heathcoat Amory, Allan Noble (minister of state for foreign affairs), C J M Alport (parliamentary under-secretary of state for Commonwealth relations), Duncan Sandys (minister of defence), Lord Perth, Thomas Galbraith (civil lord, Admiralty).]

The Meeting had before them a memorandum by the Chancellor of the Exchequer and the Minister of State for Colonial Affairs (C. (58) 176)¹ discussing the financial position and prospects of Malta and commenting on the three proposals made by the Governor of Malta in his letter of 22nd August to the Prime Minister.² These proposals were that:—

(a) Her Majesty’s Government should, in the present changed circumstances, continue to honour the financial offer which they had made during the recent negotiations on integration, i.e. £25 millions over five years for capital development plus percentage grants for social services.

(b) This programme should begin as from April, 1959; but the Governor should have latitude to spend up to £500,000 of the £25 millions during the remainder of the current financial year in order to make a start on agreed capital development schemes, this £500,000 being additional to the £5 millions already provided for 1958/59.

(c) The capital required to complete the dockyard should be provided separately from, and in addition to, the £5 millions for the current year and the £25 millions for the subsequent five years.

In discussion it was agreed that the first of these proposals would need to be considered in relation to a detailed long-term development plan of the type which the late Maltese Government had consistently refused to produce. The Governor had now undertaken to produce such a plan during September. In addition, the World Bank had been asked to send a mission to Malta during the next few months to undertake a complete survey of the Maltese economy and to make recommendations about its future development. It would necessarily be some time before these recommendations were available; and it was important that the short-term measures to which the Governor attached importance,—e.g. the construction of a deep-water harbour, the development of an industrial estate, and of a housing scheme, the

¹ CAB 129/94, C(58)176, ‘Malta’: memorandum by Heathcoat Amory and Lord Perth, 2 Sept 1958.

² See 120.

promotion of tourism and the introduction of an Aids to Industry Bill—should not be delayed if we were to be able, during the forthcoming constitutional talks with the three Maltese political parties, to satisfy public opinion that, during our period of direct administration of the Island, we were no less concerned than previous Maltese Governments to promote the welfare of its inhabitants. It was unnecessary, however, to provide additional aid from the United Kingdom for this purpose during the current financial year. The amounts which it was already proposed to provide in the Estimates should enable a beginning to be made with the various projects which the Governor had in mind, while it was unlikely that the Aids to Industry Bill, which was not yet even in draft, could take effect during 1958/59.

As regards the conversion of the dockyard, the expenditure entailed in this respect, if added to the cost of the other measures which the Governor envisaged, would imply that we should need to spend some £9 millions per annum for at least the next two years in Malta. Expenditure of this order was likely to be impracticable in the light of the physical limitations of the Maltese Public Works Department and the probability that the demand for labour created by annual expenditure on this scale would result in internal inflation in the Island. The conversion of the dockyard was admittedly of great importance; but its timing in relation to the other projects which the Governor envisaged would need careful consideration.

In the longer term no solution to the problem of the Maltese economy was likely to be found without a rectification of the present system of consumer subsidies, a reform of the restrictive system of housing allocation, rent and building control, a review of taxation, an increase in the financing of capital expenditure by the raising of internal loans and a resumption of emigration.

The Prime Minister, summing up the discussion, said that while far reaching measures of social and fiscal reform might well be necessary if the economic life of the Island was to be placed on a stable foundation, their effects would be liable to be felt by the inhabitants of the Island before any of the benefits of the development plans matured. Politically, therefore, our tactics should be to concentrate on the measures which could be taken in the near future. The Governor should be assured that adequate provision would be made in the Estimates to enable him to make a start with the capital projects which he had in mind. He should also be pressed, however, to produce a detailed development plan, and the schemes comprised in this plan should then be considered, together with the project for the conversion of the dockyard, in order to ascertain in what order they might be implemented without creating inflationary conditions in the Island. On this basis it should be possible for us to indicate, during the forthcoming constitutional discussions, that we were adopting a positive and imaginative attitude towards the future economic development of Malta and were taking practical steps to put our plans into operation. Once we had established this psychological initiative and had, if possible, secured the approval of the World Bank for our five-year development plan, it would be politically more feasible to turn our attention towards the longer term remedies for the problems of the Maltese economy.

The Meeting:—

Invited the Minister of State for Colonial Affairs to submit to the Prime Minister a draft reply to the Governor of Malta on the lines indicated during their discussion.

124 PREM 11/3423

22 Sept 1958

**[Financial aid]: letter (reply) from Mr Macmillan to Sir R Laycock
on UK assistance towards the economic development of Malta**

My dear Governor,

I was naturally concerned to learn from your letter of August, 22¹ of your view that for want of about £500,000 on this year's budget your efforts to forge ahead with development projects to which we are publicly committed were being hamstrung and that you would be able, to quote your own words, to make nothing but a laughably inadequate start this financial year.

We have gone into the position very carefully and you will shortly be receiving from the Colonial Secretary a despatch approving the Estimates and commenting in detail on the situation they reveal. As you will see, the view is taken here that the out-turn of the financial year is not likely to be anything like as unfavourable as might at first sight appear. The estimates, as approved, will include adequate financial provision for the essential measures referred to in paragraph 6 of your letter, and although this will be less in some cases than you have budgeted for, I am assured that it is as much as you are likely to be able to spend during the financial year.

You mentioned in your letter the questions of subsidies and of taxation, which, as you say, have far-reaching political repercussions. My impression is that there is scope for a review of your whole taxation policy and of the policy of subsidies, and that such a review might well be of great help in placing the economic life of the Island on a stable foundation. But, of course, the first thing we must be able to demonstrate, now that we are in the saddle, is the effect of such short-term measures of economic development as are feasible, and it is on this account that I share your view that you must be able to go ahead with the projects you mention and that adequate provision must be made for them this year.

I realise that your administration is working under a severe handicap in having inherited a legacy of confusion and in having to rely upon a civil service which, whatever its merits, is bound to have in mind that direct rule is only an interim form of government for Malta. For this reason, the Colonial Secretary is arranging to send you shortly an experienced officer as a financial and economic adviser, and I feel sure that this will be of great assistance to you in carrying out your development policy and at the same time keeping within the ceiling of United Kingdom assistance for this year.

Looking to the longer term, I regard it as essential that a detailed development plan should be produced, and I understand that the Maltese Treasury team, who came to this country in July, undertook to have such a plan ready in draft form by the end of this month. As you know, we are hoping that the World Bank will agree to make a survey, but that could not be ready before the Constitutional Conference in November, and we must before then have a plan of action in outline which will have to be considered together with the project for the conversion of the Dockyard, in order to ascertain how the salaries can be met without creating inflationary conditions in the Island. We should then be able to show during these discussions

¹ See 120.

that we are adopting a positive and imaginative attitude towards the future economic development of Malta and are taking practical steps to put our plan into operation. Once we have established the psychological initiative in this way, it will be politically more feasible to turn our attention to the reforms which may well be necessary for a sound economy.

Yours very sincerely,
H.M.

125 CAB 134/2234, MM(58)3

12 Nov 1958

**'Future constitutional arrangements for Malta': memorandum by
Mr Lennox-Boyd for Cabinet Malta Committee**

In accordance with the intention which I expressed in my statement to Parliament on 31st July,¹ I have invited the leaders of the Maltese political parties over to London for discussions on future constitutional arrangements for Malta. The talks will begin on 17th November.

2. The present political atmosphere in Malta, although peaceful, is not conducive to making a further attempt to work out *final* arrangements for Malta's constitutional future. All Maltese political leaders have rejected the policy of integration although Mintoff is quite capable of reviving it at any time he thinks it would suit his book. The alternative of independence or full Commonwealth status is not compatible with H.M.G.'s present defence commitments and interests in the Islands, and is certainly quite impracticable at a time when the Maltese economy is almost wholly dependent upon U.K. Services expenditure in, and H.M.G.'s financial aid to Malta. The Maltese economy is facing a difficult future. U.K. Services expenditure is declining, and strenuous efforts must be made over the foreseeable future to attract industry, etc., to the Islands in order to compensate for declining defence expenditure. A conscious effort must therefore be made to re-orient the Maltese economy in an endeavour to make the Islands viable.

3. All this points to the desirability of not attempting to work out a final constitutional solution for Malta at this stage. It is my intention therefore to try to secure agreement to a new *interim* constitution, whose terms would be reviewed in five years' time, or sooner if circumstances should justify this.

4. Such an interim constitution must, I consider, take into account three major factors:—

- (a) the outline integration constitutional arrangements which were worked out with the late Maltese Government;
- (b) H.M.G.'s expressed undertaking to protect the police against victimization by a future elected Maltese Government; and
- (c) the desirability of keeping a real power of the purse in H.M.G.'s hands, as the economic transformation of Malta will in fact have to be financed entirely by H.M.G.

¹ *H of C Debs*, vol 592, cols 1598–1608, 31 July 1958.

The point at (c) above can be met by appropriate measures taken here to control the use of funds made available by H.M.G. for specific purposes and no special safeguards need be written into the proposed Maltese constitution. The other two factors are to a certain extent incompatible, for I am convinced that the only way in which adequate effect can be given to H.M.G.'s pledge to the Malta Police, and to safeguard H.M.G.'s defence interests in Malta, is to remove the Police from the control of an elected Maltese Government. On the other hand, I am equally convinced that any constitutional arrangements which are offered to the Maltese should be as liberal as is compatible with H.M.G.'s expressed undertakings and responsibilities and that there is considerable presentational advantage in basing our proposals on the five-year interim plan which we offered Mintoff earlier this year.

5. I attach an outline of constitutional arrangements² which could satisfy the requirements noted above. The outline is in a form which could be disclosed to the Maltese delegations; there are of course a number of provisions which would have to be discussed with them in greater detail.

6. I should be grateful for my colleagues' endorsement of the proposals in the Annex as a basis for my talks with the Maltese Parties next week.

² Not printed.

126 CO 926/773, no 30

22 Nov 1958

[Maltese independence]: minute by N B J Huijsman assessing the risks of 'having to leave Malta'

Now that Mr Mintoff has come into the open with his demand for independence it is for conson whether there would be any point in calling his bluff. This minute submits some first thoughts on the subject.

2. I do not think that Mr Mintoff is bluffing on this occasion, but I am equally certain that he is not motivated by any sentimental or idealistic conson. His past experience has taught him that so long as Malta is in some sort of dependent relationship to the UK, HMG will always ultimately have the last word in Maltese affairs, and he, Mr Mintoff, will be unable to drive as outrageous financial bargains with the UK as he would like. He also appears to be convinced that Malta is still essential to Imperial and NATO defence, so that from his point of view, provided he can cut loose from the UK constitutionally, he could under favourable circumstances count on HMG being prepared to pay almost anything to retain the use of Malta's defence facilities. Therefore, he argues, I must aim at complete independence without strings and independence once attained, from this position of strength squeeze the UK lemon till the pips squeak. I do not think therefore that we would be far wrong in regarding the independence gambit as a serious one.

3. If we are to take the independence proposition seriously I assume that we could only do so on the assumption that we should be prepared to submit the issue to a plebiscite in Malta. There is at present no elected government in Malta with whom HMG could negotiate a handover, and judging by the progress (sic) of the constitutional discussions I doubt whether this deficiency will be remedied in the near future. To negotiate the handover with political parties without testing public

opinion on this issue would be unusual, to say the least. Discussion with the political parties could at present only relate to framing the terms of the question to be put to the Maltese voters.

4. In the Maltese context the holding of a plebiscite would be a more than usually chancy operation. However nonsensical the concept of an independent Malta may appear to us under present circumstances I think it not unlikely that the Maltese, the great bulk of whom appear to have no clear conception of what Malta's real economic and financial position is, would give a small majority to the independence party. It would be difficult to reject this outcome if HMG had themselves proposed the holding of a plebiscite. The following paragraphs therefore examine whether, from the UK point of view, it would be worth while running the risk of having to leave Malta.

5. It seems to me that there are three main aspects of this question to consider:—

- (a) what does the UK stand to lose in the defence field by accepting Malta's independence;
- (b) who might step in to fill the vacuum created by the UK withdrawal (assuming that the UK objected to dealing with Mr Mintoff on the latter's terms); and
- (c) what might be the political consequences?

6. The Chiefs of Staff have made several appreciations of the strategic importance of Malta in recent years, and their estimate of the strategic consequences of the loss of Malta may be summed up as follows (See also (9) and (29) on MED 86/6/06 for a fuller exposé):—

(a) *Peacetime*—The Royal Navy would lose its present Mediterranean Fleet and amphibious force base, though the former could be replaced by Gibraltar. The flexibility in the use of the air routes from the UK to Cyprus and other points east and south could be seriously impaired, though for normal trunk flying the Islands' importance may in any case diminish with the advent of long-range transport aircraft. The Army would lose a conveniently situated logistical base, though this would not create insurmountable difficulties. The UK might lose a Mediterranean NATO Command, and its military influence in the Mediterranean area might as a result be much diminished.

(b) *Limited war*—The RN and RAF would find it much more difficult to support operations of any type in the Eastern Mediterranean, and the Army would lose a convenient base.

(c) *Global war*—The UK would no longer have a strategically located naval base at the outbreak of war, and would have lost a potential air and missile base.

7. Looked at from the purely UK point of view it seems that the loss of Malta would certainly cut down the UK's ability to mount and conduct independent operations of the Suez and Jordan¹ type in the Mediterranean area, but that NATO-wise, apart from the possible disappearance of a UK NATO Command, the loss of Malta should not in itself seriously impair the war potential of the NATO forces in the Mediterranean.

¹ In July 1958, British troops had been sent to Jordan at the request of King Hussein to bolster his regime in the aftermath of the Iraqi revolution.

8. So long as Baghdad operations² are not likely automatically to involve NATO, the UK could not compensate for the loss of Malta by using, say, bases in Sicily or Tunisia, but in proportion as the Baghdad Pact comes to be assisted via the Persian Gulf rather than the Mediterranean, Malta's essentiality to Baghdad Pact strategy might well diminish.

9. It has been argued that a UK withdrawal from Malta would lead to Maltese association with other Powers and that this would be inimical to UK interests. I am inclined to doubt the validity of this argument, on two grounds. First, Malta cannot and probably never will be able to stand on her own feet economically. At present it would be a most expensive business for any other Power to take on Malta as a pensionary. Secondly, I cannot conceive the Maltese entering into arrangements with other Powers which would fetter their freedom of action in any way—if they should be prepared to do so the chances are that they would prefer to be the UK's client. To accept Malta as a pensionary therefore would mean taking on a responsibility—and a one-sided responsibility at that—conferring no obvious benefit other than a sense of a moral duty well carried out. On the whole I think that there are few peoples in this world besides the British and Americans who take much delight in this form of masochism. Furthermore, who could afford to support Malta at the standard of living to which the Maltese have become accustomed, and which they would wish to maintain? One can rule out the chronically impecunious Powers such as Greece or Tunisia, and Malta's Latin sisters would probably also prefer to reduce, rather than add to their economic burdens. I find some difficulty in accepting the thesis that President Nasser might jump at the chance of spiting the UK by being kind to the Maltese. Quite apart from the fact that if he wants to be unkind to us President Nasser can do so far more effectively and cheaply in Aden and Somaliland, I cannot see Syrian resources being diverted from the task of building up the Egyptian economy³ in order to keep the Maltese alive on the off-chance that this might be unwelcome to the UK. Finally, would we object to the USA inheriting the UK's Maltese troubles? I don't think that as a people we would be averse to indulging in a little *Schadenfreude*⁴ if this were to happen.

10. This leaves the USSR. The Maltese would hardly accept Soviet aid with strings, even though I have no doubt that if they were faced with starvation they would in the last resort be prepared to turn to the USSR for aid. Present Soviet foreign policy does not suggest that the USSR would be keen to play Santa Claus in the one place where the great bulk of the population would remain anti-Soviet despite Russian generosity. Even if the Russians were to be allowed to set up a base in Malta I doubt whether this, relatively isolated from Soviet assistance and ringed by NATO bases, would be a particularly attractive proposition to the USSR or a serious danger to NATO.

11. All the foregoing does not take into account the political factor. There is the 'precedent' objection—i.e., to accept a plebiscite on the issue of Maltese independence would set undesirable precedents elsewhere. As this type of argument tends to be scouted in respect of other issues on the grounds that Malta is unique I

² See 79, note 1.

³ Egypt and Syria had come together to form the United Arab Republic on 1 February 1958.

⁴ Malicious enjoyment of another's misfortunes.

suppose that we could accept the holding of a plebiscite in Malta because conditions in Malta are unique. Another argument is that once Malta was lost the UK would cease to be a first-class Power. This ignores of course that the UK ceased to be one after the end of the last war. It is however sufficiently true in the sense that the outside world would regard the loss of Malta as a sign of British decline and that the UK's influence might be accordingly affected, particularly in the Mediterranean and the Middle East.

12. On balance however I am inclined to regard the biggest argument against letting Malta go to be the one that this would be a wholly irresponsible move on the part of the UK, and would redound to the discredit of the UK's reputation. As I have pointed out above, we cannot rely on the Maltese voting in a plebiscite with a clear idea of what independence might imply for them. If the UK were to take advantage of this ignorance to clear out of Malta and to leave the Maltese to their own devices and the utmost misery, the impression given to the outside world would be that of an abdication of the responsibilities which HMG have always declared themselves ready to shoulder in the interests of their dependent peoples, with the unavoidable result that the UK's reputation would suffer a major blow.

13. I am afraid that we must accept the fact that Malta could well echo Miss Zsa Zsa Gabor's⁵ immortal words—'where could I find another husband who could afford to keep me?' While on purely strategic and power-political grounds the arguments against giving Malta independence are not overwhelming, we cannot simply in common humanity walk out of the place and leave the Maltese to survive as best they can. General de Gaulle's tactics can be swallowed if those to whom they are applied have a reasonable chance of survival on their own; to apply them to Malta would not be far removed from genocide. For the time being there is no alternative to trying to give effect to HMG's oft-repeated determination to stand by Malta and transforming her economy in order to enable the Maltese people to stand on their own feet.

14. I am sending copies of this minute to Sir Robert Laycock and Mr Trafford Smith.

⁵ Hungarian born film actress popular in the 1950s.

127 PREM 11/3423, PM(58)62

25 Nov 1958

'Malta': minute from Mr Lennox-Boyd to Mr Macmillan on talks with Mr Mintoff regarding Maltese independence¹

I had a second meeting today with Mintoff and his delegation, at which I explained why I could not consider his demand for immediate independence as a basis for further discussion. I laid most emphasis on Malta's heavy dependence on us for her livelihood and on the disastrous economic consequences of a severance of her ties with us. I purposely played down our defence interests, saying that in the hypothetical circumstances of independence there would be no prospects of our defence needs being adequately met in Malta and that it was highly unlikely in these

¹ At the foot of Lennox-Boyd's minute, Macmillan wrote: 'You have done right.'

circumstances that NATO would remain there either. I concluded by saying that it was apparent that, if H.M.G. were now to support a claim for complete independence, they would be condemning the Maltese people to appalling poverty, mass unemployment and the extremes of hardship. To do so would be completely contrary to our declared policy and would be regarded by the world as an irresponsible abnegation of our duties. Defence considerations apart, therefore, we saw no alternative in present circumstances to the maintenance of the U.K. sovereignty over Malta in the interests of the Maltese people themselves. I went on to say that we were prepared, in addition to providing capital for the dockyard transfer, to continue to give Malta substantial capital assistance and to encourage the development of new industries; and that we were ready to introduce a constitution which would give Malta the highest degree of self-government consistent with our defence requirements and our obligations for the well-being and economic progress of the Maltese people.

2. Mintoff argued about the extent of our defence interests and tried to get me to say—which I refused to do—that we were turning down his demand for independence because we needed Malta as a base. When he saw that I was determined to leave him stuck with his own ridiculous demand, he tried to argue that, having presented his proposals, he should now be given ours. He refused to be convinced that his demand for immediate independence rendered useless any further discussion of constitutional arrangements based on the need, as we saw it, for continuing the present relationship between Malta and the U.K. Although I took the opportunity to emphasise that the form of constitution we had had in mind was an interim one and that it did not preclude independence some time in the future, if the conditions necessary for it were satisfied, I refused to put any detailed proposals to him and said firmly that there was no point in my doing so with his demand on the table. Mintoff made no move towards withdrawing his demand and I avoided asking him to do so. Instead I adjourned the meeting with the suggestion that he should consider what I had said again when the minutes were available and that if after that he wished to have a further meeting I should be very ready to see him again.

3. I think it is clear that Mintoff's demand for independence was an opening bid which he did not expect us to accept but by which he hoped to raise the price against us and to retain the initiative. Having then heard our proposals, he would measure them against his own and, if he thought he could get away with it, reject them as being unacceptable to the Maltese people. This afternoon he was obviously jockeying to get us into that position. I think we successfully prevented him from doing so.

4. Although none of his delegation spoke up against him, some seemed uneasy and worried, especially the members of the General Workers Union who are over here for separate talks with the Admiralty and whom I agreed he might include in his delegation. The impression I was left with when the meeting adjourned was that Mintoff will not, as he threatened to, consider the Conference at an end but will ask for a further meeting. With this in mind I offered a discussion on the dockyard. We cannot, however, exclude the possibility that he will break off the talks and publish his own version of his reasons for doing so. I shall be ready with a statement of our case against that eventuality. It would, I think, stand up well to criticism in the press or in Parliament.

5. I am sending copies of this minute to the members of the Malta Committee, and the Foreign Secretary.

128 CO 926/797

30 Sept 1959

[Constitutional development]: minute by N B J Huijsman arguing that ‘any future constitutional arrangements which do not hold out the prospect of full sovereignty within the foreseeable future will eventually break down’

These pp may not seem very appropriate for an examination of how elected government should be restored to Malta, but as I assume that such a restoration would probably involve an advance beyond 1947 I take it that it would not be very much out of place to look at the Maltese constitutional problem in terms of what our ultimate aims should be.

2. The note opposite¹ is an attempt to produce a political pendant to Mr Mayle’s economic memorandum of the 18th August. It tries to enumerate significant factors which are worth noting, as well to examine some possible solutions to Malta’s constitutional problems.

3. I have hesitated to put forward any specific nostrum because it seems to me to be rather early days for such an exercise. Furthermore, I doubt whether my suggestions would be of much value, or would be unbiassed. My only close contact with Malta and the Maltese has, I am afraid, led me to appreciate the delicate irony rather than the generosity of His late Majesty’s gift to the Islands; it follows that my own hope is that integration will not be revived. The difference between the two peoples, and the distance between them are too great for anything but the loosest link between them to be desirable, or, I think, practicable. We tend to underestimate the differences between the Maltese and ourselves, in our desire to give the Maltese a square deal. Malta’s superficially European characteristics are the work of the Catholic Church, whose great triumph has been to impose on the Maltese an European code of morality and behaviour. With the increasing secularisation of Maltese life however—which our development, T.V., and other plans will do much to hasten—the moral discipline of the Catholic Church will increasingly tend to be ignored and the Maltese *Urgeist*² (hitherto only displayed in full flower by Mr Mintoff and several of his associates) will, I fear, tend to regain the upper hand.

4. Leaving aside personal antipathies, I doubt whether integration would in the long run be any more successful than any other constitutional arrangement not giving the Maltese 100% of what they want—i.e. complete control over their destinies, preferably with someone else footing the bill. The cultivated classes in Malta may deplore the idea of sovereign independence, but in the century of the mass vote they do not count. It is the aspirations of the thousands of Maltese men in the street which will determine the future attitude of the Maltese people, and it would be a mistake to assume that they are any more immune than other arabs [sic] to nationalism. We can not count on an identity of views between them and the United Kingdom on the latter’s defence rights in Malta, nor should we delude ourselves into thinking that there is a fundamental affection for the British connection among the Maltese clerks and artisans; the noted Maltese loyalty to the Crown has a certain

¹ CO 926/797, no 17, ‘The political situation in Malta’: note by Huijsman [Oct 1959].

² Original spirit.

element of cupboard love in it. For these reasons I feel that any future constitutional arrangements which do not hold out the prospect of full sovereignty within the foreseeable future will eventually break down, not because Mr Mintoff and his like cannot be trusted to work such arrangements, but because Mr Mintoff and his associates represent the broad aspirations of the Maltese people and will continue to be put into office to realise them. In other words Mr Mintoff is only a political problem because he has the backing of the Maltese masses.

5. I have given Mr Downie a copy of the note opposite.

129 CO 926/770, no 36, PM(59)59 27 Nov 1959
**[Constitutional development]: minute from Mr Macleod to
 Mr Macmillan on his forthcoming visit to Malta**

As you know, I shall be visiting Malta from December 8th to 10th on my way to East Africa. In preparation for this, the Governor has recently paid me a visit here.

2. Representative government in Malta has been in abeyance since the riots of April 1958, following the breakdown of the integration talks. The present constitution, providing for direct rule by the Governor advised by an Executive Council made up of officials and nominated unofficials, has been in force since April of this year. We have repeatedly said that this was only an interim arrangement, and I was therefore anxious to visit Malta in order to assess at first hand the chances of moving forward.

3. The Governor reports that the political situation in Malta is relatively quiet. While the Malta Labour Party led by Mr. Mintoff, despite having lost come ground recently, is still the dominant political force, the Governor considers the rest of the population are reasonably content with the present arrangements so long as elections are likely to mean Mr. Mintoff's return to power. Since the breakdown of the constitutional conference last November, the attitude of the Malta Labour Party has, if anything, hardened it has become more outspokenly anti-British and more firmly committed to independence. There is at present no sign of a change of policy in the other parties nor of a moderate leader capable of effectively uniting the opposition to the Malta Labour Party. The Church, however, under the influential leadership of the Archbishop of Malta, has come out even more openly against Mr. Mintoff.

4. I have asked the Governor to invite the political leaders to meet me and make their views known to me in person. Clearly my visit will arouse a good deal of speculation locally, and I shall have to make a statement at the end of it, not only to put its significance into perspective, but also to allay any fears that may be aroused that H.M.G.'s interest in Malta is declining or that they intend in any way to retreat from their undertakings to protect the police and public service from victimisation by a future Maltese Government.

5. The sort of statement I have in mind would open by reiterating H.M.G.'s hope that the present constitutional arrangements will be of relatively short duration. However, a return to responsible government is clearly dependent on framing a constitution generally acceptable both to the Maltese political parties and to H.M.G. I would then go on to say that it was in order to see how matters stood that I decided

to pay an early visit to the Island and to invite the leaders of the four parties to meet me. I would stress that H.M.G. had certain essential interests and responsibilities, such as the secure operation of our military base in, and of our air staging and communications through Malta, and our wider responsibilities in Malta both for the welfare of her people and for the strategic interests of the Commonwealth and the Western world. I would also reaffirm the pledges given to the public service and the police by my predecessor, following the disturbances in April 1958, that they would not be subject to political victimisation.

6. What I shall be able to say about my meetings with the political leaders will, of course, depend on what transpires during them, and I shall discuss this part of my statement with the Governor at the time. My visit will be too short to permit any substantive discussion, nor do I think it possible to make any immediate moves—unless there is evidence of a substantial change in local political attitudes. Nevertheless, I think it highly desirable to retain the initiative by holding out hope for the future. I should therefore wish, if my meetings with the leaders permit, to end my statement at least with an assurance that I shall think over very carefully what has been said to me and the ways in which it may be possible to move forward. I have not yet made up my mind whether to offer to put forward in due course proposals with this aim in view. Much must depend on the views that the political leaders—especially Mintoff—express to me, and I do not propose to put my statement into final form until I have been to the Island.

7. I am sending copies of this minute to the Lord Chancellor, the Foreign Secretary, the Secretary of State for Commonwealth Relations, the Minister of Defence, and the First Lord of the Admiralty.

130 CO 926/770, no 41

10 Dec 1959

[Constitutional development]: Mr Macleod's statement on his departure from Malta

May I say first how glad I am that Malta is the first territory I have visited as Secretary of State for the Colonies. There is a great affection for Malta in the United Kingdom and a great desire to work out a prosperous future for her within the framework of a satisfactory constitutional settlement.

I was very glad to see something of the progress being made under the Five-Year Plan, and in particular to visit Bailey (Malta) Ltd. The conversion of the Dockyard to commercial repair work is vital for the future of Malta. These developments need the unreserved support of the people of Malta and Gozo. Some people expressed to me fears that a single 5-year period was insufficient to complete the re-orientation of your economy. I can assure you that we recognise that the present Five Year Plan is only a first step – though a very significant one—towards the development and diversification of the economy of Malta. Five years is a normal period for which it is practicable to plan ahead. So long as H.M.G. is ultimately responsible for Maltese affairs, you will continue to be eligible for financial assistance from monies made available by Parliament.

It has been very valuable to me to meet a large number of leading people in many walks of life, and I have heard a wide range of opinions. I was particularly interested

in the talks I had on constitutional and financial matters with the leaders of three political parties, and on industrial and employment matters with the President and leading members of G.W.U. These talks have been of the greatest assistance to me. There are certain things I have tried to make clear. It has always been H.M.G.'s hope that the present constitutional arrangements, which were brought into effect last April,¹ would be of short duration. At the same time a return to responsible government is clearly dependent on framing a constitution generally acceptable to the people of Malta which also recognises the special relationship between Malta and H.M.G. in the Commonwealth. It follows that we must safeguard the welfare of the Maltese people, the strategic interests of the United Kingdom and of the Western world to which Malta belongs, and the undertakings given by my predecessor.

The first thing that I said when I came to Malta was that I had not come with a preconceived plan for constitutional advance. Equally after such a short visit it would be quite wrong to try and lay down what the lines of future advance must be.

I intend on my return to London to consult with the Prime Minister and my colleagues and then to decide on what is the right thing to do.

¹ In April 1959 the 1947 constitution was formally suspended and an Executive Council constituted to govern the colony.

131 CO 926/800, no 9 17 Dec 1959 **[Defence]: minute from R J Vile¹ to J O Moreton² assessing the defence implications of Maltese independence**

Since we last discussed defence questions affecting Malta I have been giving further thought from time to time to the questions then raised.

2. As I understand the present political situation in Malta it now seems clear that a political settlement acceptable to all the political parties in Malta cannot be reached unless we are ready to concede the Malta Labour party's demand that independence be recognised as the proper aim of political development in the Island. If for a moment we exclude defence considerations I think it would probably be difficult for us to maintain with any show of conviction that such an aim was not politically possible. The financial implications might be expensive but we might count that a small price to pay as compared with the growing difficulties we are likely to experience in the maintenance of direct rule.

3. If I am right so far then it seems to me that we are bound to want to look again very carefully indeed at the defence considerations which apparently make it imperative that we should continue to exercise sovereignty in Malta. I think that probably the basic reasons why the Service Departments attach so much importance to this are that they feel they must have somewhere where they are free to do as they please and that they are in any case so spread out in Malta that it is difficult to conceive of any way in which they could operate in conditions of Maltese independence. There is no doubt behind all this the feeling that an independent

¹ See 84, note 1.

² Assistant secretary, CO.

Malta might become much more neutralist and might impose unacceptable restrictions on the use of our forces based in Malta.

4. Given the fact that our ability to deploy our forces in the Mediterranean is already limited for example by the willingness of the Libyan Government to allow them to do as they please and that no doubt the Cyprus Government may in future also wish to bring some pressure to bear on us, it is natural for the Service Departments to wish to keep their complete freedom in Malta for as long as possible. On the other hand it is possible to argue that as a matter of fact that freedom has already considerably circumscribed by conditions prevailing in the Mediterranean outside Malta and that to add Maltese independence to existing circumstances would not necessarily make our situation more difficult. Indeed if we were able to achieve a Defence Agreement with Malta in favourable circumstances we might be able to secure from the Malta Government undertakings which were much more satisfactory than we possibly now would expect them to be.

5. As you will appreciate what I have said is very much a first shot at trying to think out the likely implications in the defence field of a decision to accept independence as a possible goal for Malta. I think that perhaps both our Departments would probably want to give much further thought to the question before any considered statement of views was submitted to higher authority. The short point which I am trying to make in this minute is simply that if you consider that it is now worthwhile to explore the possibilities I do not think it is necessarily impossible for us to persuade the Service Departments that the acceptance of independence as the eventual aim for Malta is not necessarily unsatisfactory from the Defence point of view and may even in fact bring with it certain advantages.

132 PREM 11/3423, PM(59)65

29 Dec 1959

[Constitutional development]: minute from Mr Macleod to Mr Macmillan recommending a return to representative government

I thought you might like to have a short personal report on my first visit as Secretary of State to Malta and the East African territories.¹

Malta

Governor's rule has been continuing here for a very long time and although there is little resentment shown about this except by Mintoff's Labour Party, it isn't a satisfactory form of rule, particularly for a people with such a very long history of representative government as the Maltese. On the face of it deadlock seems complete, because Mintoff demands independence before he will talk and, although he may have lost some prestige, he still remains the most likely person to emerge from ordinary contested elections. He refused to see me in Malta, but sent me a letter just before I left which I interpret as meaning that he would be glad if he could be rescued from the end of the limb along which he has crawled. I feel that we ought to initiate

¹ Macleod's full report is reproduced in BDEEP, series A, vol 4, R Hyam and W R Louis, eds, *The Conservative government and the end of empire 1957–1964* part I (London, 2000) pp 164–67, document no 31.

talks and try and feel our way back to representative government even if the talks break down. In this event we should have to see how we could make the existing regime more 'democratic'. I feel myself that there is a very real difficulty in Malta when dealing with such wily politicians as Mintoff that traditionally the Governor is a senior Navy or Army man. At the present time this is very much a post for a career Colonial Office man or for a politician. However, I do not intend to put proposals for Malta forward to the C.P.C. until you return.²

² At the foot of Macleod's minute, Macmillan wrote: 'I am grateful for a most interesting and imaginative report, which I would like to discuss with you.'

133 CO 926/797

6 Jan 1960

[Commonwealth]: minute from N B J Huijsman to E Melville on ways in which Malta might be associated with the Commonwealth

At (17) I submitted a paper in which I tried to summarise Maltese reactions to the various kinds of constitutional arrangements H.M.G. might be prepared to try out in the Island. Since then Mr Moreton¹ has submitted (on other pp) a dft C.P.C. memo recommending a re-examination of our defence needs in Malta, since these determine our freedom of manoeuvre in working out possible solutions to Malta's political problems. After discussion with you I undertook to prepare a further note on ways in which Malta might in future be associated with the Commonwealth. The note is at (20).²

2. I have not tried to set out any conclusions in the note; they may however not be entirely out of place in this minute. It is difficult to escape the impression that, just as the Maltese genuinely want sovereignty and are not in the long run prepared to work any constitution that deprives them of it, they are likely, sovereignty having been obtained, to be dissatisfied with any status *within* as opposed to in association with the Commonwealth which would put them on a lower plane than the other sovereign members of the Commonwealth. It is conceivable that they may be prepared to compromise on this issue, but having regard to their inexperience in the art of compromise (they tend to define it in Ambrose Bierce's terms—such an adjustment of conflicting interests as leaves each adversary convinced that he has gained that which he sought not to have, and has been deprived only of that which was his due.) and their acute sense of *amour propre* they might be prepared (particularly if the two Nationalist Parties have a hand in the negotiations) to sacrifice the substance of Commonwealth connection because some of the fine feathers are withheld. The Commonwealth question is one which will have to be handled carefully when the time comes.

3. Essentially the UK problem in Malta is that Maltese self-government, UK defence interests in Malta, and continued Maltese association with the Commonwealth have to be reconciled in a formula acceptable to the Maltese as a durable arrangement. In practice there appear to be only two possible combinations:—

¹ See 131, note 2.

² CO 926/797, no 20, 'Malta and the Commonwealth': note by Huijsman, [Jan 1960].

(a) safeguarding UK defence interests by retaining UK sovereignty, thereby automatically settling Malta's place in the Commonwealth and setting limits to Maltese self-government; or

(b) conceding Maltese sovereignty and securing UK defence interests by a bases or defence agreement, and relying on the goodwill created by this gesture to work out an appropriate niche for Malta within the Commonwealth.

(a) is the most desirable solution from the point of view of UK defence interests, but I think that it could only be accepted in the knowledge that it would not lead to constitutional tranquillity nor to any finality in Malta's relations with either the UK or the Commonwealth. During the Malta Round Table Conference the Lord Chancellor remarked during one of the private sessions that it was time to reach finality as regards Malta's status if one wished to avoid Maltese politicians conducting a Dutch auction of the British connection. The Dutch auction has been in full swing since December, 1957, and I doubt whether (a) would be regarded as a sufficiently attractive bid.

4. (b), on the other hand, involves taking several risks, apart from the initial decision that the UK's defence needs can be met in a sovereign Malta. The first risk is whether a sovereign Malta would be prepared to conclude a bases or defence agreement with the UK on acceptable terms. The second is whether a sovereign Malta could be retained in the Commonwealth on terms acceptable both to Malta and the rest of the Commonwealth, because once Malta's sovereignty is acknowledged it is up to her to apply for membership of the Commonwealth club on terms likely to reconcile her own aspirations with the views of the other members on her standing. In fact, to go for (b) requires an act of faith.

You may wish to consider (20).

134 CO 926/1245, no 2

25 Feb 1960

[Defence]: letter J O Moreton¹ to CW Wright² on reconciling Maltese aspirations for self-government with UK defence interests

Melville spoke to you on Monday about the Malta exercise in which we are at present engaged, and I understand that Vile³ has since had a further word with you when you said you would like the problem put to you fairly fully on paper.

2. When our Secretary of State visited Malta last December he made a statement on leaving the Island which concluded with the following sentence:—

'I intend on my return to London to consult with the Prime Minister and my colleagues and then to decide on what is the right thing to do'.⁴

Since then he has been questioned in the House of Commons and has replied that he is still considering the matter.⁵ We know that he wishes to make a statement

¹ See 131, note 2.

³ See 84, note 1.

⁴ See 130.

² Assistant secretary, MoD.

⁵ *H of C Debs*, vol 617, col 220, 9 Feb 1960.

shortly before Easter, say, in the week beginning April 11th; there is therefore not a great deal of time remaining for inter-Departmental and Ministerial consultation.

3. I think the easiest way in which I can give you the background is to send you the enclosed copy of a draft C.P.C. paper⁶ prepared here after Mr. Macleod visited Malta. It has not, in fact, been submitted to Ministers here, but it shows the way our minds are working in the light of the Secretary of State's known desire to get away from 'Governor's rule' as soon as possible. The paper which is eventually submitted to Ministers will clearly now have to carry things a stage further. It is of course possible for the Secretary of State to say no more in his Statement than that the present state of affairs must continue for a time; but we are certain that before being forced to such a conclusion he would wish to examine exhaustively every other possibility. It is in the light of this that I am putting forward the thoughts in this letter.

4. The main problem of concern to you in Malta is how Maltese aspirations for self-government and U.K. defence interests can be reconciled in a manner acceptable to the Maltese as a durable arrangement. In considering the form of such a compromise there appear to be in broad terms two courses of action:—

- (a) safeguarding our defence interests by retaining U.K. sovereignty indefinitely, thereby automatically setting limits on Maltese self-government;
- (b) accepting independence (preferably within the Commonwealth) as an aim and securing by agreement the facilities we require.

Hitherto we have insisted that the indefinite retention of sovereignty offered the only acceptable safeguard for our defence interests. But it has become increasingly clear that the Maltese will never accept this as a durable arrangement, and that any arrangements in the field of defence dependent on our continued sovereignty will be bound to contain the seeds of continuing political friction. Despite our Secretary of State's anxiety to return to at least a measure of responsible government, it is very difficult therefore for us to see how we could honestly recommend a solution within the framework of (a) above as offering any hope of a *permanent* settlement, bearing in mind the known attitudes of the main Maltese political parties.

5. For these reasons we would welcome your help in advising us before we approach the Service Departments in examining the practical implications of a solution within the framework of (b) above before advising our Secretary of State on the next steps. This exercise must, of course, be hypothetical at this stage; we cannot be certain that it would be possible to secure a satisfactory defence agreement with the sort of government likely to be in power in a self-governing Malta. We do, however, know that an arrangement along these lines is advocated by two of the three main Maltese political parties. As far as can be judged the present policy of the third main party, the Malta Labour Party, makes no provision either for recognition of the U.K.'s defence interests or for some form of collaboration between the U.K. and Malta in respect of foreign affairs and defence. This does not however mean that there will not be a good deal of flexibility in the party's policy when it comes to securing the best financial bargains once the right of sovereignty has been conceded. In suggesting that we should examine whether we might secure the facilities we

⁶ Not printed.

need by way of agreement we realise of course that this is bound to imply some kind of limitation on our ability to do exactly as we please in Malta. We have however been wondering whether there is now any conceivable U.K. operation that we might mount from Malta which would not inevitably be subject to the limitations inherent in our arrangements for example in Libya or Cyprus. If this is so then it might well be argued that in fact our freedom of action in Malta is already circumscribed to a considerable extent by conditions elsewhere, and that some limitation on our freedom in Malta would not therefore materially affect our ability to mount operations from or through Malta. We realise of course that it would be most embarrassing if in fact we were not able to mount any kind of NATO operation using Malta and we should be ready to accept that any limitation of this kind might constitute such a serious embarrassment that if we could not secure the necessary assurances from the Maltese, it might very well preclude the possibility of going ahead on the basis of ultimate independence for the Island. We believe, however, that provided the general financial settlement with Malta was reasonably acceptable, it is unlikely there would be opposition to our use of the Island for the purposes of NATO.

6. On the assumption that what I have said in the preceding paragraph proves in the event to be acceptable to the Chiefs of Staff, we then have to consider the implications on existing facilities in Malta of attempting to secure existing facilities by way of Agreement. Broadly speaking, what we have in mind would be a Defence Agreement and a Status of Forces Agreement. It is very difficult for us to say at this stage whether the Maltese would willingly accept the arrangements contained in the ordinary Status of Forces Agreement. We would expect them to react violently to any suggestion of customs privileges and they might well claim that all the privileges we sought were unilateral and that they must obtain some compensating advantage, possibly financial, in order to be able to demonstrate to the Maltese people that they had not given something away for no return. In the context of a Defence Agreement we think it is likely that the Maltese might in the first place seek to restrict our use of facilities for warlike operations to those conducted in accordance with the Charter of the United Nations or of any resolutions or acts approved by the United Nations. As I have said earlier, we believe it should be possible to persuade them to accept NATO operations as reasonable but of course we must expect any future independent government of Malta to want to be fully consulted about such operations if indeed they do not aspire to become either full members of NATO or to have some kind of associate status with the organisation. We would of course have to reserve the right to act without consultation should events make that imperative.

7. We must also be ready to consider the degree of importance which we attach to particular defence facilities in Malta and whether it is possible to group any of them together in such a way as to enable us to claim rights only in a part or parts of the Island rather than to seek to exercise them generally. We believe that the Maltese will seek as far as possible to keep service activity down to a minimum and that they will look particularly for the restoration of land used by Service Departments.

8. Although for various reasons it would not be feasible in our view to contemplate the establishment of an Internal Security Council on the Singapore model, we have given some thought to the kind of arrangements which might be made. Basically the Government of Malta will continue to rely on the possibility of using U.K. troops to cope with the more serious I.S. situations, so that we have some standing for requiring to be kept in close touch with all matters affecting internal

security. It might be that the most convenient way of achieving this would be through some special machinery, but on the other hand the matter could be dealt with through the general consultative arrangements which will no doubt be as necessary after independence as before.

9. We should therefore be grateful if you could consider the various points that I have made in this letter and let us have as soon as possible your views on them and on any other associated points which you consider to be of importance.

10. Apart from this major question of whether a re-examination of this sort could lead us to be more forthcoming on a Statement of ultimate intention—and this appears to be the only way in which we are likely to get all the Maltese parties around a conference table—there remains the subsidiary issue of hitting on an *interim* constitution which would give us adequate powers on the immediate return to responsible government. It would be valuable to us to know whether you agree that the outline constitution put forward at the 1958 Constitutional Conference, and annexed at ‘C’ of the draft C.P.C. paper, still meets your requirements in this respect.

135 CO 926/1245, no 7 9 Mar 1960
[Policy assessment]: letter from A Campbell¹ to J O Moreton²
reviewing future policy options

Thank you for your letter of the 29th February. I am not sure that I have got anything new to add to our previous assessments: politically Malta is still extremely frustrating, but here are our present thoughts. ‘Our’ because I have discussed this letter with H.E., and his senior advisers.

2. I do not think that anything has happened in the last six months to justify the belief that we will, by the pursuit of our present policy, break Mintoff’s hold on his large following in this Island in the immediate future. And on the present form of political parties here I do not see any of them commanding enough support to make the possibility of their winning an Election against the Labour Party a real one. Mintoff’s party remains the most vocal, the most virulently anti-Colonial, and the best organised. And most of the population believe that he is the most effective instrument for extracting money from H.M.G., and, as you know, they have recently been reinforced in that belief.

3. The difficulty that we are in—and which you clearly appreciate—is that at a time when we are having to go through an exercise on which the whole future of these islands evidently depends, namely the reorientation of our economy, we are having in effect to consider the return to power of someone who, on past form and presently expressed intentions, will, sabotage that exercise, regardless of the consequences for Malta. I think that if we do let him back into power people will in future years ask themselves whether we were really in earnest about our economic plans or not. It was this, and the impossibility of reconciling H.M.G.’s needs and

¹ Chief secretary, Malta.

² See 131, note 2.

pledges with Mintoff's own policy, that led us to recommend a standstill in our November despatch, and I see no reason to change this view. In a sense it may seem of course a Micawberish policy, but unlike the improvident Wilkins we are taking steps to put our affairs in good order, and I would prefer to go on in the present way for as long as is necessary to establish our new economic foundations, or until Mintoff himself cracks. When there is no obvious solution, or when the achievement of a political solution is likely to be attended by the undermining of one's economic organisation, the disruption of good administration, and the general demoralisation of the public, and the civil service, I think that one is justified in making a considerable pause before facing such a solution. Surely the Conservative Party has not changed so greatly as to fail to see the force of this? As we see it then the core of the problem is not the sort of constitutional jigsaw that presents itself in other places, but whether we are prepared to risk Malta and our facilities here being wrecked. We could not complain if we allowed Mintoff to return to power and he then proceeded to carry out what he has said he would carry out—the repudiation of the loan, of the various concessions to industrialists, the 'bundling out' of Baileys, the 'trial' of de Gray³ and the 'other Quislings'. He has put us on notice about all these things. In our view our interests and responsibilities here are so extensive that we cannot justifiably take these risks.

4. As to the possibility of Mintoff himself cracking, one must remember that as a Party leader he has to stand or fall by the benefits he makes available to his supporters. He has constantly to hold before them the prospect of a return to power, and of their getting their noses into the pork barrel in order to keep them loyal. But neither he nor they have done too well recently as you can see from paragraph 9. Nevertheless one can be quite sure that if there were an indication that Elections were a possibility fairly soon this would hold his Party together in a way that nothing else could, and one can be sure also that Mintoff himself would lose no opportunity of turning to the best advantage anything that arose from the Secretary of State's initiative.

5. 'The wind of change' that is blowing through the Colonial Office has not of course passed unnoticed here, and it is probably asking too much that Malta should be sheltered from it. But here we cannot exclude the two factors that are permanent features of our political future—the first being our strategic requirements—with which I include the importance of Malta in a wider sense, not only defence and NATO, but also Commonwealth—and the second the pledges.

6. Defence requirements change so rapidly that in any solution that is tabled we must have full Ministerial backing for the extent of any constitutional limitations which safeguard them. I therefore think that you are quite right to press this matter on the Chiefs of Staff now. It would be most helpful if we could have an up-to-date statement from them of their strategic requirements in the Mediterranean so as to enable us to go firm on our defence policy in this area. My own strong feeling is that so long as the *extent* of our requirements is unvaried then sovereignty over Malta is inevitable. It is only if we are prepared to accept facilities much more confined in extent than our present ones that we can start thinking in terms of something less than sovereignty. I believe this to be so even if we are faced with somebody less

³ V B de Gray, commissioner of police, Malta.

intransigent than Mintoff. If our facilities trench upon life in the Island in the pervasive way they do at present the occasions of conflict occur day by day and would cause embitterment which would eventually jeopardise these facilities.

7. Secondly the pledges. Here I do not think there is very much room for manoeuvre: all of us here are determined that there can be no going back on them. But it may be possible to write them in with a provision for review or something of that kind. The actual pledges themselves and the protection that we must afford to those who have been loyal civil servants or loyal policemen must not however be watered down in any way.

8. If we make any proposals here they must go as far as it is possible for us to go consistent with paragraphs 6 & 7 above in the direction of a liberal constitution. I say this because if, as is quite likely, what we can offer is at the outset quite unacceptable to the two major parties, and is rejected by them out of hand, then we must have something on record which gives them as little justification for rejection as possible.

9. Lastly, I think that if we are to go into an exercise of this kind the Secretary of State must be made aware that the dangers of disrupting all of our economic plans—which he at his meeting with the Democratic Nationalist Party in December appreciated were the key to a happy and prosperous Malta—are very considerable. At present I would say that we have got things on a fairly even keel. We have, as you know, been able to make quite a lot of progress in setting our house in order: our plans for diversifying the economy of Malta are beginning to show results; we have formed a Milk policy and cut down some of our appalling losses; we exceeded our house construction target figure last year; we have started a scheme for local government in Gozo; we are going ahead with television, and with putting broadcasting as a whole on a new footing; the two factories on our industrial estate have been let and several more have been allocated; and we have signed up one hotel promoter (Gaul). We have also for the second year balanced our Budget, have carried some increases in taxation, increased civil service pay, and made a somewhat painful return to orthodox financing. In addition, the Public Service Commission is on the point of establishment, and we have by the retirement of Pellegrini and the disciplinary action against Daniel Mintoff done something to restore confidence in the civil service. The untouchable Mintoff has himself been prosecuted for a parking offence. Carnival was a tremendous success. By and large, things are not going too badly just at present, but we are only able to do this because of a large number of inter-related factors—the confidence of outside people in our administration, the acquiescence of a large section of the public, and the fact that we can take decisions without having to look over our shoulders at an elected Legislature or at Ministers. The introduction of an elected government into this scheme could disrupt it, and could for a long time hereafter make co-operation with the U.K. most difficult whether under a responsible regime or under the kind of Government we have now.

10. And if we *have* to go through the motions we very much hope that the Secretary of State would accept the desirability of playing the hand slowly and giving us at least another 18 months to carry out our main task. If the result of the play was that we were left with the present interim administration for an indefinite period, then we think that positive steps would have to be taken to make it more popular; and this would inevitably involve more spending.

136 CO 926/1245

16 Mar 1960

'Malta': minute from Lord Perth to Mr Macleod reviewing future policy options

A. The following are some thoughts which occur to me:—

- (i) The more successful we are in developing the island's economy the stronger is Malta's claim for independence and the less our reasons to stay.
- (ii) For two years or more the Archbishop has tried to develop a leader to oppose Mintoff and seems no nearer success.
- (iii) The Maltese are very mature politically though their rules are not our rules (This is relative in regard to the police and public service.)
- (iv) For 150 years Malta's life has been at the whim of our defence policy. Today four-fifths of foreign exchange depends on our forces there; we engender three-quarters of the gross national product and employ directly 27% of the labour force plus many many more through £5 million of budget aid. Hence there is good reason for Mintoff's belief that Malta will never be truly viable or its people wake up until she is on her own.
- (v) Defence obtrudes everywhere in a Maltese life.
- (vi) Mintoff (who is greatly respected by all Maltese for getting more out of the U.K. than anyone before him) knows Malta's defence value and would make us pay for it if independent. At the same time it is curious to note that at the Malta meeting last year Mintoff asked: 'Would U.K. defence interests be harmed by Malta's independence. It would be useful to know this as the Maltese people would not wish deliberately to harm those interests.' Again in his letter to the Secretary of State last December he says 'once the principle of self-determination is recognised by your Government you will find us eager and cooperative in the search of a solution which, consistent with Malta's vital interests, would reduce your country's losses to a minimum.'
- (vii) In the abortive constitutional talks 18 months ago we failed to find a formula for future self-government which would satisfy Borg Olivier let alone Mintoff.
- (viii) The failure of the original integration talks was not all Mintoff's fault.

B. If we must stay in Malta for defence reasons—that is have the final say—then integration is the only ultimate solution compatible with 'sovereignty of the people'.

If we can take a chance on staying then independence is the answer with the strong probability that we could in fact negotiate (expensively) a satisfactory Treaty of mutual defence.

At the moment neither course seems practical though Malta could scarce resist 'integration' if it meant parity of social services and financial treatment.

C. How can we play for time?

1. We can offer an obviously liberal interim constitution (without defining how long (but it may be very long) is 'interim'.) The onus of refusal would be on the Malta parties and if they refuse opinion here might tolerate our continuing to govern as now, particularly as economic progress seems likely. Moderate Maltese opinion might also play along and something might turn up to supersede Mintoff in several years—personally I doubt it.

2. We can seek advice on the form of a new Constitution and generally. U.K. Commissions, Round Table Conferences and so forth seem played out but it might be worth trying a Commonwealth Mission (Canada and Australia? who both have good numbers of Malta immigrants and who understand defence questions; plus ? one from the U.K.).

This might appeal to Malta's pride and lead to a Commonwealth solution: Malta unique and a *Commonwealth* fortress—independent save to the *Commonwealth* on defence. It might even last a long time if the Constitution gave Malta a large degree of self-government.

137 DEFE 5/101, COS(60)93, Annex 11 Apr 1960 'The strategic importance of Malta': COS Committee report

[At their meeting on 8 April 1960, the Chiefs of Staff approved the report at annex and instructed that it should be forwarded to the minister of defence as an expression of their views (DEFE 4/125, COS 24(60)1).]

Introduction

1. The Colonial Office are considering what further steps should be taken in the constitutional development of Malta, which, since mid-1958, has been under the direct rule of the Governor. The Colonial Secretary wishes to make an early public statement on the future of the island.

2. The Colonial Office are of the opinion that the Maltese will never accept, as a permanent arrangement, the retention of United Kingdom sovereignty over the island; they believe that the only hope of a permanent settlement lies in the acceptance by the United Kingdom of independence as an aim. In their view this should facilitate the negotiation of a satisfactory interim constitution reserving the necessary overriding powers to HM Government. When the time eventually came for the surrender of United Kingdom sovereignty, they envisage an independent Malta remaining within the Commonwealth and concluding a Defence Agreement with the United Kingdom. Before tendering any advice to Ministers, therefore, the Colonial Office wish to know whether United Kingdom defence requirements could be met only by the retention of sovereignty, or whether it would be possible to secure these requirements through a Defence Agreement with an independent Malta. The Colonial Office views on the possibility of a Defence Agreement are set out in their letter to the Ministry of Defence.¹

Aim

3. The aim of this paper is to:—

- (a) Examine and restate Her Majesty's Government's defence requirements in Malta in the 1960s.
- (b) Consider the practical possibilities of these requirements being met under a Defence Agreement if Malta were granted independence.

¹ See 134.

Assumptions

4. In order to further her general interests the United Kingdom will have to act increasingly through alliances and associations. She is likely to have to continue, in the period under review, the following commitments in the Mediterranean and Middle East:—

- (a) To contribute to NATO's naval and maritime air effort in the Mediterranean.
- (b) To provide support for CENTO.
- (c) To maintain a garrison in Libya and be prepared to support that country at its request against an external or an internal threat.
- (d) To be prepared to intervene at very short notice to protect oil interests in the Middle East.
- (e) To maintain the security of essential bases and sea and air communications.
- (f) To be prepared to intervene at the request of the legitimate governments of certain countries against an internal or external threat.

*Defence Requirements**The importance of Malta in peace*

5. The Royal Navy relies on the use of Malta as its Mediterranean fleet base, and for the headquarters and communications of C-in-C Mediterranean. The maritime importance of Malta lies in its geographical position which enables the United Kingdom to maintain her prestige and exert her influence in the central and eastern Mediterranean. Gibraltar is the only comparable United Kingdom naval base in the theatre, but whereas this is fully adequate for the support of ships operating in the western Mediterranean, it cannot replace Malta since the greater distances at which ships in the eastern Mediterranean would have to operate from their base would certainly involve increased afloat support if existing commitments were to be fully met. In addition a larger operational fleet would be required to offset the increased steaming times to and from base. The only alternative to this would be to negotiate for the use of NATO facilities in peace, or to accept a reduced naval presence in the eastern Mediterranean.

6. Malta provides a strategically located and well equipped NATO base and headquarters for AFMED.

7. Malta provides valuable flexibility in United Kingdom air routes, particularly for short and medium range aircraft, to Cyprus, the Persian Gulf, Aden and the Far East. The importance of Malta's air staging facilities is likely to increase if, during the period under review, staging and overflying rights in Cyprus, Libya, or Central Africa are denied to the United Kingdom, even though alternative West and South African strategic routes may be adopted. Malta also has value as a V Bomber staging and tanker base, and as an exercise base for the regular training of V Bomber squadrons from the United Kingdom. If Malta were denied to the United Kingdom as an air staging post, increased facilities at Idris in Libya could to some extent offset the difficulties.

8. Malta also provides a convenient base on the southern flank of NATO for the photographic reconnaissance squadron, which is assigned to NATO and whose war station is in Turkey, and for a maritime squadron earmarked for NATO.

9. The garrison of Malta provides reinforcements and logistic support for Cyprus and Libya in certain circumstances. The alternative would be to bring the required forces from the United Kingdom.

10. In the event of the United Kingdom position in Cyprus deteriorating during the period under review, there might be a requirement to station in Malta tactical transport aircraft and some, if not all, of the light bombers committed to CENTO. There might also be a requirement for a modified Unified Command Headquarters, as well as certain army elements, to be accommodated in Malta.

The importance of Malta in limited war

11. The maritime value of Malta in limited war is reduced by the probability that use of the Suez Canal will be denied, but the Royal Navy must rely on its main base and headquarters facilities in the island if operations in the eastern Mediterranean are to be effectively supported without substantial increases in afloat support facilities.

12. Malta provides airbase facilities, which do not exist elsewhere in the theatre, for the planned deployment of medium bomber squadrons. In addition it is important in providing flexibility for United Kingdom reinforcement air routes.

The importance of Malta in global war

13. Malta is well located and equipped for the support of naval forces and the discharge of CINCAFMED's responsibilities to NATO in global war.

14. Bomber aircraft based on Cyprus in support of CENTO might have to be dispersed or staged through alternative bases in the interest of better early warning and immunity from attack by tactical aircraft. The greater ranges of future aircraft facilitate such a dispersal scheme. Malta could provide such a base, and is also required to provide post-strike facilities for United Kingdom based bomber aircraft.

The importance of Malta to NATO

15. Notwithstanding what has been said above, the island is not vital to NATO in the discharge of its responsibilities. There is no reason why the headquarters should not be located on the mainland of Europe and, indeed, the duties of CINCAFMED could be taken on by CINCSOUTH. Support for NATO forces in the central and eastern MEDITERRANEAN could be provided in Italy. If such a move were made, a fresh communications organisation would have to be established. This would involve the United Kingdom, as a member of NATO, in considerable extra expense. She would also forfeit some prestige and the right to provide the naval commander in the Mediterranean.

The consequences of constitutional change in Malta on other Mediterranean Base Areas

16. If an interim Constitution is granted to Malta, which would in itself imply an understanding that complete independence would follow in due course, there would be a risk of consequential reaction in Cyprus. The Cypriots might argue that it was inconsistent for the United Kingdom to insist on full sovereignty over the base areas in one Island when they were prepared to concede sovereignty in the other.

17. In Libya our position is largely dependent upon the support of the King who is an aging man. A change of attitude to our presence there might follow his death. In this event our military requirements in Malta would become increasingly important. Further, any announcement before the conclusion of negotiations in Cyprus implying that Malta might be granted independence either now or in the future could well prejudice these negotiations.

Deductions

18. (a) In peace, Malta provides important naval facilities, airbases and air staging facilities, particularly for medium and short range reinforcement aircraft on United Kingdom air routes to the Middle and Far East.
- (b) In limited war, Malta provides naval and air force base facilities the lack of which would seriously affect our ability to conduct operations, particularly in the eastern Mediterranean. In the event of United Kingdom facilities in Cyprus being severely reduced, or denied altogether, Malta would be the only British base from which operations in this area could be mounted.
- (c) In global war, Malta is well located for the support of maritime forces assigned to or earmarked for NATO. It also provides post-strike facilities for United Kingdom based bomber aircraft.
- (d) Malta is not vital to NATO in the discharge of its responsibilities.
- (e) A Constitutional change in Malta implying the eventual cession of United Kingdom sovereignty might well have adverse reactions on the security of tenure of our base areas in Cyprus and on the facilities which we enjoy in Libya.

Implications of a defence agreement

19. The Colonial Office are of the opinion that it is not possible to state with certainty that a satisfactory Defence Agreement could be secured with the sort of government likely to be in power in a self-governing Malta. They know, however, that an arrangement along these lines is advocated by two of the three main Maltese political parties. As far as can be judged the present policy of the third and strongest party (the Malta Labour Party) makes no provision either for recognition of the United Kingdom's defence interests or for any form of collaboration between the United Kingdom and Malta on foreign affairs and defence. However, this party's policy may prove quite flexible when it comes to securing the best financial bargains once the right of sovereignty has been conceded.

20. The Colonial Office believe that there would be no opposition to the United Kingdom's use of facilities for NATO operations, as well as for operations in accordance with resolutions by the United Nations, provided that the general financial settlement with Malta was acceptable, and provided the wish of any future independent government of Malta to be fully consulted about such operations was met. The Colonial Office also consider that the United Kingdom would of course have to reserve the right to act without consultation should events make that imperative.

21. In considering these matters, the Colonial Office question whether there is now any conceivable operation which the United Kingdom might mount from Malta, which would not inevitably be subject to the limitations inherent in United Kingdom arrangements, for example in Libya or Cyprus. They suggest that, if this were so, United Kingdom freedom of action in Malta would already be circumscribed to a considerable extent by conditions elsewhere, so that some limitation in such action in Malta would not therefore materially effect the United Kingdom ability to mount operations from or through Malta.

Our views

22. We do not agree with the Colonial Office arguments put forward in paragraph 19 above. The whole purpose of the Agreement over Cyprus is that the

United Kingdom should retain sovereign Areas (themselves roughly the size of Malta) in order, inter alia, to be free to mount whatever operations in the Middle East may be necessary, whether in accordance with treaty obligations or to defend purely national interests. We do not therefore believe that United Kingdom freedom of action in the eastern Mediterranean is already circumscribed, though there could be conditions in the future when it might be. For this reason we think it desirable that the United Kingdom should retain as great a freedom as possible in her ability to mount operations from or through Malta.

Possibility of enclaves

23. The Colonial Office believe that the Maltese would seek as far as possible to impose physical limits on Service activities and that they would look particularly for the restoration of land used by Service Departments. They ask whether it may be possible to claim defence rights in a part or parts of the island, rather than to seek to exercise them generally.

Our views

24. The whole of Malta is only about 144 square miles. Within this area the United Kingdom has the following:—

- (a) Naval base and headquarters.
- (b) Army headquarters.
- (c) Royal Air Force headquarters.
- (d) Three airfields.
- (e) Service living accommodation.
- (f) Radar stations.
- (g) Several W/T stations and an extensive network of landlines.
- (h) Stores depots.
- (j) Training areas, including ranges.
- (k) Schooling and recreational facilities.

25. These installations are at present scattered throughout approximately 90% of the island. It would certainly be necessary for the United Kingdom to claim rights over those areas which include the main harbours and the airfields; this alone would divide the island physically, and would give the United Kingdom rights over the more heavily populated parts of the island.

26. Even if this were acceptable and even were it possible to relocate depots and other facilities so that they were included in an area enclosing the main harbours and airfields, it would still be necessary to retain:—

- (a) Sites for signal and radar stations, with freedom of access.
- (b) Training areas.

27. We do not consider, therefore, that in the physically limited area of Malta, and in the light of military requirements in the island, it would be feasible for the United Kingdom to claim rights only in part or parts of the island.

Communications

Importance of communications in relation to the Mediterranean and Middle East Commands

28. *Royal Navy.* The shore-ship broadcast for ships in the Mediterranean and the Red Sea, which is operated from Malta, forms an integral part of defence arrangements in the theatre. Neither Gibraltar nor the United Kingdom could provide a technically practicable alternative to Malta. Malta has an underground communications centre in operation; some design effort has been expended on plans for a new underground COMCENTRE there for joint NATO/national use, and a new NATO/national transmitting station is fully designed.

29. *Army and RAF.* The Army and RAF Commands in Malta are subordinate to CINCMELF and CINCMEAF in Cyprus. Should Malta Command be abolished it is likely that communications to units now under Malta's command could be undertaken from Cyprus, but this would require detailed examination concurrently with consideration of a revised command structure.

30. *NATO.* The communications network of CINCAFMED's headquarters in Malta is an essential part of the United Kingdom's contribution to NATO in the Mediterranean.

Importance of communications other than in relation to the Mediterranean and Middle East Commands

31. *Royal Navy and Army.* Malta is one of the main stations in the world-wide naval ship/shore network, and in the Navy's and Army's strategic communications system. Its loss would involve replanning of both the naval and the army networks, and consequent considerable expense.

32. *Royal Air Force.* Other than to provide communications for the RAF HQ and forces based there and to provide Airmove, meteorology and message communications for the Area of Responsibility Centre, Malta is of little value to the RAF from the communications aspect.

33. *Special Wireless Facilities.* There is a large and important Special Wireless station in Malta, which provides an invaluable part of the total Special Wireless effort both for national and, indirectly, for NATO purposes.

Deduction

34. Important naval, army and NATO communications are located in Malta which are essential so long as CINCAFMED and United Kingdom forces remain there. The Special Wireless facilities may well be irreplaceable. In our view it would be possible to include adequate safeguards in a Defence Agreement for the uninterrupted functioning of these facilities.

Other considerations

Internal security

35. The Colonial Office consider that basically the Government of Malta will continue to rely on the possibility of using United Kingdom troops to cope with the more serious internal security situations. HM Government would thus require to be

kept in close touch with matters affecting internal security, and the Maltese Government's possible reliance on the availability of United Kingdom forces in such an emergency would support the United Kingdom's case for retention of forces and their facilities in the island.

Interim constitution

36. The Colonial Office have also requested our views on the nature of any interim constitution which it may be considered politically necessary to introduce. An outline constitution put forward at the 1958 Constitutional Conference reserves the right of HM Government to take action by means of Orders in Council on defence matters affecting Malta. It also provides for consultative machinery to discuss matters of joint concern in Malta and to keep the Government of Malta informed of general developments in defence and foreign affairs. It would also provide HM Representative with adequate powers to deal with an emergency; these powers are not however specified.

37. The Ministry of Defence is of the opinion that the reservation of defence and foreign affairs to HM Government under the sort of constitution offered in November, 1958, could not be operated successfully and amicably with the type of government likely to emerge in Malta. We do not dissent from this view but consider that an interim constitution safeguarding United Kingdom military rights through the retention of sovereignty, is preferable to an early grant of full independence.

Military implications of granting independence

38. United Kingdom defence requirements in Malta have been discussed in paragraphs 5 to 16 above. We believe that the retention of military facilities under a Defence Agreement and their use in all circumstances can never be guaranteed under conditions of complete independence. United Kingdom operations in support of NATO might be regarded as acceptable, particularly if an independent Malta were to have some form of NATO membership. Under certain circumstances, e.g. United Nations operations, an independent government might accept the United Kingdom's use of facilities in Malta.

39. The use, however, of Malta as a United Kingdom base for other operations might be heavily circumscribed. If this occurred, the major military implications of this would be:—

- (a) The United Kingdom might be unable to carry out so effectively her obligations in support of countries which might call for assistance against an internal or external threat, e.g. Libya, Sudan, Jordan.
- (b) The Royal Navy would be deprived of a main base, headquarters and communications, from which to support operations in the eastern Mediterranean.
- (c) The Royal Air Force would be deprived of an air base which would affect the deployment of operational squadrons in the Mediterranean. Flexibility in the use of United Kingdom air routes to Cyprus, the Persian Gulf, Aden and the Far East would be seriously impaired.
- (d) Operational flexibility in the United Kingdom's air support for CENTO might be seriously impaired.

(e) In the event of facilities in Cyprus being further reduced or denied altogether in the period under review, the United Kingdom would have no national base strategically located in the area from which to mount operations.

Conclusions

40. We conclude that HM Government's defence requirements in Malta in the 1960s are:—

(a) *In peace*

- (i) A Mediterranean fleet base for the Royal Navy, including headquarters and communications.
- (ii) Support for Army units in Cyprus and Libya.
- (iii) An air base for bomber and maritime aircraft and a staging post to give flexibility in United Kingdom air routes.

(b) *In limited war*

- (i) A base with headquarters facilities to support Royal Naval operations in the eastern Mediterranean.
- (ii) A base for the location of medium bomber and tanker aircraft.
- (iii) In the event of bases in Cyprus and Libya being further restricted or not being available, a base from which United Kingdom interests in the Middle East could be supported.
- (iv) A base which would afford flexibility in United Kingdom air reinforcement routes.

(c) *In global war*

- (i) A base for the discharge of CINCAFMED's NATO responsibilities
- (ii) A base to provide post-strike facilities for United Kingdom based bomber aircraft.

(d) In all circumstances the provision of Special Wireless facilities and certain strategic communications.

41. We finally conclude that:—

(a) The retention of United Kingdom sovereignty is essential if our defence requirements are to be assured. If, under an independent Constitution, a Defence Agreement were negotiated on the pattern of agreements elsewhere, we have no doubt that our freedom of action would be progressively circumscribed and indeed might well be so seriously restricted that we could no longer rely on our facilities in the Island for all military purposes. Even an interim constitution which reserved defence and foreign affairs to Her Majesty's Government would be very difficult to operate with the sort of Government likely to emerge in Malta.

(b) If, nevertheless, it is not possible to sustain a position of full United Kingdom sovereignty over the Island and it thereby becomes necessary to concede independence as the ultimate aim of policy, it would be preferable to negotiate an interim Constitution which safeguarded our military rights rather than to make an early grant of full independence.

138 CO 926/1245, no 21, enclosure 25 May 1960
 ‘Malta’: minute by Mr Macleod outlining his policy for the
 constitutional development of Malta

[In producing this minute, Macleod was clearly concerned to impress upon the administration in Malta his intention to press ahead with a return to constitutional government in the colony. At a CO meeting he indicated that ‘it was not clear to him whether the Administration understood how fully he was committed to moving away from Governor’s rule as soon as possible. He thought that it might be desirable for him to issue a directive to the Governor making the Government’s policy clear—i.e., that there must be a swift move towards more responsible government in Malta, having regard however to H.M.G.’s defence interests in the Island, and the pledges given to the police and public service. The problem, as he saw it, was how to move towards responsible government’ (CO 926/1245, no 19, ‘Malta’: future constitutional arrangements’: minutes of a meeting, 25 May 1960.)]

I wish to set down clearly my policy for constitutional development in Malta.

(1) H.M.G.’s policy for all the dependent territories is that they should be advanced to independence or to responsible self-government, preferably within the Commonwealth. There are no exceptions to this rule.

(2) Nevertheless the situation in Malta presents two special features:—

- (a) the defence needs of the United Kingdom and of NATO;
- (b) the pledges that we have given to the Police and the Public Service.

But these are to be taken as complicating, not as contradicting, the policies laid down in the first paragraph.

(3) As far as the defence needs are concerned, I accept broadly the Chiefs of Staffs’ conclusions. It follows that independence as such cannot be granted, and although independence within the Commonwealth need not be dismissed quite so summarily, it is scarcely a practical proposition for some time to come. It is not possible, as it was in Cyprus to think of having sovereign bases within the island¹ and therefore we must control for the immediate future the defence and foreign affairs of Malta. It will also be necessary, in view of the second pledge, to have powers over internal security.

(4) When the constitutional breakdown in Malta took place and Governor’s rule had to be introduced, it was stated clearly that this was meant to be for a short time. It is unthinkable that we should seek to prolong this period. On grounds of general colonial policy, having regard to opinion in Malta and on both sides of the House of Commons and also to the inevitable attacks that will come in the United Nations, we cannot continue further with direct rule. As the ‘Times’ leading article of the 21st April says, ‘No one can take any pride in such a constitution, imposed on an island that was once largely self-governing’. We must determine now that we will start the process of ending direct rule.

¹ Commenting on this aspect of Macleod’s minute, J Chadwick (assistant under-secretary, CRO) noted: ‘You have, I see ruled out a Cyprus-type solution for Malta. It seems to us, therefore, that if we are going to maintain our defence requirements in Malta, the most that Malta can receive is some form of internal self-government. This appears to be what your Secretary of State had in mind, and we agree; but in that case perhaps some other form of words, which has this precise connotation, would be preferable’ (CO 926/1245, no 26, letter from J Chadwick to J O Moreton, 24 June 1960).

(5) This is NOT to be thought of as a delaying operation nor as an exercise foredoomed to fail. That way lies certain failure. The history of previous constitutional discussions on Malta is deeply discouraging. The Maltese people have very long traditions of self-government and no solution which fails to give them a full share in the management of their affairs can be expected to attract their sympathy or support.

(6) I do not propose to discuss in detail in this minute exactly what will emerge at the end of the day: there are too many possible variations. But we should study in particular the precedent of Singapore² as amended naturally to meet the special circumstances of Malta outlined above on the one hand and our 1958 proposals on the other. Somewhere perhaps between these we may find the answer.

(7) We must decide what we should do first. I think we should aim at a conference later in the year, perhaps in November, and that Lord Perth should go out, perhaps at the end of June.³ By this time the conference of the Maltese Labour Party will have taken place and we will have a clearer idea about the future of Baileys. It may be that it would be right to re-convene the National Assembly, which had some success in giving birth to earlier constitutions; it may be that we should seek Commonwealth assistance from Australia and perhaps Canada in propounding our answers; it may be that we should decide in the end to table our own solution. An intensive study must start NOW of these and any other possible answers that are worth studying. Whatever road we take, the object of this minute is to put it beyond argument where we are going and roughly how fast we must move.

² In Cabinet discussions on impending constitutional change in Singapore, Lennox-Boyd had recorded: 'The new constitution would be a form of dyarchy, in which defence and foreign affairs would be reserved to the United Kingdom Government, whose spokesman would be the Resident Commissioner, while local Ministers would discharge the remaining functions of government.' In discussion, however, 'doubts were expressed about the precedent which might be constituted by the unique arrangements proposed for Singapore. The Government of Malta, for example, might feel obliged to press for similar arrangements. But a constitution on the model proposed for Singapore would represent a regressive step for Malta, which already possessed most of the powers which, under the new constitution for Singapore, would be transferred to local Ministers. There appeared to be no other Colonial territory where the present stage of constitutional development would provide a basis for a claim to treatment comparable with that proposed for Singapore' (BDEEP, series A, vol 4, R Hyam and W R Louis, eds, *The Conservative government and the end of empire, 1957-1964* part I (London, 2000) pp 718, 719, document no 256).

³ See 140, *Annex A*.

139 PREM 11/4917, PM(60)43

12 July 1960

'Bailey (Malta) Limited': minute from Mr Macleod to Mr Macmillan¹ on possible future difficulties with Baileys

Last year we gave Baileys the job of running the Dockyard on a commercial basis. The Admiralty signed a 99-year lease to this effect and a financial agreement.

2. Almost since the beginning we and the Admiralty have had dispute with them. As time has gone on some of their financial transactions have appeared more and more questionable, and all our efforts at reaching an understanding have failed.

¹ At the foot of Macleod's minute, Macmillan wrote: 'Thank you. You will no doubt report developments.'

3. Over the last months we have worked on the idea of two independent Directors of high standing being appointed to the Board, and names mutually acceptable have been Hanning Philipps (Chairman of Schweppes and a Lord Lieutenant) and Sir Richard Yeabsley, (an eminent Accountant). The more that these two have looked into things the less they like being associated with the Company. Hence they are making conditions for joining which will be difficult for Baileys to accept since it virtually means that they would have control of past and future action. At the same time I can well understand their conditions because they are as unhappy about Baileys' performance as we are.

4. I intend to see Group Captain Bailey (the Chairman) on Friday and say to him that either he accept the terms on which the two independent Directors will join or I shall order an enquiry, as I am entitled to do under the agreement. This may well lead to grave trouble in Malta and to the Company trying to take legal action against us. I am satisfied that we have got to go ahead whatever the political repercussions; it will for instance give Mintoff just the handle he is looking for.

5. I am considering how best to lessen the political damage—for example by a re-affirmation that we stand by our £6 m. commitment for the Dockyard conversion and that we wish if possible to see this work started even while the dispute with Baileys proceeds. Further help to this end would come if the Admiralty can undertake to continue to provide substantial work for the Dockyard during 1961 and 1962 and so avoid unemployment in Malta. I know that for the Admiralty to do this will be very difficult and mean taking work from home dockyards and if the need arises this is clearly something which we must all consider together.

6. It is just possible that Group Captain Bailey and later his Board will give way when I see them on Friday, but I am not hopeful as the real trouble lies in the performance of his son Christopher who is the apple of his eye.

7. The purpose of this note is to tell of the difficulties that may lie ahead.

8. I am sending copies of this minute to the Chancellor of the Exchequer, the Minister of Defence and the First Lord.

140 CAB 134/1559, CPC(60)16 15 July 1960
**'Malta: constitutional changes': memorandum by Mr Macleod for
Cabinet Colonial Policy Committee. Annex A**

Malta has been under one form or another of Governor's rule since the end of April, 1958. An attempt to negotiate a return to representative government at the end of 1958 failed. During the past two years repeated assurances have been given that it is Her Majesty's Government's intention to restore representative government as soon as practicable.

2. I myself visited Malta at the end of last year, and three weeks ago the Minister of State for Colonial Affairs also paid a visit to test the climate of opinion. His recommendations are set out in paragraph 3 of his report, attached at Annex A. I consider that they offer the most hopeful prospect of success and I ask my colleagues to endorse the procedure proposed.

3. In view of the keen Parliamentary interest in this question I consider it desirable that I should make an early statement of Her Majesty's Government's

intentions. I would propose to do so in the last week of the Session. At Annex B¹ I attach a draft of the statement I might make and invite my colleagues' agreement.

4. As far as the membership of the Commission is concerned I should like Sir Hilary Blood,² formerly Governor of Mauritius, of whose work in the constitutional field I have a high opinion, to be the Chairman. I also hope to draw a second member from one of the other Commonwealth countries (preferably Australia, with which many Maltese have connections), and to persuade a prominent senior member of the trade union world to be the remaining member. I am at present surveying the field and may be able to announce the composition of the Commission at the same time as I make my statement.

5. It is clear that the process of restoring elected government to Malta will be difficult and that it could be considerably complicated by the major economic and financial problems which beset the Islands. The next twelve months are likely to see many of these problems arising and it would therefore be convenient if we could have here a body on which such of them as may require Ministerial consideration could be discussed. I therefore recommend that the Malta Committee should be revived for this purpose.

Annex A to 134: Report to the Secretary of State for Colonies on a visit to Malta (30 June–5 July 1960) by Lord Perth, 11 July 1960

1. *Introduction*

The main purpose of my four day visit to Malta was to enable me to report in order that you might make a statement before Parliament rises on the programme for achieving a new constitution for Malta. To this end I had two talks with the Archbishop of Malta; meetings of an hour and a half each with the Nationalist, the Democratic Nationalist and the Progressive Constitutional Parties (the Malta Labour Party (M.L.P) refused to meet me unless I first recognised Malta's right to independence); meetings with various representative bodies, including the Students and the two leading Unions, the General Workers Union and the Confederation of Malta Trade Unions; and talks with many leading citizens.

The other main purpose of my visit was to examine the progress made in the 5-year development plan. The Governor and/or his officials attended many of the discussions and I am deeply indebted to them for all their arrangements.

2. *Political state of the islands*

In every quarter, apart from a few frightened businessmen and civil servants, there is a growing demand for a return to representative government. While this demand is not yet, save in the M.L.P. and among students, taking active form, there is no doubt that if H.M.G. are not seen soon to be taking steps to this end there will be an outcry and events will play into the hands of Mintoff and the M.L.P. My visit was accepted on all sides as proof of our determination to bring direct rule to an end. In Mintoff's

¹ Not printed.

² Sir H R R Blood, governor of Mauritius, 1949–1954; constitutional commissioner for British Honduras, 1959, Zanzibar, 1960, and Malta, 1960.

speech at a demonstration (relatively ill-attended) against my visit which he organised while I was there, after passing resolutions demanding independence even if it led to starvation, he called for an end to attacks on the Church as these were a gift to Her Majesty's Government—a clear sign he too expects elections.

The Archbishop is under no illusions on Mintoff's calling off his Church campaign and does not intend to allow his people to be fooled by it. (Malta is 99% Catholic). All the same the M.L.P. remains the strongest and by far the best organised of the political parties. It is said that Mintoff has lost some ground in the last months and that the Secretary-General of the M.L.P., Pellegrini, may challenge his leadership. Personally I doubt whether he will succeed although Mintoff's flirtation with the United Arab Republic has given him a handle. (To a Maltese the Arab is the lowest form of life). Borg Olivier, leader of the Nationalist Party, has probably still the second largest following, but how he retains his position is inexplicable; he does nothing, and if he were in power he would, as before, prove a difficult customer. His cry is 'Dominion status within the Commonwealth', its meaning unclear.

The elections when they come—within 12 months?—should be a close thing between the pro-Mintoff and anti-Mintoff forces, always provided that the economic situation goes well. If it goes badly Mintoff would surely win and the cost to H.M.G. very great. In this connection there is a slender chance that before the next elections the Nationalist and the Democratic Nationalists will unite.³ The Archbishop is in favour of this. In the meantime it is essential that H.M.G. do nothing to help Mintoff, for example by increasing taxation at a time when the Maltese have no representation. I say this in the full knowledge of the recent wage arbitration award which will result in a budget deficit of between £300,000 and £400,000.

Everyone fears Mintoff's return to power. Most people dare not oppose him for fear of being victimised, and look to H.M.G. to protect them somehow despite their demand for representative government. The lack of backbone of the educated classes as a whole and the business men is despicable.

3. *A new constitution and representative government*

The question is how to move towards this. At one extreme H.M.G. could impose a constitution, and at the other could ask a Maltese National Assembly to devise one. In practice the answer lies somewhere between, and I suggest the following course:—

(a) H.M.G. should lay down the framework of a new constitution; i.e. defence and foreign affairs remain our responsibility and our pledges to the police and public service against victimisation must be honoured.

(b) Within this framework a Commissioner, or Commissioners, should be charged with the task of drawing up the constitution. The idea of the Commonwealth being associated in this work appealed to many and should I think greatly help the ultimate chance of acceptance. Specifically I recommend therefore three Commissioners: an Australian (there are 70,000 Maltese in Australia), and two others—both from the U.K.?—including Sir Hilary Blood.

(c) This Commission would proceed to Malta in late September or early October and consult the Maltese on how to fill in the framework. I had many discussions on

³ The progressive wing of the Nationalists had split from the main party to form the Democratic Nationalists under the leadership of Dr Herbert Ganado.

the possibility of a representative body of 30 or 40 people, summoned by the Governor, to advise the Commission in public or private sessions. Whether or not such a body is convened, it is essential that the Commission should be able to consult the various representative bodies individually and in private. This follows much advice which I received, including that of the Archbishop, that people in an assembly, whether meeting in public or private session, would not dare to give their real views.

(d) The Commission would submit their recommendations to H.M.G. perhaps early next year; H.M.G. would accept or revise them; and elections would then be held under this new constitution in the spring or early summer.

It would not be appropriate in this note to go into great detail on what might be included in the constitution although of course we would have discussions with the Commission before they set out. The Constitution should however conform to the following principles:—

- (i) It should give as much self-government as possible, consistent with 3(a) above.
- (ii) It should satisfy the Church on religious safeguards.
- (iii) It should have checks particularly against victimisation; a provision on human rights might be entrenched and combined with an appeal to the Courts; there might also be a senate.

4. The economic position of Malta

With one very important exception, Baileys and the Dockyard, things are going well. There are more cars, more television sets, record sales of ice-cream and large savings (over £6 million a year to the U.K.). More houses are being built (thanks to the removal of some controls) and there is a general air of bustle and expectancy. The 5-year development plan is beginning to make its mark; the Aids to Industry Board has attracted a car assembly works, a textile company and a light engineering works which, with other projects, create between 600 and 1100 new jobs; the Tourist Board has already approved three hotel projects; the deep harbour should be finished before the end of the financial year and there is an important horticultural project afoot.

But for Baileys one can expect the change from a fortress to a civilian economy to succeed. I will not go into detail on this sad business here. Baileys are behaving very badly and unless or until they mend their ways we cannot proceed with the conversion of the Dockyard. We are trying to help solve this problem by bringing in two prominent Directors to Baileys' Board from outside. If this fails a Government enquiry may be necessary. This would be a gift to Mintoff and badly damage our position on the Island with all this means. It may well however have to be faced.

5. The longer term outlook

At present there is little real feeling against the United Kingdom—indeed the opposite is true with the Church our strong supporters. Things could quickly change particularly as the Services do necessarily obtrude everywhere in the day-to-day life of the Islanders. Their very dependence on H.M.G. and the Services is something which is resented and often represented as having hindered normal development—a half-truth. Furthermore Mintoff knows that even if they were independent, we would still need the Island's facilities and have to pay very heavily for them. The demand for self-determination is likely to grow, with the Maltese, who are very mature

politically, seeing little reason why they should be treated differently to all other Mediterranean countries.

All the same a new Constitution might last some years if all but the Malta Labour Party agree to work it—this puts Borg Olivier's Nationalist Party in a strong bargaining position with us for 'Dominion status within the Commonwealth'. The election is going to be a close thing and we must, along with the Church, do all we can not to make difficult the task of those who are against Mintoff.

141 CAB 134/1559, CPC 6(60)1 20 July 1960 **'Malta: constitutional changes': Cabinet Colonial Policy Committee minutes**

The Committee had before them a memorandum by the Colonial Secretary (C.P.C. (60) 16)¹ outlining proposals for a Constitutional Commission to draw up a detailed scheme for Malta to assume the widest measure of self-government consistent with United Kingdom responsibilities for defence and foreign affairs.

The colonial secretary said that it was not a question whether, but how and when Malta should achieve a greater measure of self-government. He felt that this problem could best be handled by a Commission which would work to strict terms of reference and give due weight to defence and security considerations. He proposed to invite Sir Hilary Blood to be the chairman, as he was very experienced in these matters and could be relied on to adhere strictly to the Commission's terms of reference. Among the members he would like to include a representative from the Trades Unions (possibly Sir Alfred Roberts)² since this would be helpful in view of Malta's labour trouble, and a Commonwealth representative, preferably from Australia, as there were some 70,000 Maltese in Australia.

The position with Bailey's was on the whole a little better than at the time when the Minister of State for Colonial Affairs had visited Malta due to the introduction of two Government representatives on the Board. The economic situation in the island, however, still gave cause for concern.

In discussion the following points were made:—

- (a) A Commission would be greatly preferable to any negotiating body for working out Malta's future.
- (b) It was advisable not to delay consideration of the future constitution of Malta in spite of problems we expected to be faced with in Nyasaland and elsewhere in the near future. Malta was unlikely to become a security risk, but it had been necessary to reiterate the undertaking, given by the previous Colonial Secretary, to protect civil servants and police officers, in view of Mr. Mintoff's threats to certain officials. The chairman of the Commission should be instructed to pay particular attention to internal security problems, though this should not be written into the terms of reference.

¹ See 140.

² General secretary, National Association of Card Blowing and Ring Room Operatives; director, Bank of England.

(c) The timing of the announcement of the Commission's recommendations was likely to coincide with a decision on whether Cyprus would remain within the Commonwealth or not. If Cyprus, with a population of 500,000, became an independent member of the Commonwealth it would strengthen Malta's case, with a population of 350,000, for similar treatment.

(d) The cost of the wage arbitration award must be borne by the Maltese. There were savings elsewhere in their budget, and it was hoped that this would be manageable. It was however emphasised that it would be a fatal mistake to increase taxation when the Maltese had no representation on the Administration, just before elections were to be held.

In further discussion a number of amendments were agreed to the statement and answer to a supplementary question which the Colonial Secretary proposed to make in the House of Commons.³

The Committee:—

Agreed that a constitutional Commission for Malta should be established, as proposed by the Colonial Secretary in C.P.C. (60) 16, and that an announcement should be made to that effect, as agreed in their discussion.

³ *H of C Debs*, vol 627, cols 1648–53, 27 July 1960. See also *H of L Debs*, vol 225, cols 816–20, 27 July 1960.

142 CO 926/1250, no 95

21 Oct 1960

[Interim constitution]: letter from A Campbell¹ to J D Higham advising against an interim constitution

During discussion with the Constitutional Commission, Sir Hilary [Blood] indicated that a number of people in Malta had expressed themselves in favour of a return to full self-government by stages and that this was one of the subjects that he wished to discuss with the Secretary of State on his return to the United Kingdom in November. He asked for our views on this and suggested that I might like to set these out in a note to you so that the Secretary of State would be aware of them. The Governor has seen this note and agrees with it.

2. Among the people who have expressed these views are probably some who feel that their chances of achieving power depend upon some such expedient. For this reason Miss Strickland has always pressed for an interim type of constitution.

3. Naturally Sir Hilary was not very specific at this stage on the type of interim constitution which he had in mind, but I take it that it would be one of the variants of the old Colonial type of constitution. We did touch on this subject in paragraphs 9 and 10 of our despatch No. 917 of the 10th November, 1959, and basically I think that what we said then is still true. There must be some measure of acquiescence in Malta if a constitution is to work and, despite the boycott that has been mounted by the two major political parties, the Maltese people may well find that a constitution on the lines of your recent drafts exceeds their expectations. Although they will resent the restriction of their powers in relation to the police (even though such restriction were interim)

¹ See 135, note 1.

the admission of their right to legislate over foreign affairs and defence is a significant concession which will appeal to them. Furthermore, once a liberal constitution is offered the pressures within the parties by political aspirants to get back into office will build up. And reinforcing this will be the argument that a Party which refuses to fight an election may find itself obliterated. There is thus a good chance that the Elections would be fought and that a government would take office. This in itself is worth working for even if that government takes office only to pursue its own particular policies of independence or complete self-government within the Commonwealth.

4. If a type of constitution however were offered which placed the Maltese in a position on the constitutional ladder which had been passed some years ago by most of our African territories, then not only would there be widespread disappointment (c.f. Lord Perth's statement in Malta on 5th July 1960 that he hoped that the new constitution would be more liberal in all respects than the 1947 one), but also there would be no possibility whatsoever of its acceptability by three of the political parties. It would also be extremely difficult to enlist any support in the outside world for such a stage. It must be remembered that although there has been a good deal of fulmination and shouting in Malta during our present interim constitution, in the eyes of the outside world the place has been quiet, and the politicians have appeared to behave themselves. It would therefore be very difficult to impose, after a period of three years, the kind of interim constitution that was imposed in British Guiana only a year after their troubles in 1953.²

5. There is another important aspect of this. If it were possible so to dress up an interim stage constitution as to make it acceptable to enough Maltese and to justify bringing it into force we would then be placed in a most difficult position. We would have at the least a number of unofficials in the Legislature, and presumably a number of unofficial members in Executive Council who would be drawn from the Legislature. The Constitution would be by common acceptance interim, and the pressure to advance from it to a less humiliating stage would be persistent and heavy. Although H.M.G. would no doubt have the last word, in practice it would take quite a long time for the last word to be said, and we very much fear that there would be a considerable deceleration in the machinery of government: for measures of legislation or administration, in themselves good, would be delayed or turned down merely because of a constitutional grievance. H.M.G. would still bear the overall responsibility, and yet it would be impossible to acquit ourselves of it satisfactorily, and to maintain the momentum of development and planning that is so important just now, unless the Governor were to make continual use of his reserved powers. There is no recent experience in Malta on which to base this, but if you go far enough back in our history (and particularly to the 1887–1919 years)³ you can find chapter and verse to justify what I have said. And even if these stages have worked elsewhere this has generally been as an episode in a planned process of constitutional advance

² In keeping with the recommendations of the Robertson Commission, which had been established to examine events leading to the suspension of the constitution and the declaration of a state of emergency in British Guiana in 1953, an interim constitution was introduced the following year consisting of the governor, officials, and nominated members on both the executive and legislative councils (BDEEP, series B, vol 6, S R Ashton and D Killingray, eds, *The West Indies* (London, 1999) pp. 363–4, document 135 N.)

³ Rejecting responsible government as 'incompatible with the position of Malta as an Imperial fortress and unsuitable to the circumstances of the Island and the political capacity of the people', the CO had introduced representative government in 1887 (Edith Dobie, *Malta's road to independence* (Norman, 1967) p 36).

when each step has been designed to be a further education in responsibility, and has been welcomed as such in the outside world. It must be remembered that in asking the Maltese to accept a stage of this kind we are dealing with people of a good deal of political experience and ability, but one of whose faults is that they can be maddeningly wrong-headed and stubborn. I think that all of us here are convinced that there is no 'half-way house' which the Maltese would try to work. Our advice would be against the experiment.

6. I have let Sir Hilary Blood have a copy of this letter.

143 CO 926/1273

9–11 Jan 1961

[Blood Commission]: minutes by Sir J Martin and Lord Perth on the recommendations of the Blood Commission

Minister of State

Secretary of State

We are all agreed that, within the limits of their terms of reference, the Blood Commission have produced a masterly report.¹ Two major questions arise. The first is whether the Maltese political leaders can be brought to accept a Constitution which involves such limitations on Maltese sovereignty. With every grant of independence to another formerly dependent people the British position in Malta becomes more anomalous and out of harmony with the general climate of world opinion. But this issue was already faced when the terms of reference were drawn up.

The second question is whether the proposals will in fact provide the necessary protection for H.M.G.'s strategic interest. Here the key recommendation is in paragraph 97 (c) of the report, viz. that H.M.G. should be entitled to request the Maltese Government through the Commissioner to take any action deemed necessary by the U.K. to enable them to discharge their defence and external affairs responsibilities or to request the Maltese Government to desist from any action deemed by H. M. G. prejudicial to their discharge of those responsibilities; and that, if the Maltese Government failed to comply, the Commissioner should be empowered to make an Order which would have the force of law and prevail over local legislation. The trouble of course is that, in the absence of 'hands and feet' to give effect to such an Order, the Commissioner may find himself impotent in the event of obstruction and refusal of cooperation by the Maltese Government. Here past experience is not encouraging (and it is worth while reading Mr. Trafford Smith's note at (3)).²

In spite however of doubts arising from both the above questions, I am sure that the only possible course now is to accept these constitutional recommendations and strain every effort to secure their acceptance and to make them work.

There are already 20 pages of minutes (please see especially Mr. Melville's) and I will only add a summary of suggested conclusions—

(1) The constitutional proposals can be accepted as a whole subject to minor variations in the process of drafting the new Instruments.

¹ *Report of the Malta Constitutional Commission, 1960*, Cmnd 1261, 1961.

² CO 926/1273, no 3, note by T Smith, 16 Dec 1960.

(2) The proposal about financial assistance requires further study, but the Commission have removed the principal difficulty (and perhaps the main point which they intended to make) by omitting, after discussion with the Department here, the reference to help with *recurrent* expenditure in the original draft of paragraph 47 (words struck out in red ink in the copy at (1)).

(3) The suggestion that H.M.G. should pay for the Police until responsibility for it is restored to Ministers (paragraphs 71–73) is open to objection both on financial grounds (particularly because of the difficulty which will arise on termination of the arrangement) and also because a Force paid for by H.M.G. will be regarded as their mercenaries. It can, as Mr. Melville suggests, be considered along with the question of financial assistance generally: but I should prefer to say outright that this particular proposal (which is not put forward unanimously) is not accepted.

(4) A statement of H.M.G.'s views should be made in Parliament at the end of January, simultaneously with publication of the report. As regards the contents of the statement I agree with Mr. Melville's advice in paragraphs 9–12 of his minute, more particularly his suggestions at A (with supplementary as at B), C and D. (Something should also be said about the cost of the Police.)

(5) If the above is agreed, a paper should be prepared for the C.P.C. accordingly (E in Mr. Melville's minute). At the same time the lines of the proposed statement should be cleared with the Governor. We have not obtained his detailed comments, but understand that he is very well pleased with the report.

Please see also minutes and draft on MED. 30/8/010.

J.M.M.
9.1.61.

I will try not to add too much to the admirable minutes above, though I would add my praise on the very readable and skillful Blood Report which is importantly in measure a *Commonwealth* Report.

I agree the summary of conclusions in Sir John Martin's minute, and indeed its other parts—especially 'P'.³

As regards the statement giving H.M.G.'s views ((4) of the summary of the conclusions), the crux is in the wording of the declaration of future status (see 'A' opposite).⁴ I am not happy at the second paragraph as now drafted. While defence is paramount (the foreseeable future) it *is* our policy to deny Malta final self-determination! We will need a special discussion on this paragraph.

This brings one back to the Blood proposals for a Constitution. It won't work unless the Maltese want it to work (see Mr. Trafford Smith's views at 3.) They won't want it to work for long but that is no reason for not trying it and indeed vis-a-vis public opinion here and in the world we must so try and above all must have elections. The point is that Ministers should be under no illusions that the proposals solve the Malta problem. At best they buy time and it may be very short time at that (none the less of course we should play them up publicly as offering great constitutional advance). When they work no longer (and perhaps they will never really start) opinion may be ready to accept integration, which I remain convinced is the only answer! (I still believe the Maltese in a referendum would accept complete

³ P refers to the last two sentences of the first paragraph of Martin's minute.

⁴ Not printed.

integration if it included full-scale social benefits, and the cost to us would be relatively small.)

On timing, elections in the autumn would suit H.M.G.'s cause better than the summer—there would be more time for dockyard reconstruction and one or two important industrial projects to have got started. Furthermore this looks as if it would be the natural timing, bearing in mind the need for parliamentary debate, consultation with the Maltese and the drafting of the constitutional instruments.

The next step—a C.P.C. paper as in (5) of Sir John Martin's minute above.

P.
11.1.61

144 CO 926/1274, no 41, Appendix A 8 Feb 1961
**[Blood Commission]: minute from Mr Macleod to Mr Watkinson on
 the defence implications of the Blood Commission proposals**

Our officials and the Chiefs of Staff have been discussing the Report of the Malta Constitutional Commission and I am now circulating my recommendations to the Cabinet, but it may help if I give you in more detail my views on some questions relating to our defence interests.

2. I understand that the Chiefs of Staff have grave misgivings as to whether the kind of constitution the Blood Commission has recommended would adequately safeguard our defence requirements in Malta. I am under no illusions as to the difficulty of working any constitution in Malta; but we must make a move forward and it seems to me that the Blood Commission has done a good job in producing, within fairly tight terms of reference, proposals, which stand a chance of bringing about elections. I have no doubt that we shall be in for a trying time in dealing, on defence as on other matters, with whatever Maltese Government takes office and that we shall have to exercise a full measure of vigilance and patience to preserve a tolerable relationship. But I do not share the concern of the Chiefs of Staff that a constitution based upon the Commission's proposals would not adequately meet our essential military requirements.

3. As for the future, I am well aware of your views that our defence requirements can only be met by retaining sovereignty. I consider however, that I must say something now to make it clear that ultimate self-determination is not excluded and indeed hold out some hope of advancement, conditional upon satisfactory operation of the Blood Constitution. I think the proposed form of words in Annex 'B' of the Cabinet paper,¹ is the minimum that I can say to make any effect at all in Malta.

4. The proposal that the United Kingdom and Malta should have concurrent jurisdiction in matters of defence is, from the point of view of presentation, the lynchpin of our case. But the abolition of 'reserved matters' over which (as in the 1947 Constitution) the Maltese have no jurisdiction should not, in my view and that of the Governor, result in any less effective U.K. control in the defence field. The responsibility for defence will remain firmly with the U.K. The interpretation of 'defence' will rest with us alone—this is in fact an advance on the 1947 position from the defence point of view. The Head of State will be required to reserve for approval in London any Bills

¹ See Annex B to 145.

affecting or appearing to us to affect the discharge of our defence responsibilities. Further, the fact that the Maltese Parliament will have competence to legislate over the defence field will help to reduce the area of friction between H.M.G. and the Maltese Government to matters which are actually in dispute. The arrangement whereby the U.K. Commissioner will have both legislative and executive powers overriding those of the Maltese Government is different in form, but not in substance, from the Singapore arrangement, where, you will recall, the local Legislature alone is competent to legislate on defence matters. (There is no machinery of concurrent legislation in Singapore and our long-stop control is suspension of the Constitution).

5. I have asked the Governor whether he considers that the U.K. Commissioner is likely to find himself unable to get his decisions implemented owing to the difficulty of getting the Maltese civil service and police to conform. His view is that the U.K. Commissioner will be in no worse position than the Governor under the old diarchy. Indeed, in so far as the provisions for an independent Public Service Commission and for taking ultimate control of the police out of the hands of Maltese Ministers encourage the public service to resist improper pressures from local Ministers, the Commissioner should be in a stronger position than previous Governors.

6. As in Singapore, internal security will be the responsibility of local Ministers; but there will be no 'Internal Security Council' procedure. In Malta there is not, of course, the same problem of subversion as in Singapore, nor is there a third party who could take on the role of the Federation of Malaya in an Internal Security Council. Especially so long as a non-Maltese Head of State retains ultimate responsibility for the police, the U.K. Commissioner's power to intervene by legislation and executive action in internal security matters affecting our defence interests will give us in practice in many ways a stronger position in Malta than we have in Singapore in relation to internal security.

7. One point that has been raised is that our right under a new constitution to occupy, acquire and use defence facilities (including new land acquisition) should be placed beyond doubt in the constitution. It is certainly my intention that this should be done in terms similar to those used in the case of Singapore.

8. Concern was also expressed that there should be provision in the new constitution whereby Maltese civil legislation adversely affecting our defence interests should not be binding on the Crown in the right of the United Kingdom or on Visiting Forces. I quite see the need for some such safeguard but I am not satisfied that the various alternatives discussed by officials would be satisfactory and I should like more time to consider the best way of solving this problem.

9. One of the points not covered by the Constitutional Commission concerns the calling out of troops in aid of the Civil Power or for the protection of defence installations, and their being safeguarded against the consequences of actions performed in the course of duty. This is not the sort of matter which is normally dealt with in a constitution, but I see the need for an agreed procedure. It seems to me, given the general similarity between the Singapore Constitution and the proposals drawn up by the Constitutional Commission for Malta, that there is no reason why the procedure evolved for Singapore should not, with such local modification as may be necessary to adapt it to Maltese circumstances, apply in Malta. I understand that this should meet your requirements.

10. I am of course aware of the importance of ensuring that the privileges and immunities which we are bound under International Agreement to accord to Visiting

Forces, e.g. N.A.T.O., are made available. There have in the past been difficulties over this and I cannot pretend that there will not be difficulties in future. But we shall have the right to secure the status of Visiting Forces by legislation and executive action.

11. As regards privileges for N.A.A.F.I. and kindred organisations, we shall, of course, have the constitutional rights to claim that their needs are defence needs. But, as you know, this is a question on which strong feelings can be aroused in Malta (as elsewhere) of which we shall have to take account. I could not, therefore, give a blanket assurance that the requirements of the Service Departments will automatically be met.

12. I hope that these comments and assurances will enable you to endorse the line of action I am recommending in my Cabinet paper.

13. Copies of this Minute are being sent to the First Lord of the Admiralty, the Secretary of State for War and the Secretary of State for Air.

145 CAB 134/1560, CPC(61)3

9 Feb 1961

'Malta: constitutional changes': memorandum by Mr Macleod for Cabinet Colonial Policy Committee. *Annex B*

Six months ago the Committee endorsed my proposal (C.P.C. (60) 16)¹ to appoint a constitutional Commission for Malta, under the chairmanship of Sir Hilary Blood, to make recommendations for restoring self-government. The Commission reported in December. A summary of their main recommendations is at Annex A.² I think my colleagues will agree that, within the limits of their terms of reference, the Blood Commission have produced an admirably clear and convincing report.

2. I have said in Parliament that the Report will be published along with a statement of the Government's intentions. I would like to do this soon.

Recommendations of Blood Report

3. The Commission's main recommendations envisage the abolition of the form of dyarchy which was the central feature of both the 1921 and 1947 Constitutions. In general, all matters other than Defence and Foreign Affairs would be the responsibility of a Maltese-elected Government. Ultimate responsibility for Defence and Foreign Affairs would remain with Her Majesty's Government but the Maltese Legislature and Government would have concurrent powers in the field of Defence and certain aspects of Foreign Affairs, United Kingdom legislation and executive instructions prevailing in the case of conflict. Temporarily, ultimate responsibility for the use and operational control of the police in Malta would be vested in the Head of State acting in his discretion.

Comment on recommendations

4. There are some features of this constitutional plan, apart from the reservation on the police, which will not please the Maltese political parties. But we can fairly present the Commission's proposals as offering a substantial step forward.

¹ See 140.

² Annex A not printed.

5. Most of the Commission's detailed recommendations for a new Constitution are closely in line with thinking as it has developed here over the last few years. I ask my colleagues to endorse these recommendations and to authorise me to inform Parliament that Her Majesty's Government broadly accept the constitutional recommendations in the Report and intend to put them into legislative form as soon as possible.

Head of State

6. The Commission propose that the Head of the State of Malta (by whatever title he is called) should so far as possible be a constitutional representative of the Crown and 'may in due course be Maltese'. My intention is that, at least so long as he is exercising his special functions in relation to the Police, the Head of State should not be a Maltese.

Her Majesty's Government's defence interests in Malta

7. Before recommending acceptance of the Commission's recommendations, I naturally considered whether they are likely to provide the necessary protection for Her Majesty's Government's defence interests. Her Majesty's Government will be responsible for defence, which is not defined or limited in any way. We will accordingly have the right, under the new Constitution, to request the Maltese Government (through the United Kingdom Commissioner) to take any action we deem necessary to enable us to discharge our defence responsibilities and to desist from any action which we consider prejudicial to the discharge of those responsibilities. If the Maltese Government fail to comply, the Commissioner will have the power to make an Order having the force of law and prevailing over local law. There will also be power to reserve for the signification of Her Majesty's pleasure any Maltese Bill which affects the discharge of our responsibilities for defence. Finally, there will be power of legislation here by Order-in-Council subject to a negative resolution of Parliament.

8. In the internal security field, the Maltese Legislature will have exclusive competence, but Bills will be reserved for signification of Her Majesty's pleasure. In addition, the Head of State will have ultimate power of control of the Police and certain important powers in respect of the Public Service.

9. Although I do not pretend that we shall not have difficulties to face, armed with these powers I do not think that we need be afraid of extending the competence of the Maltese Legislature as the Commission recommend to cover Defence and Foreign Affairs on a concurrent basis. This will, it is true, enable the Maltese Legislature to stage debates on defence and, if they feel so inclined, to challenge our defence needs. But this challenge is not a new one in Malta; and in the case of legislative conflict, our legislation will prevail. The Governor advises that this extension of legislative competence will appeal strongly to the Maltese and is likely to endow the new constitutional relationship which we are trying to create between ourselves and the Maltese with a sense of good-will and dignity which will encourage local politicians to work the Constitution.

Police

10. The Commission's recommendation about reservation of ultimate power of control of the police will be a useful safeguard for our defence interests. But there are other grounds, too, for accepting this recommendation. As the Commission say,

Maltese Ministers (and this goes for others as well as Mr. Mintoff) have for some time past been trying to use the police not as a State instrument but as a party tool. This, combined with specific threats of victimisation against individual members of the force following the 1958 disturbances, creates the possibility that the morale of the police might be so undermined as to reduce their usefulness in maintaining internal security. At the same time this is a step backwards from the 1947 Constitution and will be much criticised by Mr. Mintoff's party at any rate. I would therefore endorse the Commission's proposal that the reservation of police should be a temporary measure and I would wish to say so in my announcement.

11. The Commission recommend (not unanimously) that the blow over the police should be softened by Her Majesty's Government undertaking to pay for the cost of the force so long as the reservation continues. I think this suggestion is open to criticism on both financial and political grounds and I do not propose to accept it.

Financial assistance to Malta

12. The Commission recommend that we should tell the Maltese at the start what financial assistance we would give them for a set period ahead. Our capital contribution is already fixed for the period up to 1963–64 and has been announced. I may shortly have to consult my colleagues on the question of ensuring further finance to Messrs. Baileys for the conversion of the dockyard. But, that apart, there is nothing more we can say about our capital assistance and I believe the Commission accepted that. They had in mind, however, the desirability, as they saw it, of making some corresponding statement about our assistance to the recurrent budget. If we turn down the suggested payment for the police, I do not see how we can make promises of specific annual subventions to the recurrent budget; nor do I believe that to attempt to do so would help our financial relations with a future Maltese Government, since any figure we produced would merely encourage them to ask for more. I should therefore propose to say in my statement that, having regard to the substantial capital contribution which Her Majesty's Government are already committed to make, we will expect the Maltese Government so to arrange their finances as to meet recurrent expenditure out of Maltese revenue.

Malta's future status

13. If we announce general acceptance of the Blood Constitution and show our determination to go ahead and implement it (while of course being ready to listen and to take account of constructive comments from any quarter) I believe that we can have elections in Malta later this year and that there is a reasonable chance of a Maltese Government taking office after the elections. But the Commission's recommendations, for all their masterly presentation and the substantial advance in self-government which they offer, are likely to be very critically received in Malta, particularly by the two main Maltese parties. The very provisions upon which we can rely to protect our defence interests—and of course particularly the reservation of the police—will be picked on by Mr. Mintoff and others as unwarranted invasions by Her Majesty's Government into the field of Maltese self-government and as disproving the Commission's claim that the new Constitution is more liberal than previous ones.

14. Mr. Mintoff is of course publicly committed to independence and he will no doubt go on demanding this and refusing to be satisfied with anything else. Even those who oppose Mr. Mintoff or think his demand for immediate independence is economic

suicide for Malta cannot openly oppose his claim for self-determination, especially when they see this being granted to more and more Colonial territories. In an effort at least to appeal to moderate Maltese opinion, I consider that we must hold out some hope of a final status for Malta which is compatible with their real aspirations.

15. I recognise the difficulty of saying anything now which would meet, or go some way towards meeting, moderate opinion in Malta without endangering our own and Commonwealth defence interests in Malta. I consider that an inclusion in my statement of something on the lines of Annex B is as far as we can safely go now and I seek my colleagues' approval to incorporate this in my announcement to Parliament on the Blood Commission Report.

Summary of recommendations

16. I recommend:—

(a) That the main constitutional recommendations of the Blood Commission be endorsed and that Parliament be informed accordingly.

(b) That Her Majesty's Government should not accept financial responsibility for the police during the period when ultimate control is reserved to the Head of State

(c) That any statement on Her Majesty's Government's future financial intentions towards Malta should be confined to saying that, having regard to the substantial capital contribution which Her Majesty's Government are already committed to make to Malta, they would expect the Maltese Government to be able to meet recurrent expenditure out of Maltese revenue

(d) That an indication should be given in Parliament, along the lines suggested in Annex B, of our intentions about the longer-term future of Malta.

Annex B: draft paragraphs on future status for parliamentary statement

The new Constitution will enable Malta to enjoy a very substantial degree of self-government. It will moreover make provision for the removal, when circumstances justify this, of interim restrictions on Maltese Ministers' responsibilities for the police. It will establish, as the Commission puts it, a partnership between Malta and the United Kingdom, who will continue to be responsible for Malta's defence and its external affairs. This partnership will work only if the duly elected Maltese leaders want it to work and are ready to co-operate with Her Majesty's Government in ensuring that it does work. Her Majesty's Government for their part sincerely hope that this co-operation will be forthcoming and that there will thus be established between the Government of Malta and the Government of the United Kingdom the necessary degree of mutual confidence which will enable them at the appropriate time to work out together the next stage of constitutional advance in Malta. If the Blood Constitution works satisfactorily and smoothly over the immediate period ahead, then Her Majesty's Government will be ready to discuss with the Maltese Government of the day what that next stage should be.

It is of course no part of Her Majesty's Government's policy to deny to the Maltese people the right to determine for themselves their own destiny in association we hope with the United Kingdom and the Commonwealth family. But the immediate aim must be the restoration of elections and a substantial measure of self-government.

146 CAB 131/25, D(61)15

15 Feb 1961

**'Malta: defence implications of Blood Commission proposals':
memorandum by Mr Watkinson. Annex**

The Colonial Secretary has circulated to the Colonial Policy Committee as C.P.C. (61)³ his proposals for dealing with the Blood Commission Report on the future of Malta.

2. If the Commission's recommendations are accepted the Maltese Government will have equal rights with the United Kingdom to legislate for defence. Apart from the ultimate sanction of the suspension of the Constitution, the only safeguards against excesses by a government which almost certainly will be hostile to us will be the power of reservation of bills and the power to make overriding orders. These powers will be vested in a U.K. Commissioner to whom neither the police nor the civil service will be answerable.

3. It is very questionable whether in these circumstances the U.K. Commissioner could enforce his actions against opposition by the Maltese Government. We can expect trouble in Malta in any case. The situations which could arise under arrangements of the kind proposed could have grave implications for our defence interests.

4. The safety and efficiency of the garrison, and our ability to meet out NATO commitments, are not light matters. Nor are they short term interests. We must be prepared to preserve them indefinitely.

5. There is one way in which we might accept the greater part of the Blood Commission recommendations and still stand a reasonable chance of maintaining our position. This would be to retain a British Governor in Malta for as long as it seems to us desirable in our defence interests. It would be an essential prerequisite of such an arrangement that we should retain control of the police and not, as has been proposed by the Blood Commission, progressively delegate it to Maltese Ministers. If it is thought undesirable to set no limit to the retention of a British Governor, we could agree to review the position annually.

6. The absence of power to enforce our defence needs is the main cause of my anxiety. There are a number of other points which, though subsidiary, are important. Not all of them would find their place in a new Constitution. They are listed in an annex to this paper. The Colonial Secretary is aware of them and is, I believe, prepared to meet us on most of them. I feel, however, that they should be brought to my colleagues' notice.

7. I invite my colleagues:—

- (i) to agree that their acceptance of the Blood Commission's recommendations should be conditional on a British Governor being retained in Malta for as long as seems necessary in our defence interests;
- (ii) to note that I shall be discussing with the Colonial Secretary the points set out in the annex to this paper.

¹ See 145.

Annex to 146

- (1) The U.K.'s continued right to remain in Malta for defence purposes should be entrenched in the Constitution.
- (2) The power to reserve for the Queen's pleasure Defence Bills passed by the Maltese Legislature should embrace those affecting the defence of the United Kingdom or the fulfilment and protection of the U.K.'s Commonwealth and International obligations and interests.
- (3) Steps should be taken to ensure that Maltese Legislation which is not expressly defence in character does not adversely affect the discharge of their duties by the Services and by U.K. civilians supporting them.
- (4) The Governor's rights in respect of the calling out of troops in aid of the Civil Power should be limited to the right to request such calling out, the final word resting with the U.K. Government acting through its Commissioner. The U.K. Commissioner should have the right to use the troops for the protection of defence installations.
- (5) Consideration should be given to the following points:—
 - (a) The need to ensure that NAAFI, members of the Forces and their dependents, and members of Visiting Forces and their dependents in Malta should be enabled to enjoy the off-duty privileges and immunities which the U.K. Government consider appropriate, or which they are bound under International Agreement to make available.
 - (b) The extent to which troops called out in aid to the Civil Power, or used to protect defence installations, are adequately safeguarded against the consequences of their actions.
 - (c) The need to be able to control, for security purposes, the entry of undesirable aliens into Malta.

147 CAB 131/25, D 4(61)4

17 Feb 1961

'Malta: constitutional changes': Cabinet Defence Committee minutes

The Committee had before them a memorandum by the Minister of Defence (D. (61) 15)¹ commenting on the implications for defence policy of the proposals for constitutional development in Malta contained in a memorandum by the Colonial Secretary (C.P.C. (61) 3).²

The Minister of Defence said that, as a result of the discussion which had previously taken place in the Colonial Policy Committee about the proposals for constitutional development in Malta, it had now been agreed that the Governor of Malta (whom it was proposed to call the Head of State) should not be a Maltese as long as this seemed desirable in our defence interests. This would meet to a considerable extent the apprehensions that were felt by the Service Ministers and the Chiefs of Staff about the effect of the proposed constitutional changes on our ability to fulfil our defence responsibilities in the Mediterranean. It would, however, also be

¹ See 146.

² See 145.

essential that the Governor, while continuing to be non-Maltese, should retain control of the police, and that such control should not be progressively delegated to Maltese Ministers, as had been proposed by the Blood Commission. Without this arrangement we should not have the power to enforce our defence needs. In addition to this overriding requirement, there were a number of subsidiary constitutional requirements, in our defence interests, which it was thought could be met; these were set out in the Annex to D. (61) 15.³

In discussion the following points were made:

(a) While overriding power as regards defence and foreign affairs would remain with the United Kingdom, the Blood Commission proposed that the Maltese Legislature and Government would have concurrent powers in these fields.⁴ *The Foreign Secretary* suggested that this arrangement would be bound to lead to continual friction, and that it would be more satisfactory if foreign affairs, and perhaps defence, were entirely reserved to the United Kingdom Government.

(b) It was suggested that the relationship of the United Kingdom Commissioner to the Governor, even while the latter remained a non-Maltese, would be bound to lead to difficulty. The introduction of a United Kingdom Commissioner would make it more difficult to justify retaining the governorship to a non-Maltese, and the control which would be exercised over Maltese legislation which affected defence and foreign affairs would be more objectionable if exercised by a United Kingdom Commissioner and not by the Governor. The appointment of a United Kingdom Commissioner, in addition to a Governor, might therefore accelerate constitutional development in a way which would probably be inimical to our defence interests.

(c) *The Chief of the Imperial General Staff*⁵ explained that it was the fear that pressure for further constitutional development might prove irresistible, and the virtual certainty that Mr. Mintoff would reassume office, that underlay the anxieties that had been expressed on the score of defence. The value of Malta from the defence point of view would disappear if it became progressively more difficult for the Services to take advantage of the facilities in Malta. If this was likely to happen, it might even be preferable to abandon Malta as a base. But to do so would undoubtedly be a severe shock to the structure of our defence arrangements in the Mediterranean. It might therefore be preferable to refrain from any constitutional development in Malta at the present time which might impair our use of the island for defence purposes; even if this led to disturbances, the situation would be capable of easier control than the similar situation which had arisen in Cyprus.

The Minister of State for Colonial Affairs said that, in addition to a firm understanding that the Governor would continue to be a non-Maltese, it would be understood that the control of the police would not be taken from the Governor

³ See Annex to 146.

⁴ During subsequent Cabinet discussions, agreement was reached that 'it would be preferable to restrict the grant to the Maltese Government of concurrent powers to defence, and to provide powers in the field of external affairs only by specific delegation' (BDEEP, series A, vol 4, R Hyam and W R Louis, eds, *The Conservative government and the end of empire, 1957-1964* part I (London, 2000) p 707, document no 249). This was conveyed to the House of Commons by Iain Macleod the following day (*H of C Debs*, vol 636, col 472, 8 Mar 1961).

⁵ Field Marshal Sir Francis Festing.

without the concurrence of the Minister of Defence. It could not be denied that there would be internal security problems in Malta, especially when Mr. Mintoff reassumed power. But the fact was that if, following the Blood Commission's report, all constitutional development were denied, the sympathies of all parties in Malta would be alienated. On the other hand there was considerable latent goodwill towards us among certain sections of the population, which might find more open expression if some constitutional progress could be made. The proposals were designed to begin to give the Maltese some share in government, while safeguarding our essential interests, including defence. Ultimately, the only alternatives to an indefinite continuation of the present constitutional arrangements for Malta were integration with the United Kingdom, which had not so far been found practicable, or independence.

The Prime Minister said that, apart from the question that had been raised about the practicability of concurrent powers, some anxieties had been expressed lest the implementation of these constitutional proposals for Malta might make it increasingly difficult for us to fulfil our defence responsibilities in the Mediterranean. A similar doubt might be thought to arise about the implication in the second paragraph of Annex B to C.P.C. (61) 3⁶ that Malta could achieve complete independence before it had become possible for us to relinquish our strategic interests there. The Colonial Secretary had undertaken to consider what modifications could be made to the formula in question in order to avoid that implication, and the whole question, including the defence aspects, would be further considered by the Cabinet.

The Committee:—

Took note that the Cabinet would give further consideration to the proposals for constitutional changes in Malta, and their defence implications.⁷

⁶ See Annex B to 145.

⁷ CAB 128/35, CC 10(61)5, 28 Feb 1961. This document has been reproduced in BDEEP, series A, vol 4, R Hyam and W R Louis, eds, *The Conservative government and the end of empire, 1957–1964* part I, pp 705–07, document no 248.

148 CAB 129/104, C(61)24 20 Feb 1961 **‘Malta: constitutional changes’: memorandum by Mr Macleod comparing the constitutional status of Singapore with the proposed status for Malta**

The Colonial Policy Committee invited me to circulate a memorandum comparing the present constitutional status of Singapore with that which would obtain under the proposals for Malta.

2. A comparative table is annexed.¹

3. In Singapore the local Legislature is responsible for legislation on defence and foreign affairs. The United Kingdom Government have no right under the constitution to initiate legislation but can only request the Singapore Government to

¹ Not printed.

act. It is only if the Singapore Government and Legislature refuse to comply with a United Kingdom request that the United Kingdom Commissioner can advise the Head of State to make an Order. If the Head of State refuses to do so the only remedy is to suspend the constitution.

4. In Malta the United Kingdom Commissioner will have the right to pass legislation which will override local legislation.

5. As in Singapore, internal security in Malta will be the responsibility of local Ministers; but there will be no Internal Security Council procedure. In Malta there is not, of course, the same problem of subversion as in Singapore nor is there a third party who could take on the role of the Federation of Malaya in an Internal Security Council. The United Kingdom Commissioner's power to intervene by legislation and executive action in internal security matters affecting our defence interests should give us in practice a stronger position in Malta than we have in Singapore in relation to internal security; nor shall we be dependent on the goodwill of a third party.

6. In Singapore the control of the police force is in the hands of Singapore Ministers, though the Internal Security Council have a responsibility for the efficiency of the police and can take decisions binding on the Singapore Government. In Malta the police force will, initially, be under the control of a British Governor who will also be able to ensure the necessary funds from Malta revenue.

7. In both Singapore and Malta the procedure for 'reserving' legislation for signification of Her Majesty's pleasure will be similar. The field over which this power can be exercised will be more extensive in Malta.

149 CO 926/1275, no 98A

7 Apr 1961

[Political situation]: inward telegram no 223 from the deputy governor to Mr Macleod on recent political developments in Malta

The recommended new Constitution was published on 8th March, 1961, and appears to have been very much what most Maltese expected. The Democratic Nationalist Party¹ and Progressive Constitutional Party accept it, the latter with the qualification that the dockyard must first be converted. The Nationalists published their rejection so quickly that they cannot have had time to digest it properly. The Malta Labour Party of course rejected it and it is not at all certain whether they will even contest the elections. Mintoff refuses to meet the Colonial Secretary except on the basis that self-determination will be discussed.

2. Mintoff is continuing his extreme 'anti-church' policy. A very outspoken circular regarding M.L.P. policy in relation to the church was read at extraordinary meetings of all M.L.P. clubs, as a result of which the Curia have written to the National Executive saying that unless all offensive language is withdrawn from the circular they will invoke canon law against them.

3. Anthony Pellegrini, the former General Secretary of the M.L.P. announced the formation of his new party, the 'Christian Workers' Party'. The basic aims of the party are for the economic viability of the island and the greatest possible measure of

¹ See 140, note 3.

political freedom. He would like to work for these political and economic ends in constructive partnership with H.M.G.

4. The General Workers' Union held a two-hour strike and meeting on 5th April in protest against the recent discharges. The meeting passed off quietly and the union's whole attitude has been to make the protest as peaceable as possible.

150 DEFE 5/116, COS(61)266 10 Aug 1961 **'Future of Malta as a naval base': note by Sir Caspar John¹**

[The Chiefs of Staff approved the first sea lord's note at their meeting on 7 Sept 1961 (DEFE 4/138, COS 59(61)2).]

In April, 1960, an examination of the strategic importance of Malta concluded,² *inter alia*, that the naval requirements in the Island in the 1960's would be:—

In peace—a Mediterranean Fleet Base for the Royal Navy including Headquarters and Communications.

In Limited War—a Base with Headquarters facilities to support R.N. operations in the Eastern Mediterranean.

In Global War—a Base for discharge of CINCAFMED's NATO responsibilities.

In all circumstances—the provision of special wireless facilities and certain strategic communications.

2. These requirements condition the extent to which naval facilities and stockpiles are maintained in Malta. These are founded on the need to be able to mount and support a limited war operation of the Suez type in the Mediterranean, involving a large part of the West of Suez Fleet and on the assumption that hostilities would not continue for longer than ninety days. Broadly speaking, it may be assumed that global war and dispersal stocks and peace-time supply needs are found from within these levels.

3. The study of military strategy for circumstances short of global war³ recommended that U.K. strategic policy for the Mediterranean and the Near East should be founded on a small naval presence and no need was foreseen for forces able to mount an opposed amphibious assault in the area. It was recommended that in normal circumstances, a force comprising one cruiser, twelve escorts and four submarines would be sufficient although this would need to be augmented from the West of Suez Fleet if necessary in an emergency.

4. The conclusion of this Study, and the need to economise to the greatest possible extent in expenditure abroad, have led the Admiralty to examine the case for maintaining the present scale of facilities and reserves at Malta. It has been decided that reductions could well be made so that, eventually, Malta became a forward Naval Base. Stock holdings could be progressively reduced to the levels required to support for ninety days—or for a lesser period, if this is substantiated by current NATO Studies—the Naval Forces allocated to AFMED and peace-time requirements for the

¹ First sea lord.

² See 137.

³ DEFE 5/105, COS(60)200, 'Military strategy for circumstances short of global war, 1960–1970': joint study for the Chiefs of Staff Committee, 5 July 1960.

presently planned Mediterranean Fleet. Details of the NATO Forces requirements, and the normal level of the peace-time Mediterranean Fleet, are given as an Appendix.⁴

5. The Chiefs of Staff are invited to endorse the proposal:—

(a) the Naval Base at Malta should be progressively reduced to a forward operational base capable of meeting the requirements of the Forces allocated to AFMED and the peace-time requirements of the Mediterranean Fleet;

(b) the Malta Naval Base should cease to be equipped to support large-scale limited war operations in the Mediterranean Theatre.

⁴ Not printed.

151 CO 926/1404, no 1

26 Aug 1961

[Defence review]: letter no G58/61 from Sir G Grantham to Sir H Poynton on the political and constitutional implications of cuts in defence expenditure

We have heard via the Service Heads out here of the cuts in defence expenditure which have been proposed in the course of the review which the Minister of Defence is carrying out. They amount to a 10% cut in administrative expenditure in Malta. Archie Campbell¹ asked our Commissioner-General² in London to call at the Colonial Office about this. He is newly appointed and is therefore up to date on the local employment and political situation here so that he could ensure that you had all the ammunition necessary to say 'but not in Malta'. In fact, of course, he found that your staff were all fully alive to the situation.

2. I only write because I do not want it to be thought that the prospect of such a cut is of anything but the gravest importance. A cut of this nature would not only have its effect on the number of locally enlisted civilian personnel (of whom there are over 12,000 employed in all three Services) but would affect the economic situation in other ways in the amount of spending by them and by any British families who were withdrawn. Both my Government and the Services Departments have made statements about the level of employment over the next three years on which not only have we as a Government based the review of our capital budget, but on which the General Workers Union and the Maltese people rely as an indication of the steadiness of H.M.G.'s policy in maintaining a high level of employment here. At any time therefore in the next few years it would be likely to be the case that substantial cuts in employment would have severe consequences, but at present the fact that no Maltese Government would agree to take office with such a sword of Damocles over its head adds very heavily to the political implications. We could possibly avoid what would be regarded locally as large-scale unemployment by additional direct financial aid, but this would involve added dislocation. For in switching from Service expenditure with all its established channels for the percolation of money through

¹ See 135, note 1.

² J F Axisa.

the economy, to direct Government expenditure an entirely different set of channels would then be established and this would inevitably take some time to occur. We are already having to absorb in the normal process of the reorientation of our economy a good deal of dislocation, and if political parties agree to take office whilst this is still going on, I think that it is just about as much as they, being Maltese, will stand. But to add a further heavy burden on to a Maltese administration would make it impossible for it to take office, and this would I think kill the Blood Constitution in just the same way as the announcement of cuts in defence expenditure in 1957 killed the integration proposals.

152 CO 926/1310

10 Nov 1961

[Defence]: minute by N B J Huijsman anticipating a time when ‘our defence interest in Malta could be met despite a relinquishment of our sovereignty over the Islands’

Mr Cumming Bruce

Mr Downie

Mr Kisch

At the time the Blood Report was under conson the Dept strongly advised Mr Macleod that a Constitution based on the Report stood a rather better chance of acceptance in Malta if H.M.G., when announcing their decision on the Report, were at the same time prepared to commit themselves to a clear statement of Malta’s right to self-determination. The matter was discussed in Cabinet and Ministers, no doubt influenced to some degree by the view of the Chiefs of Staff that continued U.K. sovereignty over Malta was essential in the U.K. strategic interest, came to the conclusion that it would not be appropriate to enter into any commitment on self-determination at this stage. The furthest it has been possible to go so far is that Lord Perth has been able to assure the House of Lords that there is no question of self-determination being excluded for all time. Mr Macleod has also several times stated in the Commons that the Blood Constitution would not represent Malta’s ultimate stage of constitutional development. All this has been said against the background of a definite need to retain Malta for defence purposes and a substantial Services ‘presence’ in Malta.

2. Since then the policy of effecting substantial cuts in unproductive overseas expenditure has led to a careful re-examination of the Services establishments in Malta. Subject to the final views of the Chiefs of Staff it looks as if, from the purely military angle, substantial economies could be effected in Malta—i.e. there could be a cut of about one-third in Services expenditure, coupled with a substantial reduction in the Services ‘presence’ and an increase in Maltese unemployment to about 10/12½% of the total working population.

3. We are therefore approaching a situation in which Malta is denied self-determination for defence reasons, while at the same time there is an accelerated decline in the use which the Services make of Malta, with all the economic and political troubles associated therewith. Even if the above-mentioned cuts are not

actually made (for they require a very nice decision as to whether the importance of the saving in Services expenditure outweighs the dislocation and additional U.K. civil expenditure involved), it is difficult to escape the conclusion that Malta's positive defence value is declining rapidly, and that we may not be so far off the time when our defence interest in Malta could be met despite a relinquishment of our sovereignty over the Islands. Indeed I am inclined to wonder whether this time has not already come.

4. Some eighteen months ago I tried to set out some of the factors affecting the Maltese attitude to their constitutional future, at Mr Melville's request. Higher authority does not appear to have disagreed with the main conclusions reached in this paper, a copy of which is at (1).¹ It was felt however that the defence position was such as to make it unprofitable to pursue the subject of Malta's ultimate status at the present time. It seems to me that the defence expenditure review has somewhat altered the picture and that there would be virtue in re-examining the 'light at the end of the tunnel'. What does seem very clear, particularly now that the reactions to the Blood Constitution are becoming clearer, is that the new Constitution has a very short expectancy of life unless something positive can be said on Malta's ultimate status which can be used to encourage or even to blackmail the Maltese politicians to work the Constitution.

5. You may wish to consider.

¹ See 128, note 1.

153 CO 926/1309

15 Nov 1961

[Defence]: minute by J M Kisch¹ linking Malta's diminishing defence interest with re-examining the question of Maltese self-determination

It is probable in spite of the general caterwauling that all the parties will contest the elections and it is likely that a government of some sort will be formed. It is also likely that that government will be inept and irresponsible and that it will be incapable of taking any decisions which might render it open to attack by other political parties. It will no doubt seek to avoid its responsibilities by attacking the U.K. Government. If things get difficult such a government may well resign on one pretext or another earlier or later and Governor's rule may have to be resumed.

There is nothing new in this sort of situation and no doubt H.M.G. will be able to keep it under control since the greater part of the Maltese population have more respect for us than they do for their own politicians. Nevertheless the question does arise as to whether and when, in the light of the obviously diminishing Defence interest, Ministers might wish to consider whether anything further can be said about the Maltese right to self-determination, i.e. independence. Such a move might not greatly decrease our difficulties over Malta, which are basically economic and financial, but it would pull the mat from beneath the feet of the Maltese politicians.

¹ Assistant secretary, CO.

154 ADM 205/216

18 Nov 1961

[Defence cuts]: inward telegram no 620 from Sir G Grantham to Mr Maudling on the likely impact of impending defence reductions

Your telegram No.572.

It is difficult to assess all the consequences of the provisional conclusions set out in your paragraph 3, since the full extent of the run-down is not clear. For instance, it is not clear whether the R.A.F. maintenance base at Safi, which is mostly civilian-manned, and Air Headquarters (which employs about 60 officers and 100 airmen) would remain as at present. Secondly, as you know, G.O.C. has just completed announcement of the new terms of service for R.M.A. which are based upon an operational role for them in Germany and in the Near East. Any further run-down is quite unexpected.

2. However, you have given us enough details to chill our blood, mainly at the consequences of reduced employment and reduced spending. My letter No.G.58/61 of the 26th August 1961 gave the figures of service civilian personnel employed in Malta. The Services themselves spent in 1960 £22.3 million out of a total of £85.7 spent in Malta on salaries, etc., and services from all sources. The consequences of any run-down would not therefore be restricted to the loss of employment of, say, 1,000–2,000 at the Naval base, plus Air Force and R.M.A. figures, but would be felt throughout the economy. Our industrial development programme is not planned to do more than absorb the natural net increase in the labour force of 7,500 at the end of this five-year period. Included in this figure is a service reduction in direct and indirect employment of about 1,500, but we do not foresee industrial development being so successful as to be able to carry an additional load of the magnitude foreshadowed in your proposals. Very heavy unemployment would result, aggravated by the restrictions to be imposed on immigration into United Kingdom.

3. Basically, as you know, the Maltese economy is very fragile. It has been built up by dependence on the services which the island has afforded to H.M.G. over many years, and it now supports a population (330,000) absurdly large in proportion to natural resources. In these circumstances there is a minimum employment and spending level below which H.M.G. cannot fall until other things have been built up to sustain the economy. This level will, it is to be hoped, reduce in the course of time, but presently we are only just making a beginning in our industrialisation and the extent of any further reduction in the United Kingdom's burden of Service employment and spending must therefore be restricted to what we can ourselves take up. We prefer to put it this way, rather than to say that H.M.G. *could* make Service reductions, provided it was prepared to compensate financially in other directions, because we are convinced that the existing method of subsidising Malta's economy by the use of base facilities here is better value for money, and because its continuance will cause the lesser dislocation in the Maltese economy, but one way or another, H.M.G. has got to subsidise Malta for some time to come.

4. From the security aspect your proposals would themselves cause a severe deterioration of the internal security situation here, which would become aggravated as discharges and other distress accumulated. In these circumstances, one unit alone would hardly be adequate to support the civil power and if the R.M.A. Regiment, now remaining in Malta, were run down we would have no military unit available for

guard duties, emergency transport, and the like, during internal disorders. We would in fact be at full stretch with only one unit (as against four at present) at a time of great stress.

5. The above would, I believe, be the impact of your proposals in their immediate consequences. Normally, of course, we can count on a fairly stable body of Maltese middle and upper class people to counterbalance with their sense of loyalty to H.M.G., and their belief in her abiding presence here, the kind of reactions that would set in. But the sense of security of these classes would be rudely shaken by actions that seemed to presage an ultimate and complete withdrawal by H.M.G. They would feel deserted and betrayed and we could not rely on them to exert any influence in our favour.

6. You do not mention the timing of any cuts. I do not think that any Maltese Government would take office knowing that these were impending, unless it received a cast iron assurance from H.M.G. that equivalent sums would be spent here. If the announcement were delayed until after the introduction of the new Constitution, the United Kingdom Commissioner would certainly have an educative time arguing this one with a Maltese Government. The resulting friction could easily cause a constitutional breakdown.

155 DEFE 5/120, COS(61)445, Appendix

22 Nov 1961

'Reduction of the garrison at Malta: political considerations': CO note

Over many years the economy of Malta has been based on the services which the island has afforded to Britain. It now supports a population—330,000—out of all proportion to its natural resources. In 1959, in order to make the economy of Malta more viable in the face of reduced Service spending, the Malta Government embarked on a five year development plan aimed at converting an economy almost wholly dependent on military expenditure into a self-supporting economy, mainly through industrial development. Britain's aid under this plan is set at an upper limit of £29.25 million over the period 1959–1963, based on the present estimates of Service expenditure and of employment. A new constitution is being introduced under which elections are due to be held in February 1962.

2. The proposed reductions in Service establishments and expenditure would have three major consequences:—

- (a) they would lead to heavy unemployment since, even if other forms of financial assistance were forthcoming, there would be acute dislocation of the present pattern of employment;
- (b) they would lead to a severe and progressive deterioration in internal security, in which conditions one unit alone would hardly be adequate to support the civil power in keeping order;
- (c) they would so shake the confidence of the more stable classes in our intentions towards Malta that their influence and restraint upon the more neurotic and irresponsible section of the community would largely be lost to us.

3. The implementation of the proposed measures would necessitate a new and radical approach to the problems of Malta. They would render impossible the

restoration of representative government under the Blood Constitution, as no Maltese Government would be prepared to take, or hold, office in such circumstances without cast-iron guarantees of equivalent compensatory aid over an indefinite period. There would need to be heavy additional subvention of capital development expenditure and direct financial aid to recurrent budgetary expenditure. The cost to HMG on other votes might well be just as large as the desired savings in military expenditure.

4. Theoretically the phasing of the proposed reductions over a very long period, combined with appropriate extra assistance to the Maltese economy, might be socially and economically feasible; but the Maltese Government would have to be told of such intentions, and it is extremely doubtful whether they would undertake the responsibility and odium of running the country in these circumstances. It is certain that any sudden or rapid implementation of the proposals would have a disastrous effect on the political and economic life of Malta.

156 CAB 131/26, D(61)82, ff 185–7

18 Dec 1961

‘Overseas defence expenditure: Malta’: memorandum by Mr Maudling for Cabinet Defence Committee

The reduction in the services establishments in Malta set out in the Minister of Defence’s latest paper (D(61)79)¹ will have most serious financial, economic and political effects on the colony and I feel I must at once set these out for the attention of my colleagues. Time has not permitted the consultation with the Chief Secretary, Treasury, and Minister of Defence suggested at the last meeting of the Committee.

2. The Services employ directly 18 per cent of the working population of Malta and are by far the largest single employer in the island. Indeed the level of Service expenditure has hitherto been the key-stone on which, directly or indirectly, the whole economy of Malta has depended. In 1959 in an attempt to counteract the effect of the reductions in the services then being undertaken the Malta Government embarked on a five-year development plan which would help in converting an economy almost wholly dependent upon military expenditure into one which was more self-supporting. This was to be done mainly through industrial development, which would maintain a reasonably high level of employment. That the present plan would be insufficient in itself to achieve this objective was recognised by my predecessor in a statement made in Malta early in 1960 when he said ‘I can assure you that we recognise that the present five-year plan was only a first step—though a very significant one—towards the development and diversification of the economy of Malta’.

3. Britain’s financial contribution to the plan is set at an upper limit of £29.5 million out of a total cost of £35.65 million. The plan assumes that the rundown of the Services will continue more or less at the current rate and amounting to 1,500 men during the five years. It was designed to absorb an effective increase of 7,500 in the labour force by 1964.

¹ CAB 131/26, D(61)79, ff 294–304, ‘Overseas defence expenditure’: memorandum by Mr Watkinson, 14 Dec 1961.

4. We are now just over half way through the period of the plan. Reasonable progress has been made in the field of industrial development, but the results of the tourist drive have been disappointing and the vital scheme for the conversion of the Dockyard has not yet got off the ground. Even, therefore, if there is no increase in the current rate of rundown of Services expenditure, it is by no means certain that the plan's original employment target will be achieved.

5. The effect of the present proposals would be to increase the total of unemployment in Malta by over 7,500; unemployment in Malta would rise from 4 per cent to 14 per cent. If this heavy increase in unemployment is to be avoided, very large additional subventions will be needed to the capital budget and, almost certainly, direct financial aid to the recurrent budget. If one makes parallel assumptions to those used in the current plan, it would be necessary to create at least 4,200 direct new jobs in industry, and this would require private investment in industrial development of over £4 million with Government investment of another £4 million. It is far from clear that this further private investment would be forthcoming or therefore that the additional industrial development could be created. Even if it could, there would inevitably be great dislocation and also great pressure in the meanwhile to relieve unemployment by providing very large sums of money for uneconomic public works.

6. Certainly Malta would expect the effects of the proposed Service reduction to be completely offset. Nothing less would be acceptable to them. What the total cost would be it is impossible to say. It might even be impossible to restore the Maltese economy to a reasonable balance without a radical and continuous system of subsidies.

7. The political consequences of the cuts would be no less serious. The Report of the recent Blood Commission referred to the psychological effects of the announcement of reduced Defence expenditure in 1957 as follows:—

‘On the 26th April, 1957, the Minister of Defence, who was visiting Malta, stated in the course of a conference that ‘large reductions in the manpower of the Navy, Army and Air Force would inevitably curtail the volume of civilian employment in the Naval dockyards and other ancillary establishments, both at home and in Malta. Malta could not, any more than the United Kingdom, be insulated against the effects of these cuts’. This statement gave the Malta people a very severe shock. It is difficult to illustrate in United Kingdom terms its nature and extent. A possible parallel would be the effect on the Welsh people of a warning from the United Kingdom Government that the coal mining industry in Wales was to be gradually closed down. We believe that much, though not all, of the political ferment in Malta flows from a feeling of insecurity and apprehension about future employment prospects in the Islands, and this feeling has been exploited politically’.

Because of heavy United Kingdom assistance unemployment has in fact not grown substantially. Nevertheless, the Maltese have not fully recovered from the earlier shock. A second and even more far-reaching policy of retrenchment at this time would have even more serious consequences. If announced immediately, it would make it impossible to restore representative government next February as is proposed, as no Maltese Government would be prepared to take office in such circumstances. If announced after a Maltese Government took office, the breakdown of the Constitution would inevitably follow. In either event, responsibility for the

administration of Malta would remain with H.M.G., there would be great difficulty in maintaining internal security and it would be necessary to guarantee massive compensatory aid over an indefinite period.

157 CAB 131/25, D 18(61)4, ff 123–4 19 Dec 1961 ‘Oversea defence expenditure’: Cabinet Defence Committee minutes

(Previous Reference: D. (61) 17th Meeting, Minute 2)

The Committee had before them a memorandum by the Minister of Defence (D. (61) 79)¹ proposing changes in deployment in certain overseas theatres; and a memorandum by the Colonial Secretary (D. (61) 82)² drawing attention to the difficulties which further reductions in Service installations in Malta would produce.

The Minister of Defence said that the Chiefs of Staff had reached certain conclusions as a result of their study of the Prime Minister’s directive of 23rd October, 1961 (circulated as D. (61) 71) which were set out in the attachment to his memorandum. These conclusions had been discussed by the Committee at its previous meeting. He now proposed that the changes described should be formally approved by the Committee; in the case of Malta he proposed that the NATO Headquarters and AFMED Command should be retained for a further period and in the case of Cyprus that the army garrison should be reduced to two and one-third units and Headquarters, Near East, abolished in its present form.

The Colonial Secretary said that the Services employed directly 18 per cent. of the working population of Malta. The reductions effected in 1959 had been a serious blow to the Maltese economy; the five-year development plan which had then been undertaken to help in mitigating their effects was making reasonable, although not spectacular, progress. The present proposals would create a further 7,500 unemployed in Malta. The United Kingdom would certainly be expected to deal with this problem and the cost might well be as great as, or greater than, the savings effected by the reductions. It would be especially serious if our proposals became known before the elections which were to be held on 17th February; it might indeed prove impossible to restore representative government. Any breakdown in the administration would increase the difficulty of maintaining internal security.

The Commonwealth Secretary said that although the proposed reductions in Cyprus would have a substantial effect on its economy, and would no doubt produce complaints from the Government of Cyprus, he thought it right on balance that our forces should be limited to what was militarily required.

The following were the main points of discussion:—

(a) It would clearly be necessary to give further consideration to the phasing of the proposed reductions in Malta. This would involve a visit to Malta by officials of the Admiralty, the purpose of whose mission could not long be concealed. There would be advantage in postponing this visit until after 17th February; on the other hand, it was necessary to include a reference to our proposals in the 1962 Defence White Paper. The Minister of Defence should consult further with the Chief Secretary, Treasury, the Colonial Secretary and the First Lord of the Admiralty to

¹ See 156, note 1.

² See 156.

produce an outline plan for the phasing of reductions, if possible leaving detailed discussions involving visits to Malta until after 17th February.

(b) *The Secretary of State for Air*² said that under the proposed redeployment in Cyprus the Air Officer Commanding in Chief would assume the duties of Commander-in-Chief of all all British forces in Cyprus and Administrator of the Sovereign Base Areas. He could not regard an army garrison of less than three and one-third major units as adequate to enable this officer to discharge his responsibilities effectively. The total economies which might be effected in Cyprus, including reductions in headquarters and administrative troops as well as in the dispositions of the Royal Air Force and in the army garrison, might well amount to £4 million annually. Of this, no more than £400,000 would be attributable to the removal of a major unit.

(c) *The Minister of Defence* said that although two and one-third army units was no more than the bare minimum required in Cyprus they should suffice given the new strategic concept of our requirements in the Island. It should be possible for the Royal Air Force units stationed there, especially the units of the Royal Air Force Regiment, to assist in internal security duties where necessary and in emergency further troops could be flown in. Cyprus would no longer constitute a base for operations, though it could of course be used as a staging post if necessary. Arrangements would be made to store in Libya the tanks which would be required for use there in certain contingencies.

(d) The United States Government had recently shown increased interest in Cyprus and had said that they wished to expand their participation in its economic development. In so far as this policy might help to sustain the economy of Cyprus without involving an unacceptable increase in British economic aid it would be in our interests to encourage it. This matter should be further pursued after the forthcoming meeting of the Prime Minister and the President of the United States in Bermuda.

(e) There was general agreement to the proposals of the Minister of Defence for reductions in Gibraltar, East Africa and Hong Kong.

(f) *The Chief Secretary, Treasury*³ said that he welcomed the proposed changes though it had not yet been possible to work out their financial implications in full. In further discussions of the changes proposed it was important that no indication should be given that the Government were pledged to provide compensation for the economic effects of reductions in our forces or installations.

Summing up, *the Prime Minister* said that it was urgently necessary to proceed with measures to reduce the incidence of oversea expenditure on defence. Discussion had shown substantial agreement that the proposals outlined by the Minister of Defence should be accepted, although it was important that the Foreign Secretary, Commonwealth Secretary and Colonial Secretary should be consulted on the timing and phasing of the changes proposed in each area. In the case of Cyprus a garrison of two and one-third major units would undoubtedly be stretched but the internal security risks should be adequately covered by the maximum use of the units of the Royal Air Force Regiment which were available in the Island and by making arrangements for speedy reinforcement in an emergency.

² J. Amery.

³ H Brooke.

The Committee:—

(1) Agreed to the changes in deployment in Gibraltar, Malta, Cyprus, East Africa and Hong Kong proposed by the Minister of Defence in D. (61) 79.

(2) Invited the Minister of Defence to consult the Foreign Secretary, the Chief Secretary, Treasury, the Commonwealth Secretary and the Colonial Secretary on the timing and phasing of the proposed reductions and their financial implications.

158 CO 926/1404, PM(62)4, no 25 15 Jan 1962
‘Malta’: minute from Lord Perth to Mr Macmillan expressing concern over the effects on Malta of the defence run-down

I am deeply worried about the position of Malta in light of the Defence Committee decision of December 19th.¹

2. Its financial and political implications are being studied. The Colonial Secretary and I had a valuable first talk with the Minister of Defence and the Chief Secretary of the Treasury yesterday.

3. The running down of the Forces planned for Malta mainly affects the Admiralty. The Minister of Defence has agreed that any actual steps should not be taken until after the elections on February 19th, but meantime there is great risk that these steps will get known despite every precaution. For example the Governor sent us a cable about the withdrawal in 1962 of three ships of the minesweeping squadron and a depot ship which he points out ‘will have quite an economic impact.’

4. I have asked the Minister of Defence whether it would be possible to hold the Defence decision on Malta completely in abeyance pending the outcome of the studies. He cannot agree to this unless you so authorise, as it would endanger his programming. Furthermore he asks that, if subsequently the Malta decision is not carried out, whatever would have been the original Defence saving be counted towards fulfilling his task under your original directive and not lost to his Vote.

5. May I therefore please ask for your approval to the Defence decision on Malta being considered as not taken for the time being. I am sure this course is necessary:—

(1) for if any rumour got abroad in Malta (and there must be danger of this as is shown by the Governor’s telegram mentioned above), it would greatly endanger the prospects of an election and its outcome;

(2) alternative forms of help will be shown by the study to be impracticable or more expensive. In this connection H.M.G. have given many pledges about Malta’s economic wellbeing over the last four years in which I personally am deeply involved. Furthermore the political consequences, even if we could provide alternative work for the islanders, could be serious particularly in regard to the claim for independence.

6. I have shown this minute to the Minister of Defence and I of course told the Colonial Secretary before he went to the West Indies that I wished to write to you.

¹ See 157.

159 CO 926/1404, no 29

16 Jan 1962

[Defence White Paper]: inward telegram no 31 from Sir G Grantham to Mr Maudling arguing that ‘the new defence policy seems to me to drive a coach and six through Blood’

Chief Secretary has informed me of the decisions which were taken at your meeting on Thursday 11th January about defence matters, and we have discussed their implications here. The three fundamental facts appear to be:—

- (i) That Malta is no longer to be regarded as of any real importance as a Navy, Army and Air Force Base.
- (ii) That the Naval Base here should be run down over a period which may be two years or may be extended to five, with a view to maintaining only a small advanced operating base in future.
- (iii) That discussions would be held with the incoming Maltese Government to determine the rate of rundown and the introduction of financial assistance to take the place of service expenditure and to help the Maltese economy to achieve viability.

2. I understand that the Defence White Paper is to be published on 20th February and will contain a reassuring statement on the lines of (iii) above though without going into detail.

3. I regret this decision. Our views were fully explained in my Top Secret telegram No. 620 of 17th November¹ and I know that you and your officers have argued our case forcefully and skilfully and I am most grateful. It is the way in which these decisions are put in the White Paper, and the basis on which the discussions with Maltese Ministers will take place after the elections that cause me grave concern. For I believe that if the White Paper indicates clearly that Malta is no longer to be a main base, and that it is no more of vital importance to any arm of our services, H.M.G. will be accused (and in the eyes of the Maltese justly accused) of having wilfully allowed the elections to take place on a false basis. There is a real danger that a P.M. faced with the immense task of reorientation that these decisions will involve, and fortified by the accompanying public indignation, will refuse to take office unless he immediately receives extensive guarantees for the future, which H.M.G. were unable to give in the past.

4. The Maltese reaction to a blunt announcement on the lines of paragraph 3 above would, I think, be conditioned by the following background.

5. Although the Blood Commission stated that whatever its terms of reference it would have been unable to recommend a more advanced constitution than the proposed one (paragraph 120 of Command 1261), it is a fact that the underlying bases of the Report are the role of Malta as a fortress, and the importance of our defence facilities here which made it imperative for H.M.G. to have the last word. These underlying bases are accepted here, though with varying degrees of enthusiasm, and the vast majority of those who go to the polls will do so in the comfort, derived from the past and reinforced by the Blood Report, that however

¹ See 154. The date of the telegram was actually 18 Nov 1961.

much they may grumble the fortress and its accompanying financial benefits are an abiding presence.

6. The Maltese accept that there may be some reductions in expenditure, but they expect them to be graduated to the capacity of our industrial expansion to take up the slack—and that in effect is the basis on which we planned the review of our development plan and have often stressed. The result is that the people believe that they will be electing a government on 17th/19th February to assume office under entirely different conditions from those which will become apparent on the day after polling ends. The Maltese will certainly assume that the timing was deliberate. Many will ask whether in the changed circumstances H.M.G. was right to maintain its rather negative attitude on self-determination, which forms the major plank in the Labour Party's programme.

7. I have now issued the writ for elections and all the parties are in gear with their campaigns and are expending their scanty funds. Having got this far, with so much pain, it is undesirable that we should postpone now. To do so would mean framing a new constitution, and a perpetuation of the present state of uncertainty about the next Maltese Government which is so discouraging to industrial development. It is far better to get a government in office with whom the next constitution can be negotiated, and now that the defence picture has cleared it would be a different constitution from Blood.

8. I have considered whether you or I should have a further talk now with the leaders of the political parties and spill the beans, but I imagine this would not be accepted by H.M.G. I am sure that H.M.G. must be prepared to discuss with the Maltese Ministers, as soon as they are in office, the extent and rate of the rundown of service spending and the complementary economic measures, and that this must be announced the same day as the White Paper is issued, if not already included in it. A *fait accompli* would cause an uproar.

9. This means that H.M.G. must be prepared to forgo committing itself to drastic nature of these changes as regards Malta in the Defence White Paper. It should refer only to the necessity of further changes in defence establishments in Malta but without giving any indication of their precise nature, and expressing willingness to consult with the future Maltese Government on their extent as well as their rate. As these become apparent it would perhaps be possible to combine the talks with those on amendments to the new constitution to which both the Labour Party and the Nationalists are committed.

10. I appreciate that such a policy may not commend itself to your Treasury and Defence (corrupt group ?Councils). But the new defence policy seems to me to drive a coach and six through Blood, and if you decide to go ahead as though nothing new had supervened between the promulgation of the constitution and elections, I think the dangers set out at the end of paragraph 3 above are very real and should be fully weighed by you. They will be aggravated by the statements in the Blood Report that before elections are held the conversion of the dockyard should be 'visibly progressing' (paragraph 43 and in paragraph 47 'but we are firmly of the opinion that it is not fair to expect any Maltese Government to take office without it being made perfectly plain just what help, for a period of years, can be expected from H.M.G. in the United Kingdom.') Neither of these conditions have been met.

11. If you wish I could come home for consultations on these matters.

160 CAB 131/27, D(62)8, ff 105–07, 112

5 Feb 1962

‘The effects of the new defence policy on Malta’: memorandum by Mr Maudling for Cabinet Defence Committee. *Annex*

The more I consider the likely effects of our new Defence policy on Malta, the more serious and far reaching they seem to be, not only for the economy of the Island but for its political future also. I cannot seek to have the whole Defence policy changed but my colleagues should realise the implications for this one small island.

2. One of the main reasons for the new Defence policy was to secure savings in overseas expenditure. The immediate result of the cuts in Malta would be an overseas saving of £7 m. a year by the Services. From the balance of payments point of view, this may be more than counter-balanced by a reduction in our exports, a reduction in Maltese savings sent to this country and by the new expenditure on relief measures, which we shall be bound to undertake.

3. I attach a note about the economic effects (Annex I.)¹ The Island imports some £30 m. a year and exports under £5 m. This great excess of imports is virtually entirely due to expenditure by the Services and at present provides us with a favourable balance of trade of over £10 m. The living standards of the 330,000 people of the Island are almost entirely dependent on the Services and with the big reductions now planned, unless effective remedial action is taken over the next five years, 20 per cent of the working population may well be out of employment. Jobs would need to be found over five years for 14,000 men over and above the 7,500 for whom we are seeking to cater under our present plan. Under the present Development Plan (to which our contribution will be £29¼ m.) strenuous efforts have been made and very large sums spent and they have shown, depressingly, that industrialisation can only produce slow and limited results. After 2½ years we have created only 500 new jobs, though we hope this will soon rise to 1,500.

4. The White Paper only refers to Malta in very general terms²—and I am grateful to the Minister of Defence for his drafting—but nevertheless it is certain to provoke immediate questions from the Maltese about the effects on them. The Governor and I are satisfied that it is necessary to forestall these questions. Many undertakings have been given over the last few years and we are obliged by these, if defence cuts raise unemployment in Malta above the U.K. level, to consult with the Maltese and to consider with them such remedial measures as may be feasible. I must ask for authority to make at the same time as the White Paper is issued a statement on the lines of Annex II to this paper, and I hope that the Defence Departments will join with my Department in consultations with Malta before active steps are taken to reduce our forces there.

5. Such a statement may give us a breathing space but it will only be a temporary one. The great difficulty is going to be to find measures which really will remedy so fundamental a blow to the existence of the Island. We shall find ourselves embarking on a policy which we shall have to pursue for many years and which will cost us much money. I would ask that I may have the co-operation of all Departments—especially the Service Departments—in working out measures which will help to

¹ Not printed.

² *Statement on Defence 1962: The Next Five Years* Cmnd 1639, 1962, p 7, para 16.

ease such a situation, for instance by continuing to undertake work in the Dockyard which could be undertaken possibly a little more cheaply elsewhere. We shall need every bit of help we can get if the Island is to make both ends meet.

6. Politically the timing of the White Paper could not be more unfortunate since it is to be published the day after the Maltese elections are concluded. The Maltese are bound to think this timing was deliberate and our friends will be gravely embarrassed while Mintoff's hand will be strengthened. As a result of these elections it had been hoped to implement the new Constitution, based on the recommendations of the Blood Commission, which would have restored to Malta after nearly four years of direct rule a considerable measure of self-government. Unless the statement I have suggested is made I am quite clear that there will be no chance of persuading the winning party—we now hope it will not be Mintoff—to form a Government and we could have an immediate political crisis on our hands coupled with grave unrest and very likely civil disorder.

7. Even with a statement we shall have a hard task to work with any Maltese Government. Both the main parties are committed to demanding independence for Malta within or without the Commonwealth. These demands will be strengthened to the extent that our defence needs in Malta seem less. As I understand it, our main defence needs are now forward and staging facilities in the Island and denial of its use to others. These facilities could, I suppose, be obtained if Malta became independent but only in return for heavy payments. All possible courses of action including some special form of association will need to be considered but I must repeat that economically any course will be expensive, while politically it is bound to give rise to acute difficulties.

8. To summarise I ask for:—

- (a) authority to make a statement at the time of the issue of the White Paper on the lines of Annex II;
- (b) the co-operation of all Departments in working out possible measures of alleviation for Malta;
- (c) the Defence Departments to join in consultations with the Maltese before active steps are taken to reduce our presence in Malta.

I have no doubt that I shall have later on to make more specific proposals to my colleagues on measures of alleviation and to put before them in more detail the problem of the political future of the Island.

Statement: Annex II to 160³

The White Paper on Defence issued today outlines H.M.G.'s defence policy for the next five to ten years. The British Government will wish to consult with the Maltese Government on the possible effects of this policy on the Island's economy. H.M.G. is mindful of the undertakings given in the past to consult the Maltese Government in advance with particular reference to the level of employment in the Island. If it is found desirable or necessary to assist the economy of the Island Her Majesty's Government continue to be very ready to see what can be done to help.

³ In a written answer, Maudling confirmed that 'In accordance with undertakings given in the past, I shall certainly wish to consult the new Maltese Government as soon as practicable about the effects of the new defence policy on Malta' (*H of C Debs*, vol 654, col 60, 21 Feb 1962).

161 CAB 131/27, D 3(62)2, ff 19–20

7 Feb 1962

'The effects of the new defence policy on Malta': Cabinet Defence Committee minutes

The Committee had before them a memorandum by the Secretary of State for the Colonies (D. (62) 8)¹ in which he asked for authority to make a statement of Government intentions about the future of Malta at the time of publication of the Report on Defence, 1962;² and for the continued co-operation of all Departments concerned in efforts to minimise the difficulties that would have to be faced in Malta.

The Colonial Secretary said that the impact on Malta of the policy (which he recognised was based upon economic and defence grounds that could not be challenged) of reducing the size of the British Services to the extent at present planned, would be very severe. The people of Malta, where about a quarter of the working population was directly employed by the Service Departments or in the Dockyard, had few other resources. The British Government was already committed to help the Maltese to protect themselves against the economic damage caused by changes of policy. The introduction of new industries, which was already proving difficult, might have to be expanded; this would involve many years of work and might well cost more than the savings expected from the Services' reductions. He hoped it would be possible to re-examine carefully the timing of the proposed reductions and to seek ways of reducing the cost of compensatory measures. In the meantime, he felt it necessary to issue a statement on the lines of Annex II of his paper, in order to avoid a political reaction which might make it impossible for any Maltese Government to take office under the new Constitution.

The Minister of Defence said that the planned reductions in naval strength in Malta, which were the biggest of any of the Services, were in any case required by the Admiralty as part of the planned redeployment of the navy, and were thus to some extent independent of the immediate requirement to save overseas expenditure. He pointed out that the savings expected to accrue after 1965 from the planned reductions in Malta would amount to nearly £9 million a year. He thought it possible that the programme of reductions could be phased out over a rather longer period than at present planned.

The Chief Secretary, Treasury,³ said that the current development plan for Malta cost £17 per head per annum which was very much greater than the comparable figure for any other colony. The Government's pledge was to consider remedial action if substantial unemployment occurred owing to changes in Service plans, but he was anxious not to give any impression in Malta that remedial action beyond the scope of the development plan could be taken. He therefore wished to modify the wording of the statement proposed by the Colonial Secretary.

The Committee:—

- (1) Invited the Colonial Secretary and the Chief Secretary, Treasury, to arrange for the preparation of an agreed statement for publication simultaneously with the Report on Defence, 1962.

¹ See 160.

² See 160, note 3.

³ H Brooke.

(2) Invited the Minister of Defence, in consultation with the Chief Secretary, Treasury, the Colonial Secretary and the Service Ministers to re-examine the timing and phasing of the planned reductions.

162 CO 926/1405, no 52

8 Feb 1962

[Defence White Paper]: letter (reply) from Sir G Grantham to C G Eastwood stressing the problems stemming from the proposed defence cuts and calling for a delay in their implementation

Thank you for your letter of the 1st February about the effect of the proposed Defence cuts.¹ Make no mistake about it, orderly and peaceful government will become impossible in the circumstances that you set out. It will be difficult enough to achieve the targets of our present Development Plan amidst all the other distractions that occur, but there is nothing that we can put in the place of the United Kingdom defence establishments which will, in the time allowed, absorb the increase in unemployment. There will be widespread distress and unrest. No Maltese Government will see any advantage in assuming the responsibilities of office in these circumstances, and H.M.G. must be prepared to carry the burden alone. The future is indeed gloomy.

2. The enclosure to your letter was, perhaps rightly, couched in pessimistic terms, and I think you were right to prepare a factual summary of the economic effects. It is these that will determine the political position here. I agree with most of your paper, but I have one or two comments to make. They are:—

(a) You paint a picture of a somewhat disappointing and stagnant development programme in the last three years. You must remember that our Aids to Industries legislation was only enacted in April 1959, and that the process of attracting industrialists to come out here, assessing their applications, and securing approval for the grants or loans, is inevitably a long one. The programme has only really gained any impetus in the last two years, and just as it began to look healthy it was slowed down by two things—firstly the political uncertainty attendant upon the return to self-government which is taking place a year too soon; and secondly the financial contraction in the United Kingdom which has reduced the availability of capital for hotels and for industry.

(b) I do not think that you stress enough the extreme difficulty of maintaining, let alone expanding an industrial programme at a time when U.K. Defence cuts will produce an unemployment figure of about 17%, and when spending in the Island is to be drastically curtailed. Although our new industries have their export market they depend on the local market to cushion them against tariff and prohibitory action by foreign countries. The local market is bound, in the circumstances you state, to decline. Unrest, economic distress, and labour troubles will discourage industry and tourism so that even the goals which we have set ourselves in our present Five Year Plan will be made most difficult to realise. In this connection it is important not to lose sight of the national characteristics of the Maltese, nor to

¹ CO 926/1405, no 42, letter from Eastwood to Grantham, 1 Feb 1962.

disregard an empirical fact. It is not possible to effect a simultaneous co-incidence of discharges and new jobs as we have recently found. And the growing figure of unemployment would be impinging on a people who have been accustomed to reliance upon H.M.G. for their livelihood, and whose sense of resentment would be perpetually exploited by unscrupulous politicians to whom we would have no answer.

(c) Our Five Year Plan is based on existing levels of employment which we hope will remain at about the same at the end of the Five Year period as they were at the beginning. In other words, with a labour force increased from 91,000 to 103,500 we assumed that by April 1964 after making allowance for emigration we would have to find 4,500 new jobs, and provide for about 3,000 people who had lost their jobs through dislocation. I do not contest your figures, which have clearly been most carefully worked out, but I would only point out that the actual unemployment which they indicate, namely 13,165, would be increased by an addition of 3,200, which was the unemployment figure of 1959. It looks as though the percentage of unemployment will rise from about 3½% in 1959 to 17% at the beginning of 1965. This is an appalling figure.

3. If one can analyse all this dispassionately it appears that the U.K. is trying to solve two problems at the same time, and it is trying to give each of them an equal, or nearly equal, importance. It is my belief that this cannot be done because the two solutions are hostile the one to the other. A priority has to be given. Perhaps my Administration is too deeply identified with and too close to the local scene to see clearly, but I do not think that the United Kingdom's sense of moral responsibility towards the Maltese, nor its realisation of the tragic consequences that would ensue from the reductions proposed, would allow H.M.G. to prefer its own interests to those of these people here. At a time when the U.K. had never had it so good, it could truly be said that Malta had never had it so bad. It is not just a question of consulting Maltese Ministers to see what can be done to counteract the effects of Defence cuts on Malta's economy before the cuts are made. The cuts cannot be made in this form. It is quite unrealistic for H.M.G. to think they can. That is why in my last two telegrams I have said that H.M.G. must be prepared to discuss the extent of the cuts and not just their timing with Maltese Ministers.

4. In my letter to Poynton of 26th August² on this subject, and in our telegrams Nos. 620,³ 31 and 50, we have really said all that there is to be said, but the immediate consequences of H.M.G.'s decisions are ones that must be thought about now. The leader of the winning party at the elections is going to demand what is in the wind once he has read the Defence White Paper, and I cannot see him taking office when he becomes aware of or even suspects the kind of situation outlined in your paper. You could not withhold this information from him, nor would he withhold it from the people of Malta, and they would, as one man, back him in his demands, however unreasonable, upon H.M.G. If he doesn't take office you are stuck with the present Constitution, and you might just as well scrap all of your plans for the United Kingdom Commissioner, and indeed you might as well scrap any kind of constitution which stops short of independence for Malta. The only impediment to

² See 151.

³ See 154.

that independence will have been removed, and large numbers of Maltese will see no profit in continued association with us.

5. In short, however logical the new Defence policy may be from the U.K.'s point of view it neither squares with our responsibilities towards Malta, nor with what is practicable in the local scene. We must in the circumstances give priority to Malta's interests. It is not possible to carry out an exercise of the kind projected except very gradually, and after a full economic survey has been made to determine what is the safe rate of transition. I am convinced that we must proceed no more quickly than the rate of economic growth in Malta allows. To impose a pace dictated by the necessity of the United Kingdom to reduce its Defence spending will result in disaster, immediate in its effect on the Blood Constitution, and mediate in its effects on Malta's long term prosperity. I do not of course mean that industrialisation could not, in favourable circumstances, be speeded up, but that we must not speed up Service cuts until Malta's economy can stand the extra strain. You cannot simply throw people on to the labour market and provide some kind of a dole for them. You can degrade people's character in this way if you wish, but it is the seed of bitter fruit, and it is in no way a permanent solution. And in any case this would be equally costly for no or little return. The only permanent solution to Malta's problems is a gradual transference of the burden from the one means of dependence to another. It should not be beyond the United Kingdom's sense of responsibility for these Islands to ensure the successful completion of this process since it has already been started.

P.S.

John Kisch's letter dated 5th February with enclosure has just arrived. The draft statement is not of course consistent with the thesis I have set out above, but if it represents H.M.G.'s policy I suggest that the last four lines should read:—

‘reference to the level of employment and will be very ready to see what she can do to assist the economy of the Island.’

The statement should be made by the Secretary of State.

163 CO 926/1309

22 Feb 1962

[Independence]: minute from C G Eastwood to J M Kisch examining the prospects for Maltese independence within the Commonwealth and the signing of a satisfactory defence treaty

If Dr. Borg Olivier forms a government he will no doubt seek very early discussions with H.M.G. with the object of securing the objective he has always desired, namely independence for Malta within the Commonwealth. It might be well for us to submit to Ministers fairly soon our ideas on the line we should take to such a request.

2. If independence within the Commonwealth were granted it would presumably have to be coupled with a Defence Treaty.

3. In the past objection has been seen to independence plus a Defence Treaty for two reasons, first the small size of the country: we did not wish to depreciate the currency of Commonwealth Membership and secondly could we really rely on a Defence Treaty to give us all that we required?

4. To take the second point first, what we require is, in the future, going to be considerably less than it has been in the past. We shall not need Malta as a base, only to provide 'advance facilities'. This reduces the risk attached to a Defence Treaty. It is true that our experience of Defence Treaties elsewhere, e.g. Nigeria, has not been all that happy¹ but in the case of Malta surely the Maltese are bound really to want us to stay and not to turn us out because we provide so much employment and contribute in other ways so substantially to their economy. No doubt they will wish to lay down conditions, e.g. to demand a very large rent or subsidy in some other form, but it seems to me that there is no escape from the U.K. Government assisting Malta to a sizeable extent in one way or another for a good many years to come.

5. As regards depreciating the currency of Commonwealth Membership, this is surely in a fair way to depreciation already. The number of Commonwealth Members has increased (Sierra Leone, Cyprus, Tanganyika) and is going to increase still further (Jamaica, Trinidad, ? British Guiana, Kenya, Uganda, ? Zanzibar). Malta (330,000) is comparable in numbers with Zanzibar (304,000) and almost with British Guiana (558,000); Trinidad is 825,000. It is comparable with any of these three and indeed Cyprus and Sierra Leone in 'civilisation'. I should have thought that the argument against Membership for Malta is now much less strong than it was five or six years ago.

6. Will you please have this considered further in the Office? I doubt if we should seek the views of other Departments until we have some guidance from Ministers.

I attach a second copy of this minute so that the defence and Membership aspects can be considered separately.

¹ In the face of public hostility in Nigeria, the 1960 Anglo-Nigerian defence pact had been abrogated in early 1962 (BDEEP, series B, vol 7, Martin Lynn, *Nigeria* part II (London, 2001) pp 723–4, document no 533N).

164 CO 926/1309, no 8, enclosure 26 Feb 1962
**'Negotiations with Malta': note by Sir E Wakefield arguing that the
 'background to negotiations has changed since Malta is no longer
 required as a base'**

In the past, the United Kingdom's strategic dependence on Malta has put Malta in a strong bargaining position. We needed Malta, and Maltese politicians knew it. But the very fact that Malta was strategically indispensable to us made it impossible for us to transfer responsibility to anything like the extent demanded by Maltese nationalism. The result has been that we have had to be generous in the economic field because we could not afford to be generous in the political field.

If the United Kingdom has been strategically dependent on Malta, Malta has been (and is) economically dependent on the United Kingdom. In negotiations, however, this has not been a particularly effective bargaining counter for us since the withholding of economic support (as the Maltese well knew) could only have led to such a degree of agitation and unrest as would have seriously impaired the value of the base.

The background to negotiations has now changed since Malta is no longer required as a base. Only operating facilities for the R.N. and R.A.F. are needed; and

the provision of these, I should imagine, hardly necessitates the retention by Her Majesty's Government of sovereignty over the whole island. If that is so, the scope for negotiation is greatly extended. We can afford to be generous in the political field and, to the extent that we transfer responsibility for the administration to a local Maltese Government, we can, to a similar extent, divest ourselves of the responsibility that we now bear for supporting the Maltese economy.

In the world as it is today, with the Communist powers striving to extend their influence and with the Afro-Asian countries rapidly growing in power (at least in U.N.O.) the unity and strength of the West are of supreme importance. Even if Malta is not needed as a base, it remains a small but important element in this unity and this strength. By its culture and civilisation no less than by its geographical position, Malta belongs to the West: and I would think it important that Malta, if and when it ceases to be a British colony, should become closely tied to Western Europe (? N.A.T.O., E.E.C.). Presumably Malta will wish to remain in the Commonwealth; but, in the circumstances of today and tomorrow, the intimate association of Malta with Western Europe is even more important than its continued membership of the Commonwealth. Mintoff could negotiate with Russia from a position in the Commonwealth; he could not do so from a position in the Western Alliance.

The line of thought pursued above may well be mistaken. Our defence requirements in Malta may be more extensive than I have assumed them to be. But if there is substance in the argument I have adduced, future negotiations with Borg Olivier need not be a tug-of-war, with Malta trying to extract as much as possible and the United Kingdom trying to concede as little as possible. On the contrary, British and Maltese interests are, in the ultimate analysis, identical—namely, a prosperous Malta firmly embedded in the Western Alliance: and the negotiations could conceivably develop into a friendly conference of British and Maltese representatives seeking a means of realising this common aim.

The main question posed in this note is 'Do the defence needs of N.A.T.O. and the United Kingdom require the retention by the United Kingdom of sovereignty over the Maltese islands?' If the answer is 'no', the character of new negotiations with the Maltese would be totally different from any that have taken place in the past. If the answer is 'yes', the sooner we know it the better.

165 CO 926/1309

12–13 Mar 1962

[Independence]: minutes by Sir J Martin and Lord Perth examining Dr Borg Olivier's policy of independence within the Commonwealth coupled with a defence treaty

Minister of State
Secretary of State

The aim of Dr. Borg Olivier's Party has for years been that Malta should become an independent member of the Commonwealth and that the defence requirements of H.M.G. should thereafter be met through a Defence Agreement freely negotiated by the independent Maltese Government. While not excluding this as an ultimate possibility, our attitude has hitherto been:—

- (a) that Malta is too small to be a separate member of the Commonwealth represented at the Commonwealth Prime Ministers' Conference, and
- (b) that facilities under a Defence Agreement would be insufficient (on the assumption that they would not provide us with overriding authority in all matters) and that we could expect an excessive price (in financial aid) to be demanded for them.

As regards (a), we now have Cyprus and Sierra Leone in the list of Commonwealth countries and at least official opinion in Whitehall generally has now come round to a greater readiness to accept the admission even of such small territories as Malta on attaining independence. As regards (b) the position has radically changed as a result of the recent ministerial decisions on defence dispositions and, since it must now be Malta's policy to induce H.M.G. to retain in Malta larger forces than H.M.G. themselves consider necessary on purely defence grounds, in any negotiation on defence facilities we shall find ourselves in what, from our point of view, is a seller's market. But the past difficulty about settling on the basis of a Defence Agreement was not only financial. There was also the point that the Services considered it necessary to retain overriding powers over the whole government of the Colony. There is the further consideration that, while Dr. Borg Olivier proposes Commonwealth membership and a Defence Agreement, Mr. Mintoff, the possibility of whose return to power in the near future cannot be excluded, speaks not of Commonwealth membership but of independence *tout court*¹ and we cannot be certain that, if he were Prime Minister, he would not take Malta out of the Commonwealth and offer her defence facilities to other bidders.

If you agree that, in preparation for the forthcoming discussions with Dr. Borg Olivier, there should be a reappraisal of our attitude to his policy of Commonwealth membership with a Defence Agreement, the Department suggest that the first step is to obtain, through the Chiefs of Staff machinery, expert Service advice on the acceptability of such an arrangement from the defence point of view.

J.M.M.
12.3.62

I agree that there is advantage in studying Borg Olivier's proposals, that is independence within the Commonwealth and a Defence agreement, sooner rather than later. In the past when he was pressed on who would have the final say in interpreting the Defence agreement, he accepted that we should have this. In other words while it might be an agreement between equals, one was more equal than the other! I do not believe he would mind this (Mintoff might) provided that he can attend a Commonwealth Prime Ministers' Conference on exactly the same terms as any other.

Although I am for the study being made now, I would hope that we need not get involved in discussion with Borg Olivier for quite a while. Rather should our approach to him be based on the economic problems that we face together and the need to get these out of the way and ensure that Malta can stand on her own feet before tackling Malta's future status, although we might make polite noises in regard to the latter. Another reason why I hope we will play it long is that I believe Malta in

¹ Simple independence.

the years to come will become important again from a Defence angle. North Africa may go sour on us and then that Malta should be friendly is exceedingly important. To this extent I agree with Edward Wakefield's thinking in his memorandum attached at 'H'² when he says the intimate association of Malta with Western Europe is even more important than its continued membership of the Commonwealth. Is the idea of some particular association or status within NATO a starter?

P.
13.3.62

² See 164.

166 CO 926/1406, no 111A 18 Apr 1962 **'Malta: defence rundown': Treasury note of an inter-departmental meeting¹**

The *Chief Secretary* recalled that the Defence Committee had asked the Ministers to discuss this problem among themselves. They would all appreciate the Secretary of State's problem in handling this difficult matter with the Maltese. The problem was how it could best be done. In particular the Defence Committee had suggested that the Ministers might consider the question of deferring the Army and R.A.F. cuts for one year.

The publication of the White Paper had given rise to little comment in Malta, no doubt because they were preoccupied with the elections. He hoped that the rundown now proposed could be presented as something not quite new but the natural continuation of a policy started some three years ago. It did not seem to him that money really came into the problem of helping Malta very much. A large sum had been made available for the Development Plan, which was so far unfortunately producing relatively little result.

The *Secretary of State* said that he had a feeling that we were looking at only one particular aspect of what was really a larger problem: what was our long-term requirement of Malta? Either strategically we had no need of it at all or we had a substantial interest in denying it to others. There was no doubt that when the present proposals were broken to the Maltese Government they would raise the question of independence. If we had a substantial interest in denying the Island to others, then it might not be practicable to give it independence.

The *Minister of Defence* said that after giving the strategic problem much thought the conclusion had been reached that north of the air barrier all operations should be mounted from the United Kingdom. Elsewhere north of the air barrier we required only forward operating facilities and not full base structures. Undoubtedly it would be inconvenient if Malta fell into Communist hands or if a left-wing government under Mintoff or anyone else leased the Dockyard to the Russians. But were these possibilities very likely? Strategically our need of Malta was nil.

¹ The meeting was attended by Henry Brooke (chief secretary to the Treasury); Harold Watkinson; Reginald Maudling; Lord Carrington (first lord of the Admiralty); Sir Ronald Harris (Treasury); C J Hayes (Treasury); F W Mottershead (MoD); C G Eastwood (CO).

The *Secretary of State* said that if we wanted to be sure that an independent Malta stayed on our side, we must ensure a reasonable rate of employment. We should not do this if, because we no longer had any strategic needs there, we thereupon destroyed the whole basis of its economy.

The *Minister of Defence* said that it was better to give direct subsidies rather than subsidies indirectly by maintaining Service employment there which was not strictly necessary. If, however, it was found that we could not persuade new industries to go there to create employment that would be a new situation which could perhaps be looked at.

The *Chief Secretary* felt quite sure that it would not be right to keep up employment by keeping the Services there uneconomically but he agreed that the means of giving fresh life to Malta's economy would require a great deal of thought.

The *Secretary of State* suggested that it would be wrong to look at the matter purely in black and white terms. He thought that if the defence rundown was carried out there were still a number of things which might be done to help the situation. For instance, ships might be kept at Malta instead of at Gibraltar and dockyard work might be continued in Malta instead of at Gibraltar or in the United Kingdom. If these things cost rather more, the extra expense might still be much less than the creation of alternative employment in Malta.

The *First Lord* said that some 2,000 Naval personnel would have to be moved from Malta if he was to man the fleet and their removal would inevitably involve the discharge of a considerable number of civilians. As to work in the Dockyard, as the Navy got smaller there was really only enough work for the U.K. dockyards and the dockyards at Gibraltar and Singapore. It would not be possible to let the home dockyards go short of work because apart from other considerations they were under pledges to provide employment there. If ships were repaired in Malta, there had to be the backing there of stores etc. which was not really necessary.

The *Minister of Defence* suggested this could be examined in more detail and the *Chief Secretary* agreed that these 'fringe' questions should be looked into and that we should do what we could to ease matters.

The *Minister of Defence* suggested that it should now be agreed that the Naval rundown could start. If it was thought policy that the Army and the R.A.F. should be kept in Malta for the present that could be done.

The *Chief Secretary* said he was certain that the Naval redistribution should go ahead without delay. If any help could be given on the fringes, well and good. Postponement of the Army and R.A.F. cuts would cost much less money but he was not sure how much value this would be to Malta.

The *Secretary of State* gave figures showing that the reduction in employment would be considerable and the expenditure not great per head. He warned his colleagues that if there was unemployment of 10% or 12% there might well be disturbances and we should have to spend money—more money perhaps than was at present provided—on security and on relief works.

The *Chief Secretary* said that the loss in savings by having no rundown of the Army and R.A.F. for the year would, on his figures, be £350,000 in the budget and £540,000 in overseas expenditure. He would not rule this out if it proved necessary.

There was further discussion as to the best tactics. It was decided that the next step was to inform the Malta Government of what was proposed. It was agreed that this should be done by Sir Edward Wakefield and he should be asked to come to

England first for briefing. The *Minister of Defence* suggested that the proposals should be put to the Maltese Government as a redistribution of the forces of the Navy in consequence of agreed policy, no mention being made of the possibility of cuts in the Army and R.A.F. or of the fact that Malta would no longer be required as a base. It was decided that a brief for Sir Edward Wakefield should be agreed between the Departments.

The *Minister of Defence* also undertook that his Department would look into the possibility of tailoring a special scheme for recruiting into the British Army to attract Maltese, possibly by giving them more benefits than the normal; for instance, rather more leave. Recruitment would be primarily for Germany.

The *First Lord* said that his Department already had something similar in mind both for the Navy and for dock workers.

The *Chief Secretary* said that if something on these lines could be worked out it would be most useful. The *Minister of Defence* said that he would arrange for his Department to take the matter up.

The *First Lord* said that he would also look into the possibility of helping over fringe benefits.

It was agreed that the First Lord should inform the Defence Committee that afternoon that the four Ministers concerned had now agreed to recommend to the Prime Minister that authority should now be given for the Naval rundown to go ahead. The question of cuts in the Army and R.A.F. expenditure in Malta should lie over until after discussion with Sir Edward Wakefield.

The *Secretary of State* asked the Chief Secretary whether money already provided for the Development Plan could if necessary be usable for relief works. The *Chief Secretary* replied that the money might be regarded as available for use in Malta so long as it was used as effectively as possible.

The *Minister of Defence* undertook to have an assessment made of the requirements of the Defence Departments of Malta on the long term.

167 CO 926/1407, 306A 1 Oct 1962 **‘Malta’: CRO note of an inter-departmental meeting¹ on the possibility of reducing the effect of the defence rundown on the Maltese economy**

The meeting discussed the possibility of reducing the effect of the defence rundown on the Maltese economy either by not proceeding with any changes which had been proposed purely on grounds of economy or by phasing the rundown over a longer period. The conclusion was that on the naval side it was not possible to isolate any changes which had been caused purely by financial reasons and that as much as was practicable had already been done to prolong the phasing.

¹ The meeting was attended by Duncan Sandys, J A Boyd-Carpenter (chief secretary to the Treasury), Peter Thorneycroft, Lord Carrington (first lord of the admiralty), Lord Mountbatten (chief of the defence staff), Sir Clifford Jarrett (permanent secretary, Admiralty), Sir Daryl Begg (vice chief of naval staff), F W Mottershead (deputy secretary, Admiralty/MoD), C J Hayes (assistant secretary, Treasury), J J B Hunt (assistant secretary, CRO), C G Eastwood (CO).

The Secretary of State emphasized that he was much concerned about the effects of the rundown upon Malta. Men would be thrown out of jobs with no prospect of alternative employment. He appreciated that financially Malta was being treated with unprecedented generosity but the fact remained that there would not be enough new jobs to provide employment for all those thrown out of work. He feared that pressure might be such that he would have to ask the Treasury to agree to even further expenditure in the future.

As regards the Army and Air Force *the Minister of Defence* said that he would be prepared to look again at certain questions such as the future of the R.M.A. He appreciated that if Malta became independent she would need some forces of her own.

It was agreed that a statement should be issued as soon as possible about the naval reductions. It should say that as regards the Army and Air Force there would be no discharges before 1st April, 1963, with the exception of the 150 civilians in the R.E.M.E. whose work was already coming to an end as the result of the departure of the Commandos.

The discussion then turned to the possibility of employing Maltese in the docks here. The First Lord had sent the Secretary of State a letter indicating that there might be a good many openings for Maltese in the dockyards in this country. The numbers that could be employed over the whole period of the rundown might be a few hundreds or possibly even more.

It was agreed that this was a most promising possibility. The introduction of Maltese under a Government scheme would have to be cleared with the trades unions and the Admiralty would find it very much easier if the scheme could be a general scheme and not confined solely to the dockyards.

The Chief of the Defence Staff emphasized that Maltese made excellent personal servants.

It was agreed that the Colonial Office should take the matter up with the Ministry of Labour and the Service departments as soon as possible with a view to producing a practical scheme. It was emphasized that an essential part of such a scheme would be the willingness of the Malta Government to co-operate in it.

In a brief discussion on the possibility of increasing emigration to Australia *the Secretary of State* said that he had mentioned this to Mr. Menzies² and Mr. Holt³ while they were here last month. He thought this was a subject to which U.K. assistance might usefully be devoted.

² See 10, note 1.

³ Harold Holt, federal treasurer, Australia; prime minister, Australia, 1966–7.

168 CO 926/1408, no 350

17 Oct 1962

[Defence cuts]: letter from Sir E Wakefield to C G Eastwood
recounting local reactions to details of the services rundown

Details of the Services run-down were publicly announced on Tuesday October 9th and you may like to have a brief account of local reactions.

2. The strongest reaction came from Borg Olivier himself. Misunderstanding what he had been told in London, he believed that the number of Naval discharges up

to the end of December 1963 would not exceed 300. The figures in the communique came to him, therefore, as a severe shock. In the circumstances it is not surprising that he attacked the British Government with marked bitterness.

3. The public generally received the news without any great sense of dismay. There had been exaggerated speculation about the scope of the run-down and the actual figures, in as much as they removed uncertainty and allowed the worst to be known, were received almost with a sense of relief. As a consequence of the announcement greater emphasis is now being laid on the economic difficulties which will confront Malta during the next few years. It is widely felt that Borg Olivier has not faced this problem realistically. While his attention ought to be concentrated on this major issue he is chasing the chimaera of independence or frivolously fiddling with the project for rebuilding the Opera House.¹

4. The reactions among the rank and file of workers in the Dockyard and Naval Base have been surprising. The target of their abuse has been not so much the British Government as the Church and the Junta which, they declare, were responsible for putting the ineffective Borg Olivier into power. The argument is that, if the Church had not supported the Nationalists, Mintoff would have been Prime Minister and would never have allowed the run-down to take place. The British Government, they think, have been cunning in timing the run-down decision in such a way as to saddle the Maltese Government with the odium of growing unemployment and with the burden of finding a solution to teasing economic problems.

5. Representatives of the General Workers' Union took the news calmly and their meetings with the Heads of Services were friendly enough. The G.W.U. are annoyed with Borg Olivier because he refused to associate them with his talks in London about the run-down, because he declined to discuss with H.M.G. the economic consequences of the run-down and because he has not taken up with H.M.G. the question of compensation for discharged Service employees. At the moment, however, the G.W.U. are more interested in undermining Borg Olivier's political position than in fighting H.M.G. They have planned a series of public meetings, one of which took place last Sunday and was attended by about 3,000 people. The proceedings were orderly and no great heat was generated. The Church and the Nationalist Government received at least as much hostile criticism as the British Government.

6. Though the announcement has not precipitated an out-burst of anti-British feeling there can be no doubt whatsoever that it has helped to create an atmosphere in which such an out-burst might more easily take place.

¹ Nearly four months later, Borg Olivier was reported to be 'still concentrating on the Opera House, to the exclusion of other more important matters' (CO 926/2066, minute by A J Fairclough, 7 Feb 1963).

169 DO 175/43

14 Nov 1962

[Emigration]: minute by J S Bennett on the prospects for Maltese emigration to Commonwealth countries

The Memorandum at (16), prepared in collaboration with the Colonial Office, is submitted in response to the Minister of State's minute of the 3rd October.

2. I agree with Mr. Lennard that, migration being a voluntary matter and Malta being a self-governing Colony whose relations with H.M.G. are handled by the Colonial Office, the initiative and co-ordinating role in this affair should be with the C.O., in consultation with the Malta Government as they may think fit. Maltese migration to the United Kingdom and to foreign countries appears to be entirely for the C.O. in consultation with the other authorities concerned. The useful C.R.O. role appears to be to explore the possibilities of Maltese emigration to Commonwealth countries, as and when requested by the Colonial Office.

3. I am in the fortunate, or unfortunate, position of knowing something about the problem¹ from having dealt with Malta years ago in the Colonial Office. The need for emigration is not a new one and there have been several blitzes on the subject at intervals since the war. I should suppose that in the course of these there is hardly any Commonwealth country or Colony that has not been looked at, from Borneo to British Columbia.

4. The pattern that has emerged, with 90% of emigrants going to Australia or to Britain, is the result of years of trial and error. I do not wish to sound defeatist, but I think it would be optimistic to expect that this pattern can be improved on in any startling way. It responds to the permanent limiting factors in the situation, which spring from the nature of the Maltese themselves, who are a Mediterranean, Catholic, urban and insular people.

5. The Maltese are very touchy about their standing as Europeans, which rules out the Asian, African and West Indian Commonwealth countries, even if most of those were not over-populated already. On the other hand not all white communities overseas are prepared to accept the Maltese as full Europeans, which rules out South Africa and, for practical purposes, the Rhodesias. Australia has taken a lot of Maltese and has just agreed to take more, so there is clearly no case for a special fresh approach to Australia at this stage, although we might need to support the Maltese Government when the Australian quota for later years comes up for negotiation.

6. New Zealand is a white man's country without colour prejudice, but by and large it is an open-air country of lonely, Protestant farmers, and it is small wonder if the life has so far attracted no more than a handful of gregarious Catholic Valletta dock-workers, however strong the economic pressure to seek new homes.

7. In Canada, Quebec offers an urban Catholic Latin atmosphere, but the climate must be pretty forbidding to a Mediterranean. The rest of Canada appears to suffer from the social disadvantages of New Zealand plus the climatic disadvantages of Quebec. At one time there was also, I believe, an unspoken reluctance on the part of the Canadian authorities to recognise the Maltese as being wholly European, and this might still be an obstacle in persuading the Canadian Government to make any substantial increase in their quota, even if enough willing Maltese emigrants were available to fill an increased quota.

8. Nevertheless I see no objection to our High Commissioners in Wellington and Ottawa being asked to advise on the possibility of an increased number of Maltese emigrants being acceptable in those countries. The High Commissioners should, I suggest, be authorised to make informal soundings of the local authorities if they think fit, but should be left in no doubt that this approach is purely

¹ See 10 and 12.

exploratory and that any definite negotiations would have to be undertaken by or at the request of the Maltese Government. The drafts should be cleared with the Colonial Office before issue. Since I understand that the Minister of State may wish to discuss the question of Maltese emigration as a whole, drafts are not submitted at this stage.

170 CO 926/1957

29 Mar 1963

[Emigration]: minute by A J Fairclough¹ expressing reservations about encouraging Maltese emigration to South Africa

[Responding to Fairclough's views, Sir J Martin minuted: 'I do not myself see that distaste of S. Africa's racialist policies is a ground for withholding assistance for Maltese immigration if in fact Maltese are admitted (about which I share Mr Fairclough's doubts)' (CO 926/1957, minute by Martin, 9 Apr 1963).]

Mr. Kisch

Sir John Martin

I must at once confess that I hold somewhat strong views on the subject of South Africa. I am accordingly very reluctant to contemplate the possibility of actively attempting to encourage Maltese to emigrate to that country. I think that on moral grounds, holding the views which this country officially does, as witness the Prime Minister's 'wind of change' speech,² on the policies of the South African Government, it would be wrong to do this. Further, it seems to me that active encouragement of emigration by Maltese would be extremely difficult for the Secretary of State to defend in the House; there has as you will know been a good deal of agitation over recent years regarding arms supplies to South Africa and H.M.G's policy in this regard has as a result been considerably modified.

A further point which seems to me relevant is that it would surely be unfair to the Maltese to encourage them to emigrate into a situation which we can only regard as an unstable one, liable at any time to explode into violence (e.g. Sharpeville).³

The above are basic points which in my view should be considered before there is any question of approaching the Foreign Office on the matter and before any consideration is given as to whether the Maltese might be acceptable immigrants into South Africa. My own view (and I confess that this is little more than a guess) is that they might well not be acceptable on racial grounds. But this point would be easy enough to elucidate if, despite the considerations in preceding paragraphs, it is decided that the matter should be further pursued.

¹ Private secretary to the minister of state, CO.

² In an address by Macmillan to both houses of parliament of the Union of South Africa on 3 Feb 1960, Macmillan had observed: 'The wind of change is blowing through this continent and, whether we like it or not, this growth of national consciousness is a political fact. We must all accept it as a fact, and our national policies must take account of it' (BDEEP, series A, vol 4, R Hyam and W R Louis, eds, *The Conservative government and the end of empire, 1957–1964* part I (London, 2000) p 169, document no 32).

³ Rising racial tension in South Africa had culminated in the Sharpeville massacre of 21 March 1960 during which police opened fire on an African crowd killing sixty-nine people.

171 CO 926/1938, no 32

2 May 1963

[NATO]: letter from E J W Barnes¹ to J M Kisch on the disadvantages of Malta's membership of NATO

Thank you for your letters of April 1 and 19 about Malta and NATO. I am sorry not to have replied earlier.

2. As you know, we had hoped that when the Colonial Secretary saw Dr. Borg Olivier in December he would confine himself to saying that no provision existed for association of non-member countries with NATO and to asking Dr. Borg Olivier to clarify his intentions, without encouraging him to pursue the idea of Maltese membership or associate membership of NATO. The agreed conclusion of the December meetings that Dr. Borg Olivier would write to Mr. Sandys asking him to take confidential soundings among NATO Governments about a Maltese application for membership of NATO therefore took us rather by surprise.

3. Nevertheless, as you know, we broached the matter informally with the Secretary-General of NATO, with the results recorded in my letter of January 30 to Eastwood. In particular it was clear that we should have to form a view on the military aspects before we could obtain any clear answer.

4. However, I took the opportunity of a meeting of the Atlantic Policy Advisory Group from April 20 to 22 to refer to this question quite informally. As you know, one of the purposes of the Atlantic Policy Advisory Group is that national representatives should be able to speak more freely and with less commitment than in other organs of the Alliance. I said that Malta was likely soon to become independent. This raised the question whether Malta should continue to be in the Atlantic Treaty area. When Algeria had become independent, that country had been removed from the Treaty area. There was also the factor that NATO enjoyed certain facilities in Malta. If these were to be preserved presumably some sort of defence agreement would be needed. I did not know whether this should be a defence agreement between NATO and Malta or whether it should be concluded by Her Majesty's Government with the Maltese Government. Nor did I know whether it would be thought desirable to consider whether Malta should be given membership of NATO or even whether some form of associate membership should be created for this purpose. I said that we had no firm position on all these questions but that I wanted to bring the problems quite informally to A.P.A.G.'s attention.

5. The only reaction came from the Italian representative, who suggested that the Alliance might try to reach an 'Atlantic solution' for Malta. I replied that this was a matter on which, in the last resort, we should have to make our own arrangements with the Maltese Government, but that we would naturally like to know the views of our allies on the questions which concerned NATO. The Chairman (Mr. Hooper) supported me by saying that it would have to be for H.M.G. to decide if and when they brought the question of Maltese independence formally before NATO.

6. It was clear to me from this exchange that we may involve ourselves in difficulties if we go further in making soundings among NATO Governments without a very clear idea of what we want to achieve. You may think in fact that we have gone

¹ Head of western organizations and planning department, FO.

far enough to satisfy the Colonial Secretary's commitment to Dr. Borg Olivier. If we are to go any further, however, we must in particular be clear whether we want to achieve Maltese membership or associate membership of NATO, or whether we want to ensure that this does not come about. The U.K. Delegation to NATO warned us as long ago as September 1962 that we should be expected to make a case.

7. It is not for me to comment on the military implications of the problem, but I note that in COS.94/63 of February 28² the Chiefs of Staff concluded that Malta is no longer of overriding strategic importance to ourselves or to NATO, although it could be a strategic asset of the greatest value to the Communists. They drew attention to certain facilities enjoyed in Malta, the loss of which would be serious to us and their replacement expensive. The inference, although not explicitly drawn, was I think that some sort of defence agreement should be concluded to retain these facilities if possible. There was no suggestion in the Chiefs of Staff paper that Maltese membership or associate membership of NATO was a military requirement.

8. From the Foreign Office point of view, we are in principle opposed to enlarging the membership of NATO. It is 12 years since Greece and Turkey and 9 years since Germany became members. The already large number of members gives rise to numerous problems in the process of making decisions, not the least of which is the number of fingers on the nuclear trigger. These considerations of themselves would predispose other members of NATO against enlarging its membership. There is the rather special factor that any enlargement of membership would revive interest in Spanish membership, which would be controversial and divisive.

9. In the particular case of Malta, there would be problems of its size and its economic weakness. NATO has had only too much experience of being asked to deal with the economic problems of Greece and Turkey; they would not welcome having to deal with those of Malta as well. By the same token, Greece and Turkey might not welcome a rival claimant for such favours as are going. In fact, Malta can make very little positive contribution to the Alliance and, although this is primarily a matter for you, the possibility of an extreme left-wing Government emerging in Malta would raise for many members of NATO the unattractive prospect of security problems, such as those which attended the presence of Communist members in the Government of Iceland. It is also for you to say how far membership of NATO might itself become a controversial issue in the internal politics of Malta.

10. To offset these drawbacks, we should need strong arguments to show that the possible advantages to ourselves and to NATO would justify us in raising the question of Maltese membership with our allies. We should also need to be clear about our tactics. The Italian reaction at the Atlantic Policy Advisory Group, for example, suggests that we might find ourselves faced with counter-proposals which you might consider embarrassing, including demands for our allies to be given a say in the course of developments towards Maltese independence.

11. If you would like to have a meeting to discuss this further we should be happy to take part.

² DEFE 5/136, COS 94/63, Annex, 'The effect on British strategy of a decision to withdraw from Malta': COS Committee paper, 28 Feb 1963.

172 CO 926/1955, no 4

24 May 1963

[Emigration]: letter from Sir F Cumming-Bruce¹ to Mr Sandys on the prospects for Maltese emigration to New Zealand

I have been in touch with Tom Shand the Minister of Immigration, and the principal official concerned, about creating facilities for Maltese migration to New Zealand about which you wrote to me in your letter of 24th April.²

The background here is, I am afraid, not a favourable one. The New Zealand outlook towards Europeans from the Mediterranean is quite unreasonable, and the prejudice has its roots deep in public opinion. Consequently the authorities have a very reserved approach to immigration from the Mediterranean area. They were not sorry when, on the last occasion that a small quota was fixed eight years ago for Maltese entry, only half a dozen or so families eventually took advantage of it. And in reply to the approach which we made to the New Zealand authorities in March in accordance with C.R.O. instructions, we received a polite assurance that, while the New Zealand Government would give sympathetic consideration to any enquiry from the Maltese authorities, there were strict limitations to New Zealand's capacity to enter into additional immigration commitments.

Though Shand was anxious not to appear unsympathetic, his initial attitude was the standard New Zealand position, i.e. one of reserve. He emphasised that the Government were not keen on immigration of people from Southern Europe as they tended to fall into the bottom tier both socially and for labour purposes, which was being rapidly swollen by the massive increase of Maori population. This was being aggravated by immigration from the Cook Islands and Samoa which were anxious to increase their migration; as the years passed the pressure from the Islands would be increasingly difficult to resist: and this would further weight the population against the Anglo-Saxons. He contended that this Polynesian problem of Maoris etc. made the problem of migration in New Zealand totally different from that in Australia, and he was not prepared to accept that there was any justifiable basis of comparison in relation to Maltese.

There was, moreover, steady pressure from those in New Zealand of Mediterranean origin, in particular the Yugoslavs and the Greeks, to allow a bigger quota; and these people presented problems of social integration. He feared that any significant number of Maltese might prove difficult to digest. But he recognised the extremity of Malta's difficulty and indicated that New Zealand would wish to make at any rate some gesture of help.

I suggested that he should authorise a small quota without more ado, and he said that, if the Maltese Government so desired, he would be prepared to consider this sympathetically. And he undertook to take a personal interest in any direct approach which the Malta Government might make.

I have discussed the question further with the Secretary for Labour, who is the senior official concerned. He emphasised the difficulty of the housing problem for families. The New Zealand authorities are not prepared to facilitate migration unless

¹ British high commissioner, New Zealand.

² At the head of the letter, Duncan Sandys wrote: 'His proposal for a token quota should be pursued with the Govt of Malta. Send letter of thanks to Wellington.'

suitable housing is likely to be available: there is a substantial waiting list of applicants for housing at present and no prospect of easing of the position. He added also that in any case the Government would probably see difficulty about using assisted passage funds for Maltese when the demand from British migrants was brisk: for it was migrants from Britain that the New Zealand Government really wanted.

I suggest that the Malta Government ask the New Zealand Government forthwith for a small quota of token dimensions, say 100, regarding this as a pilot arrangement to provide experience and gain familiarity of the nature of the openings in New Zealand. While a very small initial trickle would no doubt have little significance in itself in relation to the size of Malta's problem, it might in time lead to a greater flow. This would, I think, depend very much on the class of Maltese workingman that wanted to come here. New Zealand is so short of skills of all kind that any man with real skill in a trade would be likely to fit in as a useful citizen without creating problems. If the movement began mainly with this type, it might snowball. But, if the early batch of immigrants, under a token quota, were not skilled enough to find employment easily, Maltese immigration here would be unlikely ever to rise to a significant scale. When the Malta Government have communicated with New Zealand arrangements will be made for information about conditions and opportunities for Maltese in New Zealand.

The authorities here have heard from some source that Mr. Cachia Zammit³ might be contemplating a visit to Australia and New Zealand this year to discuss the possibilities. This would certainly be useful to set the ball rolling, and to educate opinion; but it would be a mistake for him to expect early results except on a token scale. If, as I hope, I manage to visit my brother in Malta briefly on my way to London in June, I will try to discuss the position with Mr. Cachia Zammit.

³ Maltese minister of labour and emigration. Zammit made a good impression during his visit to the extent that New Zealand decided to admit an initial 250 Maltese (CO 926/1955, no 21, letter from Sandys to Cumming-Bruce, 4 Oct 1963).

173 CAB 129/114, C(63)112 1 July 1963
 'Malta independence': memorandum by Mr Sandys proposing that
 'provided the new constitution can be satisfactorily settled at the
 forthcoming conference, Malta should be granted independence about
 the end of this year'

Independence conference

In August, 1962 the Government of Malta formally asked for independence. In December, I had preliminary talks in London with the Maltese Prime Minister, Dr. Borg Olivier, at which it was agreed that an Independence Conference should be held in 1963, to which representatives of all Parties in the Legislature would be invited.

2. This Conference is due to take place in the second half of July. Its work will be mainly confined to approval of a revised constitution for an independent Malta. This should not present great difficulties, though there are certain issues on which there will be disagreement. These include:—

- (a) the retention of the official status of the Roman Catholic religion with its consequential effects upon certain aspects of the law (e.g. divorce);
- (b) membership of the Commonwealth; and
- (c) the Monarchy.

3. I have no doubt that the overwhelming majority of the population are in favour of (a) and (b). No doubt the same also applies to the question of the Monarchy. But I do not think it would be right to advise Her Majesty to remain Queen of Malta after independence, unless we are satisfied that the Crown is not going to be made a party political issue at each election.

4. Provided these matters can be satisfactorily resolved, I propose to fix a date for Malta's independence towards the end of this year.

5. Outside the ambit of the Conference there will be two main issues to settle—

- (a) the retention of the British Forces on the island; and
- (b) financial aid.

Defence agreement

6. Although our military facilities in Malta are no longer indispensable, some are important and others would be expensive to replace elsewhere. Dr. Olivier is ready to conclude a defence agreement which would provide:—

- (a) that Britain would have the right to maintain armed forces in Malta; and
- (b) that military facilities would not be accorded to any other nation, except with Britain's consent.

7. To ensure its validity, this agreement would not actually be signed until after independence. In order to make it more difficult for any future Maltese Government to repudiate it, it may be decided to hold a referendum before signature. If this were done, a large favourable majority is certain.

8. In addition, the present Government is anxious to establish some continuing link between Malta and NATO, which at present has a naval headquarters in Valetta [sic]. This matter is at present being explored.

9. The Minister of Defence is in agreement with the proposals in the preceding paragraphs.

Financial aid

10. Malta, with a population of 330,000, is smaller than any existing Commonwealth country. Apart from the activities which have grown up around the British Naval Base and garrison, Malta has few industries. There is a high level of unemployment, which has been considerably aggravated by the run-down of our forces.

11. Since the new management took over from Bailey's, work in the dockyard has been increasing. With our help, a number of small light engineering and other industries have been set up on the island and will provide an appreciable number of jobs. Everything possible is also being done to help Malta build up a successful tourist business. Among other projects, we are providing finance for a new Hilton hotel.

12. At the same time we have been taking steps to stimulate emigration to Australia and Europe, including Britain. The overall target to which we are working is about 10,000 emigrants a year.

13. But despite all these efforts, it will clearly be necessary for Britain to go on helping Malta financially for a number of years. This is at present being discussed with the Treasury but, as I explained above, this is not a matter which will be on the agenda of the Conference.

Recommendations

14. I accordingly ask the Cabinet to agree:—

(a) that, provided the new constitution can be satisfactorily settled at the forthcoming Conference, Malta should be granted independence about the end of this year;

(b) that an assurance should be given (in general terms to be agreed with the Treasury) that Britain will continue to provide financial assistance to Malta after independence; and

(c) that a defence agreement for the maintenance of British Forces in Malta should be negotiated with a view to signature immediately after independence.

174 CAB 128/37, CC 44(63)5

‘Malta independence’: Cabinet conclusions

4 July 1963

The Cabinet had before them a memorandum by the Colonial Secretary (C. (63) 112) about the attainment of independence by Malta.¹

The Colonial Secretary said that in August 1962, the Government of Malta, with the support of all the principal political parties in the Island, had formally asked for independence. For this purpose arrangements had been made to convene a conference, to which all parties now represented in the Maltese Legislature would be invited, in the second half of July.

Three main issues would be likely to arise at this conference; first, whether the official status of the Roman Catholic religion should be maintained; second, whether Malta should be granted membership of the Commonwealth; third, whether the Constitution should be monarchical or republican. It would undoubtedly be the wish of the majority of the inhabitants of Malta that the Roman Catholic religion should remain the official religion of the Island; and we had no reason to dissent, despite certain practical difficulties which would persist in relation to matters such as marriage and divorce. Nor should there be any objection to accepting an independent Malta as a member of the Commonwealth. A monarchical Constitution, however, although undoubtedly supported by a majority of the Maltese population, would be opposed by the Maltese Labour Party under the leadership of Mr. Mintoff; and it would be unfortunate if the monarchy were made a party political issue after Malta became independent.

It would be necessary to conclude a Defence Agreement with the Government of Malta under which they would agree that we should retain the right to station forces in the Island and that military facilities would not be granted to any other country without our consent. In order to ensure the validity of this agreement and to reduce the risk of its repudiation by a future Government of Malta it would be advisable that

¹ See 173.

it should not be concluded until after the Island had become independent; and it might be desirable that the Government of the independent State should seek the endorsement of a referendum before signing it. It would also be necessary that we should undertake to provide continuing financial aid to Malta on a scale still to be determined.

In discussion the following main points were made:

(a) It would clearly be desirable that Malta should retain, after independence, a monarchical Constitution. If necessary, however, the question could be considered again when the forthcoming conference had provided an opportunity to test the strength of Maltese feeling on the issues involved.

(b) The maintenance of United Kingdom forces in Malta was no longer a paramount defence interest in itself, although it might constitute a convenient means of providing economic aid to the Island. The main purpose of the proposed Defence Agreement would be to prevent the Soviet Government from obtaining a military footing in Malta. From this point of view it was open to question whether the agreement should not be concluded until the Island had become independent; and it was doubtfully wise to submit the issue to a referendum. On the other hand it had already been made clear both to the Government of Malta and to Mr. Mintoff that any Soviet intrusion into the Island would not be tolerated either by the United Kingdom or by the other member countries of the North Atlantic Treaty Organisation; and it was improbable that any Government of Malta would court the risks involved in entertaining any policy of this kind, particularly if the Defence Agreement had been endorsed by a referendum.

(c) In any event the only alternative course would be to reject the unanimous request of all the main political parties in Malta that the Island should now be granted independence; and the political consequences of such action would clearly be unacceptable.

(d) Consideration should be given during the conference to the preservation in the new Constitution of a right of appeal to the Judicial Committee of the Privy Council or to some alternative judicial tribunal, perhaps of a Commonwealth character.

The Cabinet:—

(1) Approved, subject to the points made in their discussion, the proposals in C. (63) 112 for the attainment of independence by Malta.

(2) Invited the Commonwealth Secretary to report further, in the light of the proceedings of the forthcoming conference on the terms of independence for Malta, on the retention of a monarchical Constitution by the Island after independence.

175 T 225/2174

16 July 1963

‘Malta defence agreement’: minute by Mr Thorneycroft to Mr Sandys

I understand that some further difficulties are foreseen about the arrangements for bringing the Malta Defence Agreement into force and that you have it in mind to discuss these with Dr. Olivier while he is here for the Constitutional Conference. Our

officials have been in touch and I have seen a draft of a brief proposed for your use when talking to Dr. Olivier.

2. I hope that it will be possible to keep to the original intention expressed in your memorandum to the Cabinet,¹ and to negotiate the Defence Agreement before Malta is granted independence, with signature immediately thereafter. However, I can see that there is a difficulty if it is thought desirable to have a referendum before the Defence Agreement is brought formally into effect. In that case I would be willing, as I said in my minute of 12th July, to accept an arrangement under which the Defence Agreement would be given temporary force by an Exchange of Notes. Whichever of these courses is adopted, I think it is very important that no part of the Defence Agreement proper should remain to be negotiated after independence has been granted; and that it should be made clear to the Maltese that the conclusion of satisfactory financial arrangements must be dependent on our securing our Defence Agreement.²

3. Naturally I would not wish to put any obstacle in the way of your discussing these or other possible formulae with Dr. Olivier while he is here. If, however, there is to be any question of taking a line different from those I have indicated, I think that we should discuss the matter again with our colleagues.

4. I am sending copies of this minute to the Chief Secretary to the Treasury, and to the Service Ministers.

¹ See 173.

² J A Boyd-Carpenter (chief secretary to the Treasury) marked this passage with an 'X', noting: 'I am sure X is right.'

176 CO 926/1884, no 110 [Independence]: letter from Sir M Dorman to Sir J Martin on Maltese attitudes towards independence

[Sept 1963]

The London Conference¹ ended on the 1st August with the announcement that Her Majesty's Government had decided that Malta should become independent on a date not later than the 31st May next year.² During this last month, little obvious progress has been made towards preparing Malta for that day. But there has, of course, been a good deal of thought, argument and discussion in private.

The state of public opinion

2. The upshot seems to me to be this. There is widespread disillusion with the British Government among many who are not ardent Labour or Nationalist party supporters. The essential premise for the Secretary of State's decision was that the results of the 1962 elections, in the opinion of the British Government, showed that a substantial majority of the Maltese people wanted early independence. This, in the view of a wide area of opinion, is simply not true. It would have been harder to contest an assertion that there was no longer justification for withholding a decision

¹ *Malta: Independence Conference 1963* Cmnd 2121, 1963.

² *H of C Debs*, vol 682, col 655, 1 Aug 1963.

on independence which was supported by, or, one could even say, was pressed by, three quarters of the Legislature. That was true. But most people outside the Labour Party were voting for their Church; they deserted the smaller parties to keep Labour out; independence had little or no part in their thinking. The decision for independence, based on what to many was a false premise, therefore seems to them to belie the fair promise and the incontrovertible line adopted by the Secretary of State at the opening of the Conference when he said:

‘We, in Britain, have no desire to hustle Malta into independence or to lay down our responsibilities so long as you need us. On the other hand, once you are ready and willing to take over the full management of your own affairs, we have no wish to hold you back.’

In the face of such disarray as was apparent at the Conference, it seems to them that Britain has decided to cut Malta adrift, that the Secretary of State was determined on this from the start, and that the leaders of Malta do not know where they are heading. There is widespread disenchantment with both British and Maltese leadership.

3. While it is impossible to be certain in such matters, nevertheless I think that a referendum held now would return a result against independence. The balance of opinion has changed considerably.

4. In an island community of so much individualism, attitudes, of course, vary and there are many strands of opinion. The Archbishop says: ‘A referendum—there is no doubt about it, 80% against. I am against independence. I told Borg Olivier so before he left. But if independence has to come, as I see it has to come, I would prefer that it came under a Conservative Government in Britain and with a moderate government in Malta.’ The fisherman on the wharf says: ‘It’s a lot of nonsense. We’ve always been under somebody. What do we want to change for now? When the British leave, who are we going to get to protect us then?’. A civil servant says: ‘But of course people are anxious. Look at all that has got to be done and nothing is happening at all. I don’t see how they can be ready by the 31st May’. A visiting Italian journalist tells me: ‘When I asked Your Excellency how feelings in Malta compared with those in other emergent countries of your experience, you were right in saying that there is an amazing goodwill towards Britain. I found it everywhere, amongst the taximen, among the workers, in the buses and in the bars and, of course, amongst the intelligentsia. But I am profoundly impressed with the lack of leadership from the politicians. The people are not being carried along by them’. The Archbishop has also said to me that although the vast majority of the people are very pro-British, this fact does not seem to be appreciated in London. There is some resurgence of Italianism, an echo of old discords, which distracts people from their loyalty to Malta which is fundamental to independence. But although there is a very real regard for Britain, there is bewilderment, dismay and some resentment at the London decision. Of all the people I myself have met and talked with, apart from Ministers, not one has spoken with enthusiasm about independence but only with resignation or a deep foreboding.

Visiting Members of Parliament, of course, find the same thing and all one can say to them is that it is now or not for seven years.

Attitudes of the political parties

5. The hard core of the Nationalist Party, the Cabinet, keen party supporters from the professional classes, are proud and happy at the decision emerging from the

Conference. They regard it as a real political success for the party. They are not themselves worried about economic issues but look at this from a primarily political point of view. They have faith in their leader's shrewdness or astuteness in steering Malta through troubled waters ahead.

6. The Labour Party, as a political party, are perhaps the most satisfied with the decision and are equally determined with the Nationalists that independence should be achieved by the 31st May. They are busy claiming as much credit as they can and portraying the Government as fair minded but weak willed and ineffectual. They have little confidence in the Nationalists' capacity to manage Malta's affairs on a planned and logical basis but, whoever is in power, they regard independence now as an essential prerequisite for rebuilding Malta's economy on a progressive basis. Mintoff has made it quite clear to the Prime Minister that even though they have their differences, he has no intention of obstructing the attainment of independence by next May.

7. Ganado³ has been taking the line that there is so much unsettled and it is all so suicidal that he simply does not believe that it is going to happen. If it does, well, much as he likes Britain, they will have been let down so badly that they will be forced to look elsewhere. Pellegrini⁴ has not said a great deal, but says he is not going to pull on the same rope for independence for anyone. Mabel⁵ has in private been taking the line that as long as Malta is so lacking in unity, no British Government would dare to force independence; I suspect she nurses the illusion that she can bend the British Government to her way of thinking. In fact, the small parties have not given up the hope of opposing independence now, of obtaining a referendum, or even perhaps of defeating the Government in the House. The 'Times of Malta' has taken a more responsible line—reflecting the irritation and frustration many feel at not being able at least to register their opposition by voting, but resigning themselves to the inevitability of the decision and seeking to make the best of it.

8. I would sum up by saying that the political parties have hardly shifted their line or their thinking at all, but a wide gap has opened between the man in the street and the political leadership of the two main parties. The man in the street of whatever political leanings has little enthusiasm for independence, so far as he understands it—and, the Archbishop would add, many are very strongly against it.

9. If I have written in clichés or if I have laboured the point, it is to give you some of the colour of the present state of political opinion. It is to my mind profoundly unsatisfactory. We have had one month, we shall perhaps have another month before the debate and discussion on constitutional matters is picked up again. The Secretary of State's shock therapy has so far shown no signs of having its effect. What then has to be done?

Reactions to independence—what is to be done?

10. It is this. There has got to be made now a simultaneous four-pronged attack on these main issues. They are the ones which concern and worry everyone, that is:—

- (i) internal security—workable arrangements for maintaining law and order including an increase in Police strength, the availability of military force to come

³ See 140, note 3.

⁴ Toni Pellegrini, leader, Christian Workers Party.

⁵ Mabel Strickland.

to the aid of the civil power and a limited commitment by H.M.G. for the same purpose (See Appendix I);⁶

(ii) external defence—the cover of a shield against external attack or in time of general war including a defence agreement with Her Majesty's Government and an association with NATO (See Appendix II);

(iii) financial and economic issues—the settlement of a basis for aid which will diversify the economy, create economic viability and maintain present standards of living (Appendix III to follow);

(iv) Church-State relationships—the agreement of the Church to the broad propositions of human rights and the legitimate protection of the Church against a future government elected on issues with which the Church is not concerned (Appendix IV to follow).

In addition, there are, of course, other important matters, i.e.:—

(v) constitutional issues—Crown and Commonwealth, Entrenchment;

(vi) practical matters of administration and legislation, e.g. citizenship, the constitutional court, visiting forces legislation, foreign service and diplomatic representation, electoral provisions, broadcasting, land, language, flags, coat of arms, passports and many others;

(vii) a referendum or election before independence—the possibility of a reference to the people in some form or other.

But until it can be shown that we are in sight of fair and reasonable solutions of the first four main problems above, there will be no relenting in public opinion and no relaxing in opposition by the central parties⁷ who represent the broad mass of opinion which opposes independence. The political impasse will continue and it will hardly be possible to move on to consideration of the other matters. If this impasse continues, if there is no relenting in opposition, and if a reference to the people is pressed, a complex and confused political situation could result.

The possibilities of a political impasse

11. If there is no conciliation of, and agreement with the central parties, then there are only three possibilities. Either a Constitution will have to be agreed between the two Governments alone, and this will be made to appear as though it was being imposed by Britain on an unwilling and divided Malta; the long term dangers of this are that it will encourage revisionism particularly by the Labour Party and I fear that this will lead to campaigns against the Constitution with consequential instability.

12. Or, secondly, there will have to be some reference to the people by election or by referendum. I think that the Prime Minister and the Secretary of State would both be wise to keep an open mind about this; it may in the end be the only, or the best, way of deciding the main issues. But if the central parties continue to oppose, the risks of an election are that the Government will lose its overall majority; the Prime Minister tells me that a Nationalist-Labour coalition could never be formed, a coalition with others could only be formed at the price of delaying independence, or

⁶ Appendices not printed.

⁷ Democratic Nationalist Party, Christian Workers' Party, and Progressive Constitutional Party.

indeed it might end in an impasse in which no government could be formed at all. If the central parties could be won over to support, an election would have the advantage of going some way to meet Mintoff's requirements, of placing ultimate decision on the Maltese people themselves and of ensuring that whatever Government was returned had a fair start. The risk of a referendum is of massive abstention, perhaps followed by resignation of the Government. If the central parties would support, the advantages are that it would provide a clear decision as between Government and Labour points of view. It is, I suppose, possible that if they had their referendum in some form, and if satisfactory agreements had been provisionally reached on the main issues, the central parties would support. At any rate, it seems clear to me that some reference to the people may well be desirable and that before that is practicable the four main problems have got to be tackled.

13. Or the third possibility is that independence should be deferred. You should not forget that staving off independence seems quite a practical policy in Malta. This is not a typical colonial situation in which Britain is attacked by a driving nationalism based on wide popular support. Malta ran out at the last fence on integration; some believe that she can refuse at the last fence on this course also. In my view, deferment, except for a few months on practical grounds, could only make real sense if it were for a longish period, which I put at seven years; that would mean that we had gone down into the valley and were starting to climb out the other side: we had been through the worst of the economic difficulties and the economy was then on the up grade. Further, it could only be done on the initiative of the Prime Minister and I do not think that this is practical politically. I suppose that if the financial terms were very unfavourable, he might have public opinion with him in refusing to move forward; he would say that Her Majesty's Government, while apparently accepting Malta's demand for independence, was not willing to create the conditions in which it became practical and it would have to be deferred temporarily. But it would sound weak. Deferment is not in my view any real alternative except as I say in terms of months.

14. I should perhaps add that it is the Archbishop's view that independence is certain and that now all attention must be concentrated on securing the future on the best and most sensible terms. This point of view he is urging on the smaller parties and it will, I have no doubt, be influential. But so long as everyone is genuinely concerned and worried over the four points which I have picked out in this letter, neither the Archbishop nor the Prime Minister can have much success with them. They are backed by too strong and too influential a sector of public opinion. Therefore, the first thing to do is to try to settle these four points.

15. After all, neither you nor I nor anyone else can really say whether independence for Malta by May or by any other date is practical until the first four points are settled. We have hitherto assumed that they can be settled fairly and reasonably, but I cannot blame the voter or the other parties for refusing to commit themselves till they see what the deal is—what is the full picture?

A four-pronged Programme

16. In the Appendices to this letter, and in those to follow, I have made a fuller examination of the four main points mentioned in paragraph 10. I regard those Appendices as of some importance, but in order to avoid overburdening this letter, and as they are somewhat separate subjects, it is more convenient to make a separate note on each.

17. These four groups of problems must, in my view, be discussed simultaneously with a view to reaching conclusions on them before the end of the year. Early in the new year, after tentative conclusions have been reached, there will have to be further constitutional talks held in sufficient time to enable an election or referendum to take place if that were the only or the best way of resolving differences. The republican issue could be a troublesome one from the practical point of view: there will be many things dependent on it, but it seems as though it might be one of the last to be finally settled.

18. I myself think that the only way of proceeding now is this. I should say that in setting target dates I have simply kept to what seems possible from this end and I realise that the Secretary of State and the Colonial Office have many other commitments which may make these targets impossible:—

(i) While the Prime Minister is in London for the Commonwealth Economic Consultative Conference, conversations should be held with him on a provisional schedule covering:—

(a) *Internal Security*. Discussions should be held with the Prime Minister with a view to the appointment of an expert commission which should report to both Governments by the end of November. Their findings would be relevant to the defence agreement, finance and the Constitution;

(b) *Defence Agreement*. H.M.G.'s proposals which will obviously be complex and detailed should be made available to the Malta Government by the 30th October at latest. This will require careful study by various Ministries. Land matters in themselves will take time to examine. If they could be isolated and advanced separately, it would be a good idea but perhaps this is impractical. A conference to consider the proposals should be held over the end of November and early December;

(c) *Finance Agreement*. Malta Government's memorandum on the financial outlook, the new Five-Year Development Plan, and its other financial problems should be put before H.M.G. also by the 30th October. This also will require full and careful examination and it might be necessary to have another Joint Study to establish agreed bases for negotiation.

A conference to consider proposals could hardly be held much earlier than December;

(d) *Local Constitutional Talks*. The Prime Minister should initiate talks with the other parties in October. In the present climate of opinion, I doubt whether they will succeed until the outcome of the defence and finance talks is known. There will not be time for much real work on this—the Prime Minister will have a lot to do on his return, the Development Plan will be before Ministers, Dr. Felice and Dr. Cachia Zammit⁸ will be away during parts of October, there is to be a new session of the Legislature with a Speech from the Throne. There is obviously much to be debated in the House including possibly some of the issues arising from the London Conference;

If a limited objective is set, i.e. reaching a measure of agreement on the issue of Church-State relationships only, I believe that that could be achieved by the end of

⁸ See 172, note 3.

November and although it is unlikely that the Malta Labour Party could be carried along, it would be a useful piece of work. It is essential to get on with this because I think that some of the matters arising, i.e. the death penalty and perhaps civil marriage for non-Catholics, should be debated in the Legislature.

But the smaller parties are not likely to commit themselves at this stage on any other purely political matters and they will continue to press for elections or a referendum;

(e) *Malta Independence Conference resumed.* If all had gone well, it would be possible to reconvene the constitutional talks in London in January with all parties knowing the broad conclusions on internal security, defence, and finance—the Government and the smaller parties having reached full agreement between themselves and having achieved some points of agreement with the Malta Labour Party on human rights, elections and Church-State relationships.

There would then be three broad issues:

Should there be independence in May on the terms generally known? (The smaller parties)

Should Malta be a republic or a monarchy in or outside the Commonwealth? (The Labour Party and perhaps Ganado)

How should these and any other issues be resolved: imposition by Britain, decision by referendum or election?

(f) *Administrative and legislative preparations.* These should be put in hand now, but it must be admitted that although preparatory work can be done, little effective can be put into force until the second Constitutional Conference has completed its work and possibly not until after that if there had to be some reference to the people;

(g) *31st May, 1964.* I believe it to be very difficult to achieve independence by this date and that National Day, 8th September, 1964, would be more realistic. If there was a real will to become independent, the earlier date is possible, but there is no driving enthusiasm and I see little likelihood of it at present. The only reason for Malta to press on hard is the wish to negotiate with a Conservative Government—it is interesting that Mintoff has made it clear that he does not intend to hold up matters for the possible return of a Labour Government. I must add that there is some risk to the Secretary of State in pressing on regardless of local feelings—all visitors I meet say they cannot see why Malta has to be forced forward much quicker than she wants to be. It is not an easy one to answer. I would, therefore, have reservations about the 31st May, 1964, except as a provisional target.

For Church, for Crown and Commonwealth

19. Our real object, all of us, is that when the day dawns, the people of Malta should be able to welcome it with a fresh enthusiasm and a new confidence, holding fast to the old faith, old friendships, and old traditions, but responding to the new opportunities, the new challenge and the new problems with, in Milton's words,

'United thoughts and counsels, equal hope, And hazard in the glorious enterprise.'

Words, words, all words! But somehow we have got to make them reality. We are far from it today, but it can be done.

177 CO 926/1894, no 248

2 Nov 1963

[Malta defence agreement]: letter from Sir E Wakefield to Sir J Martin on the problem of reconciling the objective of relieving the UK of responsibility for sustaining the Maltese economy with the need to retain Malta as a forward operating base

With his letter of 21st October John Kisch¹ sent me a copy of a confidential memo dated 17th October from the Minister of Defence to the Colonial Secretary.² You will understand from the comments which follow why I am far from happy about the position that is now developing.

2. Apart from the general policy of converting the Empire into a Commonwealth, I understand British policy in relation to Malta to have two main objectives, the first being financial, the second strategic. For financial reasons we seek to relieve ourselves of responsibility for sustaining the Maltese economy. For strategic reasons we seek to retain in Malta a forward operating base.

3. It is not easy to reconcile these objectives since withdrawal of financial support, especially during the period of the Services rundown, will create distressing economic and social conditions. Such conditions will have two results. In the first place we shall lose Maltese goodwill, without which the forward operating base is admittedly valueless. Secondly, the Maltese people will certainly turn to Mintoff for leadership and guidance; and Mintoff, as we all know, is pledged to Neutralism and will not tolerate a British—or even a NATO—base in Malta.

4. It will be neither easy nor cheap for Britain to relinquish sovereignty. Maltese political leaders realise that we are trying to buy our way out of Malta on the cheap; and they will strike a hard bargain.

5. Against this background I find it difficult to accept some of the assumptions on which the Minister of Defence's memo of 17th October appears to be based. Paragraph 5 of the memo seems to assume that Dr. Borg Olivier is irrevocably committed to Independence by 31st May and that since he could not contemplate the prospect of a withdrawal of British troops, he would have no option but to accept our terms for a Defence Agreement, even without an accompanying Financial Agreement.

6. I do not think that this assumption is soundly based. Confronted with the alternatives of a withdrawal of British troops or an unacceptable Defence Agreement, Dr. Borg Olivier would resign. He would not merely threaten to resign. He would, in fact, resign. I am in no doubt about this.

¹ See 153, note 1.

² CO 926/1893, 'Malta defence agreement': minute from Thorneycroft to Sandys, 17 Oct 1963.

7. Resignation would appeal to him on several grounds:—

(a) He is already sensitive to criticism that he was out-manoeuvred by Mr. Sandys into making a premature demand for Independence.

(b) He would have the support—for their own reasons—of all the other political parties.

(c) Public opinion would applaud him for ‘Refusing to allow the British to run away from their responsibilities.’

(d) Frustrated in the summer of 1962, he hesitated between resignation and demanding Independence. This time he would have no acceptable alternative to resignation.

8. Dr. Borg Olivier’s resignation would lead to a confused situation, the outcome of which I would not care to predict. What is quite certain, however, is that British interests, both financial and strategic, would be seriously prejudiced.

9. Dr. Borg Olivier’s administration is incompetent and ineffective. Nevertheless, we really have no practicable alternative to playing along with him and helping him to take Malta through to Independence. If he is to do this he must have an assurance of (initially) generous financial support; and he must equally have a Defence Agreement that he can justify to the Assembly and to public opinion.

10. Two features of the draft Defence Agreement will be thought by the Maltese to be particularly objectionable. They are those relating to Customs and Excise privileges for Services personnel, and the provision (Annex, Part 2, Section 7, subsections (2) (b) and (4)) for the British taking over control of the airfield at Luqa.

11. With regard to Customs and Excise facilities for Service personnel, I need not greatly elaborate what I said in my letter to you of August 21st. The direct loss of Customs revenue to the Malta Government could perhaps be offset by an annual payment such as is made in respect of NATO forces stationed in the Island. But this would only solve part of the problem. The insoluble difficulty is that in Malta, as opposed to other countries in which British troops are stationed, the ratio of Service personnel to the civilian population is uniquely high. Moreover, less than one-fifth of Service families stationed in Malta are accommodated in married quarters. The balance (more than 3,500 families) are living in what are known locally as ‘hirings’ i.e. houses, scattered over a wide area, leased from Maltese. In such circumstances it would be impossible to prevent cigarettes, spirits and other commodities issued duty free to Service personnel from percolating illicitly throughout the whole civilian population.

12. With regard to control of the airfield at Luqa, I recognise that this is an operational necessity for the RAF in time of emergency. But the provisions in the draft Agreement will be thought by the Malta Government to be inconsistent with Maltese sovereignty. I imagine that, as long as the RAF continue to exercise Flight Control at Luqa this gives them all they need. It should be possible to devise a Joint User agreement which would effectively give the RAF what they need and at the same time be acceptable to the Maltese.

13. Ian Watt will be able to supplement, as required, the many deficiencies of detail in this letter.

178 CAB 148/1, DO 5(64)1

29 Jan 1964

'Malta': Cabinet Defence and Oversea Policy Committee minutes on Dr Borg Olivier's request for the UK to accept 'sole responsibility for settling the form of Malta's independence Constitution'

The Colonial Secretary said that the Government were publicly committed to grant independence to Malta not later than 31st May, 1964. We had invited the Prime Minister of Malta, Dr. Borg Olivier, to hold discussions with representatives of all political parties in the Island in order to establish an agreed constitutional basis for independence. But all endeavours to this end had failed; and Dr. Borg Olivier had now asked us to accept sole responsibility for settling the form of Malta's independence Constitution. Recently, however, there had been disquieting indications that, if we proceeded on this basis and granted independence to the Island on 31st May, the Labour Party, led by Mr. Mintoff, might shortly thereafter seek deliberately to foment unrest and insecurity in the Island; and, since it was doubtful whether, in these circumstances, the Government would possess the means and the authority to maintain order, we might be invited to intervene, just as we had been asked for assistance in quelling the disorders which had broken out in our former Colonies in East Africa shortly after they had become independent.¹ In these circumstances it was necessary to make a fresh assessment of the political situation in the Island and to decide whether the risks which would be entailed if we granted independence on the specified date were greater or less than the risks which we should court if we deferred the grant of independence for a further period.

In discussion there was general agreement with this suggestion. It was now clear that, if we proceeded to implement our original intention, we should have to impose the independence Constitution; and this, in itself, would be liable to alienate all the political parties in the Island. Moreover, if we were compelled to intervene after the grant of independence, we should have to commit a considerable force of troops to the task of maintaining order in Malta at a time when other demands on our military resources might still be very heavy; and we might also jeopardise our own long-term defence interests in the Island. For these reasons the balance of advantage might incline in favour of maintaining the present régime for a further period and deferring the grant of independence—the more so since, although Dr. Borg Olivier could not be expected publicly to acquiesce in a decision to this effect, he might well welcome it, in fact, and condone it in practice.

The Committee:—

- (1) Invited the Commonwealth Secretary to give further consideration, in the light of their discussion, to the desirability of deferring the date on which independence should be granted to Malta.
- (2) Agreed to resume their discussion at a subsequent meeting.

¹ See BDEEP, series A, vol 4, R Hyam and W R Louis, eds, *The Conservative government and the end of empire, 1957–1964* part I (London, 2000) pp 447–50, document no 139.

179 DEFE 13/384, no 145 25 Feb 1964
 ‘Strategic importance of Malta’: minute from Lord Mountbatten¹ to
 Mr Thorneycroft

In a previous minute I told you that we had set in hand a study to re-examine the future strategic importance of Malta in the light of the new circumstances in the Mediterranean. At our meeting today we considered the terms of reference to be used for this study.

2. In view of the current situation in Cyprus,² there is a strong possibility of our present facilities on the Island being denied to us in the future. If this happened it would be unlikely that we would be able to obtain new base facilities in the Eastern Mediterranean to off-set the loss of facilities in Cyprus. In addition, we were informed that although the present Anglo/Libyan Treaty does not expire until 1973, the death of the elderly king would jeopardise the security of tenure of our facilities in the country. In this case we would be denied the use of the airfield at El Adem which is a major link in our air staging routes to the Middle and Far East.

3. We believe that these factors should be taken into account in assessing the future strategic importance of Malta and we have instructed the Defence Planning Staff accordingly. I attach, for your information, a copy of the terms of reference for the study.³

4. We appreciate that there is little time in which to prepare this paper but it is clear that Malta is becoming much more important to our future strategy than we had previously believed. The Defence Planning Staff have been instructed to report as a matter of urgency. In the meantime the Colonial Office representative at our meeting today is informing the Colonial Secretary of the importance we now attach to ensuring our security of tenure in Malta.

¹ Chief of the defence staff and chairman of the Chiefs of Staff Committee, 1959–1965.

² Two months earlier, Prime Minister Douglas-Home had remarked: ‘I have been thinking about the future of Cyprus and our role there. It looks to me as though the present Constitution is proving unworkable. It is just possible that Makarios [president of Cyprus] is so frightened that he will agree to work the Constitution as it is but I doubt it. The Turks cannot agree to change because any alteration would put their minority at a disadvantage’ (BDEEP, series A, vol 4, R Hyam and W R Louis, eds, *The Conservative government and the end of empire, 1957–1964* part I (London, 2000) pp 692–3, document no 241).

³ Not printed.

180 CO 926/1887, no 322 4 Mar 1964
 ‘Malta: independence constitution’: outward telegram no 28 from the
 FO to certain of Her Majesty’s Representatives

My Telegram No. 61 Guidance of January 24, 1964 (not to all) and Intel No. 80 of 1963.

The Secretary of State for Commonwealth Relations and for the Colonies has had further constitutional talks in the latter part of February with the Prime Minister of Malta and leaders of the other political parties. These talks have now been temporarily suspended until after Mr Sandy’s return from Africa (*i.e.*, until mid-March) without any positive conclusion being reached.

2. The two main parties seeking independence, *i.e.*, the Nationalist Party (who form the Government) and the Malta Labour Party (the principal Opposition party) are unable to reach agreement on the form of an independence constitution, or on a way of putting the main issues to the people. A considerable number of the people, certainly not less than a quarter, do not want independence at present; others are doubtful but would tend to follow their party leaders. The lack of enthusiasm is partly attributable to other economic problems.

3. Mr. Sandys has been trying to find some common ground and some measure of give and take between the two main parties on the basic differences which centre round the position of the Church, as it will be affected by the "Human Rights" provisions, including provisions to preclude discriminatory legislation and the use of spiritual sanctions at elections. Mr. Sandys has had discussions with the Archbishop of Malta, who has been prepared to accept certain changes in the present provisions, but the Malta Labour Party shows no sign of willingness to make concessions in order to obtain early independence. Thus it appears that any constitution acceptable to the Malta Government and the Church would be rejected by the Malta Labour Party as well as the smaller parties (who are of course opposed to any constitution providing for immediate independence).

4. Mr. Sandys has told the Prime Minister of Malta that he is willing to produce a draft constitution but is not prepared to impose it unless it has received endorsement by the people of Malta at either a referendum or elections. This procedure would satisfy the smaller parties who claim that a majority of the people is opposed to immediate independence, but is not acceptable to Dr. Borg Olivier, who thinks he cannot obtain a majority (with both the smaller parties and the Malta Labour Party against him) and therefore wishes the Secretary of State for the Colonies to impose the Constitution.

5. You should not say anything publicly about Mr. Sandys' condition regarding endorsement of a draft constitution by the Malta people. You may, however, indicate that the difficulties which have arisen are purely domestic ones resulting from internal party differences and the fact that there is no majority opinion for any particular course of action.

181 CO 926/1946, no 1

10 Mar 1964

[Independence constitution]: letter from Sir E Wakefield to Sir J Martin on possible ways of circumventing the impasse over independence

Since the Archbishop returned to Malta on 1st March public attention has been concentrated on constitutional changes which might affect the powers and privileges of the Church. On the day of his return the Archbishop, speaking to a vast crowd from the balcony of St. John's Co-Cathedral, called Mintoff an 'apostate' and asked his audience whether they wanted to have such a man as their Prime Minister. Two days ago, at a public meeting in Cospicua, Mintoff retaliated by enumerating the 'lies' told about him by the Archbishop and asking 'Do you want a liar as your Archbishop?' At a ceremony in St. John's Co-Cathedral, attended by nine hundred clergy, the Archbishop said that he was ready to go to prison rather than accept 'anti-Catholic' clauses in the Constitution.

2. As you know, the Maltese can be roused to a high pitch of excitement over matters touching their faith, and the Secretary of State will have to be careful to avoid the charge that he is imposing on the Maltese a Constitution containing provisions unacceptable to the Catholic majority. He must be equally careful to avoid the charge that he is deliberately thwarting Independence by making its achievement conditional on popular endorsement of a secularised Constitution drafted by himself. I am afraid that the proposal contained in the draft letter handed to Borg Olivier on the night of 27th February would expose the Secretary of State to the second of these charges. Hence my telegram to you of 27th February.

3. We have been thinking of methods by which the present impasse could be circumvented. We decided that the best plan would be to have a referendum on the question 'Do you want Independence in 1964?' Should the majority answer 'Yes' to this question, a second referendum would be held a week later with the question 'Do you want elections before Independence?' It seemed to us that Mintoff would support Borg Olivier in giving an affirmative answer to the question asked in the first referendum and that the smaller Parties, if the answer to the question asked in the first referendum went against them, would agree to co-operate with Borg Olivier in voting against elections before Independence in order to secure a Constitution favourable to the Church. However, when I saw Dr. Borg Olivier on Friday of last week and put our proposal to him, he said it was too late now to ask the people whether they wanted Independence in 1964. He could not agree to such a suggestion without seriously damaging his prestige. I still think, however, that it is the best solution to the present problem as it temporarily shelves the Church v. State issue and should satisfy both Mintoff and the minor Parties.

4. Borg Olivier has showed me a copy of his letter of 4th March to Mr. Sandys. In this letter he says that, if the idea of a referendum is to be pursued, it could only be done on the lines of the proposals he made at his last meeting with Mr. Sandys. Borg Olivier explained to me that his proposal then was that there should be a referendum on the question 'Do you want Constitution A or Constitution B?'

5. I can see no justification for such a referendum which, while it assumes Independence, limits the Maltese choice to one of two extreme forms of Constitution. In an attempt to give the Maltese the chance to say whether they want Independence under a Constitution of their own choice, without forcing Borg Olivier to throw in his hand, we have tried to work out a new approach. We suggest that the Secretary of State should send the Prime Minister his draft Constitution, with the condition that it should come into effect *either* (a) after approval (with or without amendment) by a simple majority of the whole of the Assembly, to be followed by a referendum in the following terms: 'Do you want Independence under this Constitution?', *or* (b) after endorsement (with or without amendment) by a two-thirds majority of the whole of the Assembly. In the latter case there would be no referendum. The choice of these alternatives would be left to the Malta Government.

6. The advantages of such a proposal are as follows:—

- (i) Borg Olivier might not care for it, but he would probably not oppose it to the point of resignation.
- (ii) It enables the Secretary of State to indicate his own preference for a 'liberal' Constitution. This will help him in the House of Commons and with Mintoff,

without exposing him to the dangers of imposing such a Constitution in the teeth of Church opposition. (The Church, I think, will not blame the Secretary of State for holding 'liberal' views—they probably expect him to do so—but they will not suffer such views to be imposed on Malta.)

(iii) It enables the legislative body to discuss the Constitution in detail—and this I think is right. Thus, when the electorate are asked to approve it, there will have been a public debate beforehand.

(iv) It goes some way towards meeting the Secretary of State's quasi-commitment to the minor Parties to have a referendum on the lines of 'Do you want Independence under such-and-such Constitution?'

(v) It leaves timing to the Malta Government. If for one reason or another Borg Olivier delays presenting the Constitution to the Assembly, or any part of the process is slowed up, British interests will not, I think, suffer. The Maltese will be quite pleased, and we are on good ground in the United Nations.

7. Borg Olivier would only choose alternative (a) if he decided to go all out to please the Church by using his majority in the Assembly to put to the electorate his Draft Constitution as in the Blue Book. In the process of debate in the Assembly he would embarrass the smaller Parties if, as seems likely, they were to join Mintoff in voting against it. Despite their protestations that their vote was against an *Independence* Constitution and not against the Church, some of the mud would stick. This could enable Borg Olivier to win over enough supporters of the smaller Parties to have a successful referendum, even with only minimal and unobtrusive support from the Church. It is possible that both Mintoff and the smaller Parties would boycott the whole process but, given impartial supervision of the referendum, their protests could be legitimately ignored.

8. If Borg Olivier chose course (b) he would have to do a deal with Mintoff as the only means of getting a two-thirds majority in the Assembly without renouncing immediate Independence. His offer to Mintoff might be:—

(i) The Secretary of State's version of the Constitution, stressing wide relevance of the non-discrimination clause and the importance of the 'spiritual and temporal' provision. (There being no referendum, he would not have to buy Church support).

(ii) Elections within, say, six months after Independence. Although Mintoff has been insisting on elections *before* Independence he might agree to this if he really means what he says about the need for early Independence. He might also find post-Independence elections a more attractive proposition since they would be held under Mr. Sandys' Constitution. If, however, Mintoff were to insist on pre-Independence elections, Borg Olivier would not be taking too big a risk in agreeing to this. Provided the elections were held after the Constitution had been finally settled and a firm date for Independence had been set, the minor Parties could hardly make the elections a test for or against Independence as such. In these circumstances Borg Olivier could count on practically the same support from all sections opposing Mintoff, including the Church, as he would undoubtedly get in any post-Independence elections.

182 DEFE 13/384, no 149

12 Mar 1964

‘Strategic importance of Malta’: minute from Sir R Hull¹ to Mr Thorneycroft

In his minute of 25th February,² the Chief of the Defence Staff informed you of the amended Terms of Reference which we had given for the Defence Planning Staff study on the future strategic importance of Malta.

2. We considered and approved the completed study at our meeting on 10th March, and I attach a copy at Annex.³ Its conclusions are contained in paragraphs 31 and 32 which you will wish to read. You will note that the paper was prepared on certain assumptions which we laid down, and in this connection we would give special mention to the assumption at paragraph 2(a) regarding security of tenure of our facilities in Malta.⁴

3. Our conclusions in this paper in no way affect our view that we need to retain, if possible, our present facilities in Cyprus. This is discussed more fully in another minute which I have forwarded to you.

4. The situation is further highlighted by current reports from Libya, which would appear to indicate that our facilities there may now be in jeopardy earlier than we had expected.

5. Our conclusions amount to this: if we lost our facilities in Cyprus and Libya, Malta would be all that we had left inside the Mediterranean. Consequently unless HM Government are prepared to abandon our military presence in the area we must retain our facilities in Malta, (even though for many purposes Malta would be no substitute for Cyprus).

6. We consider that this increase in the strategic importance of Malta should be taken into account in any re-examination of HMG’s policy regarding the granting of independence to the island.

¹ Acting chief of the defence staff.

² See 179.

³ Not printed. See DEFE 5/149, annex to COS 91/64, ‘Strategic importance of Malta’: Chiefs of Staff report, 10 Mar 1964.

⁴ The Chiefs of Staff had examined the future strategic importance of Malta based on a number of considerations, including in paragraph 2(a) of their report, the assumption that ‘We can ensure reasonable security of tenure in Malta and can obtain such facilities as we need’ (ibid.)

183 DEFE 13/384, no 161

17 Apr 1964

‘Malta’: minute by Mr Thorneycroft to Sir A Douglas-Home expressing hope that plans for Malta’s achievement of independence by 31 May will be frustrated

I understand that on present plans Malta would achieve her independence on 31st May. It is my hope that these plans will be frustrated. The outcome of the referendum on the Independence Constitution which is to be held early next month may demonstrate that a postponement is desirable for political reasons but we cannot be sure of this.

2. Meanwhile developments in Cyprus and Libya,¹ cannot but weaken our position in both places. They could mean that Malta would become the only place in the Mediterranean east of Gibraltar where our forces had any prospect of security of tenure. While Malta could be no substitute for Cyprus and Libya, in a number of respects her importance as a staging post for long-range aircraft would be enhanced and the forward operating facilities for the Royal Navy would also assume greater importance. She would be the only practicable alternative for a stockpile in the Mediterranean and would thus become the main United Kingdom base for the mounting of operations in the Mediterranean whether these were purely national operations or in support of an American intervention.

3. Officials have made considerable progress with the negotiation of a defence agreement with Malta. This is satisfactory as far as it goes but it can at best provide only a limited guarantee of our continued presence in Malta after independence. It seems probable that we could count on the continued co-operation of the Nationalist Party should they remain in power. There is a distinct possibility that the Malta Labour Party would abrogate the agreement if they were to secure office after independence.

4. I believe therefore that we should consider carefully in the Defence and Oversea Policy Committee whether there are not strong grounds for delaying the grant of independence to Malta or, if that is not possible, whether there are any measures open to us which would improve our chances of retaining the island as a base.

5. On the assumption that we can shelve the issue of independence, we must, I believe, be reasonably generous with our assistance to the island and show ourselves reasonably willing to make use of its military resources in order to re-establish a better relationship there for our defence requirements.

6. I am sending copies of this minute to our colleagues in the Defence and Oversea Policy Committee and to Sir Burke Trend.

¹ The Libyan government had already asked HMG to enter into negotiations on the basis of terminating the 1953 Anglo-Libyan treaty, liquidating foreign bases, and fixing a time for the evacuation of British troops (CAB 148/2, DO(64)30, 'Defence facilities in Libya': memorandum by the acting chairman of the Cabinet Defence and Oversea Policy (Official) Committee, 7 Apr 1964).

184 CO 926/1947, no 119A 'Malta referendum': minute by C G Eastwood

6 May 1964

Facts

1. Borg Olivier with 65,714 votes got just over 50% of the 129,649 votes cast though only 42% of the 156,843 possible votes.
2. Mintoff with 54,919 votes got 41% of the votes cast or 35% of possible votes.
3. The percentage of those abstaining (17.34% of possible voters)* was markedly higher than in the 1962 elections when it was 6.57%. Comparable figures for 1955 are not readily available.

* The figures in Malta telegram No. 184 and paragraph 32 of the report on the 1962 elections are percentages of those on the electoral list and not of those receiving Notices to Vote which is the fairer figure.

4. The number of spoilt or blank votes at 9,016 or 5.75% compares with 927 or 0.61% in 1962 and 588 or 0.48% in 1955.

Conclusions

A. Certain.

Neither Borg Olivier's constitution nor Mintoff's received majority support. This is incontrovertible.

B. Arguable.

It can be argued that there was a clear majority in favour of independence now. It can be argued that all those who voted Yes (42% of possible voters) want it and so do all Mintoff's supporters who certainly constitute at least 2/3rds of those who voted No, or, say, 23% of possible voters making in all 65% of possible voters.

On the other hand, it can be argued that it is not certain even that all who voted Yes want independence. Some may have done so to keep Mintoff out. It is also not certain how many of the No voters want independence. We know at least one who did not.

What we can *not* say as the result of the referendum is that a majority do *not* want independence. This may or may not be the case: the referendum has given no clear indication.

185 CAB 128/38, CM 26(64)3

7 May 1964

'Malta': Cabinet conclusions on the implications, especially for defence, of Maltese independence

The Colonial Secretary said that, in accordance with the Cabinet's latest decision about the constitutional development of Malta, a referendum had recently been conducted in the Island on the issue of independence on the basis of the constitution proposed by the Nationalist Party. The results would require detailed analysis; and we should also need to be satisfied, by the United Kingdom observers who had attended the referendum, that it had been fairly conducted. Nevertheless, it was already clear that a large majority of the total electorate had voted for independence, although they had been divided on the form of independence constitution to be adopted. He might therefore have to advise that we should shortly concede independence to Malta. It would not now be practicable for the Island to become independent by 31st May, the date originally envisaged; but, once the decision of principle had been taken, there could be no long delay in putting it into effect. Moreover, a refusal to grant independence would be the one step which would unite the parties in Malta in opposition to the United Kingdom.

The Secretary of State for Defence said that, in the light of the insecurity of our position in Cyprus and in Libya, the independence of Malta might constitute a serious threat to our defence interests in the Mediterranean. Restricted defence facilities in an independent Malta, by which, for example, our base could not be used by ships or aircraft carrying nuclear weapons, would be of little value to us. It could be argued that in these circumstances we should do better to cut our losses now than to seek to maintain costly defence facilities which might have to be abandoned in a few years time. On the other hand a withdrawal from Malta would have serious repercussions on our global strategic interests, particularly if, as a result, we were compelled to rely, for communication with the Far East, on the route round the Cape.

In discussion the following main points were made:—

- (a) A refusal to grant independence to Malta would be likely to lead to the fall of the present Government and to the succession of the Opposition Party led by Mr. Mintoff. The latter might refuse to negotiate any defence agreement with us at all.
- (b) The constitution put forward by the Nationalist Party as the basis of the referendum contained features which were repugnant to certain sections of public opinion in the United Kingdom, particularly as regards the privileged status which it accorded to the Roman Catholic Church.¹ In this respect at least the constitution advocated by Mr. Mintoff was not open to objection and could be argued to be broadly in line with our own.
- (c) Even if it were decided in principle to grant independence to Malta, the discussions on the form of the constitution, on the provisions of a defence agreement and on the future financial relationship between the Island and the United Kingdom might well be protracted; and the economic importance to Malta of our base on the Island might provide a means of inducing the Maltese Government to conclude a defence agreement on reasonably satisfactory lines. On the other hand, once we had accepted the independence of the Island in principle, we could not delay its implementation for any length of time without provoking serious political repercussions and thereby jeopardising our own interests.

The Prime Minister, summing up the discussion, said that the Cabinet would wish to give further thought to the issues involved in the light of a more detailed study of the results of the recent referendum and of the implications for our defence interests of a decision either to grant or to refuse independence to Malta.

The Cabinet:—

- (1) Invited the Colonial Secretary in consultation with the Chancellor of the Exchequer and the Secretary of State for Defence, to give further consideration to the results of the recent referendum in Malta and to the implications for United Kingdom interests of a decision either to grant or to refuse independence to the Island.
- (2) Agreed to resume their discussion at a subsequent meeting.

¹ In Commons exchanges with Duncan Sandys, the leader of the opposition, Harold Wilson, had remarked: 'Would not the right hon. Gentleman agree that he must insist, in the drafting of this proposed Constitution, on safeguards for the voter comparable and equal to the safeguards which have been written in the Representation of the People Act in this country about undue influence and putting the voter in spiritual jeopardy in the exercise of his vote? Would not the right hon. Gentleman recognise that there is a widespread feeling on both sides of the House that the citizens of Malta should have the same rights in this respect as everyone in this country?' (*H of C Debs*, vol 691, col 1188, 17 Mar 1964).

186 CAB 148/1, DO 21(64)3 8 May 1964

'Malta': Cabinet Defence and Oversea Policy Committee minutes on the implications of the referendum for independence

(Previous Reference: D.O. (64) 20th Meeting, Minute 3)

The Colonial Secretary said that he had given further thought to the situation with which we were now confronted as the result of the recent referendum in Malta,

which had disclosed an overwhelming majority vote in favour of the independence of the island but a relatively small majority in favour of the independence Constitution proposed by the present Government. In so far as that Constitution would confer on the Roman Catholic Church a status which would enable it to exert undue political influence in the island, it was unlikely to be acceptable to Parliament and public opinion in this country. It was for consideration, therefore, whether we should now suggest to the Government of Malta that the proposed Constitution should be appropriately amended in this respect and that it should thereafter form the basis of a further referendum on the issue of independence. This proposal might be unacceptable to the Prime Minister of Malta, Dr. Borg Olivier; but we should at least be able thereafter to allow the position to remain indefinitely as it was at present, on the ground that it had been impossible to reach agreement on a suitable independence Constitution.

In discussion it was agreed that this suggestion deserved further consideration. On the other hand it might be rejected by Dr. Borg Olivier; and if, as was not impossible, it was simultaneously endorsed by the Leader of the Opposition, Mr. Mintoff, Dr. Borg Olivier's Government might fall and Mr. Mintoff's party might come into power. In that event we should have seriously jeopardised our own interests, since it must be assumed that Mr. Mintoff would be far less disposed than Dr. Borg Olivier to negotiate with a satisfactory defence agreement or to permit us to retain our military base in Malta. In this situation it was for consideration whether we should seek to reach an understanding with Dr. Borg Olivier that we would be prepared to contemplate granting independence to Malta provided that satisfactory provisions to safeguard our strategic interests in Malta were so entrenched in the independence Constitution that we could rely upon being able to use the defence facilities in the island, without any kind of qualification, for at least a further 10 years. On this basis it would be worth our while to develop those facilities still further; and, since the economic dependence of the island upon our military base was a cardinal factor in the internal politics of Malta, an offer of this kind might appear to Dr. Borg Olivier to constitute a means of guaranteeing the maintenance of his own Government and might therefore enlist his acquiescence.

The Committee:—

Invited the Colonial Secretary to give further consideration, in the light of their discussion, to the policy which we should now seek to adopt towards Malta as a result of the recent referendum.

187 CAB 148/2, DO(64)39 11 May 1964
**'Malta': memorandum by Mr Sandys for Cabinet Defence and Oversea
 Policy Committee on the need to introduce amendments to the
 constitution proposed by the Malta government**

The recent referendum in Malta showed that, although they are divided on the Church issue, the two major parties, representing at least three-quarters of the voters, want independence. To refuse independence would run the risk of uniting them both against Britain and, in particular, of provoking the hostility of Borg

Olivier's Nationalist Party, whose goodwill is vital to us. We must, therefore, proceed with the grant of independence.

2. In view of the deep division on the Church issue revealed in the referendum, and in view of British Parliamentary opinion, it would not be right to introduce the Constitution proposed by the Malta Government without some amendments to meet some of the objections which have been raised. Two essential amendments are:—

- (a) Omission of the clauses exempting the Church from the Human Rights Code; and
- (b) Amendment of the electoral law to prevent the Church from threatening its political opponents with eternal damnation.

3. In the light of Dr. Borg Olivier's assurance to the electors that the special privileges accorded to the Catholic Church under his proposed Constitution would not be reduced, it would not be proper or wise to impose a Constitution containing amendments affecting these without endorsement either by the Maltese Parliament or by a further referendum.

4. If approval of the amended Constitution cannot be secured by one or other of these methods, independence would have to be postponed until after the next general election in Malta, when the position would be reviewed afresh.

5. Independence should be accompanied by a defence agreement permitting our forces to continue to use Malta as at present. We should have an agreement for a ten year period. At the same time we should inform the Maltese Government of our intention to send some additional troops to Malta, though their retention there could not be guaranteed.

6. Reasonable arrangements for financial assistance would also have to be made.

7. With the approval of the Prime Minister, the British Commissioner in Malta will speak to Dr. Borg Olivier on these general lines in preparation for subsequent talks in London with me next week.

188 PREM 11/4914

12 May 1964

'Malta': minute from Mr Thorneycroft to Mr Sandys on the preservation of UK defence interests after independence

Thank you for sending me a copy of your message of 9th May to the Prime Minister.¹ I had a very useful talk with Lord Lansdowne yesterday afternoon about the next moves.

2. I entirely appreciate that from the point of view of the Colonial Office it would be very difficult to do other than offer to proceed with the grant of independence. We have led the Maltese to believe that independence is not far away; the referendum suggests that a majority of the population favours independence in some form or other; and, perhaps most important, to deny independence might mean losing the

¹ PREM 11/4914, note from Sandys to Home, 9 May 1964, enclosing summary of conclusions following discussions with Lord Lansdowne (minister of state for Commonwealth and colonial affairs) and Sir Edward Wakefield.

support of Dr. Borg Olivier who, for all his faults and weaknesses, is probably our most reliable friend in Malta.

3. My problem is that the recent developments in Cyprus and Libya have sharply underlined the importance of Malta for our defence interests in the Mediterranean. At the same time, Malta will be useless as a base unless we can rely on a reasonable security of tenure. Without this, we shall be able neither to make sensible strategic plans, nor to provide the necessary facilities to support the increased numbers of service personnel which might well be required.

4. What I would like to see, provided that it is legally possible, is either a constitution in which satisfactory provisions to safeguard our strategic interests in Malta are so entrenched that we can rely upon being able to use the defence facilities in the Island without any kind of qualification for at least a further ten years; or (if you feel that to put such provisions in the constitution would tempt Mintoff to commit himself to tearing it up in the event of his acquiring power) a defence agreement in which the defence facilities which the Maltese give us are much more explicitly linked than heretofore with the aid which we give them.

5. I should also see advantage in providing that British forces could be used for internal security purposes and indemnified for actions arising out of such use; I should, however, welcome your assessment of the political feasibility of this.

6. Lord Lansdowne was good enough to agree that it would be very advantageous to discuss these matters further in the Defence and Oversea Policy Committee on Thursday of this week,² and that Sir Edward Wakefield should not return to Malta until after such discussion. He proposes, and I agree, that Sir Edward Wakefield should be invited to attend the Defence and Oversea Policy Committee meeting. Meanwhile our officials are preparing a note as a basis for discussion.

7. I am sending copies of this minute to the Prime Minister, the Lord Chancellor, our colleagues on the Defence and Oversea Policy Committee, Lord Lansdowne, and the Secretary of the Cabinet.

² See 189.

189 CAB 148/1, DO 23(64)3 14 May 1964 **‘Malta’: Cabinet Defence and Oversea Policy Committee minutes on Malta’s independence constitution**

(Previous Reference: D.O. (64) 21st Meeting, Minute 3).¹

The Committee had before them memoranda by the Secretary of State for the Colonies (D.O. (64) 39)² and by the Minister of Defence for the Royal Air Force (D.O. (64) 41) about the independence of Malta and the maintenance of our defence facilities in the island.

The Colonial Secretary said that the recent referendum showed that the two main political parties, representing at least three-quarters of the voters, favoured the early

¹ See 186.

² See 187.

independence of the island, although they were divided on the question of the status and privileges to be accorded to the Roman Catholic Church by the independence Constitution. To refuse independence would therefore be to court the risk that both parties would unite in opposition to us. On the other hand, the Constitution proposed by the present Malta Government, which had been the subject of the referendum, would probably require to be amended as regards the provisions relating to the position of the Church, if it was to be acceptable to the United Kingdom Parliament. In particular it might be necessary to require the omission of the clauses exempting the Roman Catholic Church from the Code of Human Rights and so to amend the electoral law as to prevent the Church from seeking to use its spiritual authority to influence the political views of its members. Such amendments could not be effected without endorsement either by the Maltese Parliament or by a further referendum. Furthermore, even their entrenchment in the Constitution would not preserve them from subsequent amendment. It would not be normal to require more than a two-thirds parliamentary majority for the amendment even of entrenched clauses and, in view of the extent of the support for the Roman Catholic Church in Malta, there would be little difficulty in obtaining such a majority.

Independence should be accompanied by a Defence Agreement for a 10-year period, permitting our forces to continue to use Malta as at present; and we should at the same time inform the Maltese Government of our intention to send additional troops to Malta. The Defence Agreement could be entrenched in the Constitution; but this would be unusual, and would provide no greater security in relation to a Government determined to amend the agreement, than the normal arrangements. Reasonable provision for financial assistance to an independent Malta would also have to be made.

The Secretary of State for Defence said that he feared that, whatever constitutional safeguards were provided, independence would make our base in Malta insecure since, if the Maltese Labour Party came to power at a subsequent election, they would be likely to refuse to maintain any Defence Agreement, which the present Government of Malta might have accepted. In these circumstances it would be doubtfully wise to send any additional troops to the island. Indeed, it would be preferable to withdraw troops to some extent unless we could be assured of greater security for our defence facilities. The most effective means of attaining this objective might lie in linking a new Defence Agreement with the continued provision of United Kingdom financial aid for the Government of Malta, in such a way that, if a future Maltese Government abrogated the agreement, they would thereby automatically forfeit further assistance from us.

Sir Edward Wakefield said that the Prime Minister of Malta, Dr. Borg Olivier, was now completely committed to maintaining his claim for independence. Moreover, he had undertaken publicly that he would not accept any reduction of the privileges of the Roman Catholic Church; and he could therefore only agree to the constitutional amendments proposed by the Colonial Secretary if they were acceptable to the Church authorities. One possible escape from the dilemma might lie in proposing the adoption of the provision in the Italian Constitution which imposed certain limitations on the powers of the Church in the political field but had been interpreted by the Italian Courts in a manner acceptable to the Church authorities. The proposal to link the Defence Agreement with the provision of financial assistance

could probably be negotiated with the Government of Malta; their critical need for budgetary aid during the current financial year would be a powerful factor in inducing them to accept it.

In discussion there was general agreement that the most hopeful prospect of securing a satisfactory Defence Agreement would be to associate it with the continued provision of financial aid to the Government of Malta, as proposed by the Secretary of State for Defence. The amount of aid which should be made available, however, would require careful consideration in the light both of the previous history of aid for Malta and of the real financial needs of the Maltese Government in the future. The provisions of the Constitution relating to the position of the Roman Catholic Church would require further consideration. On the one hand, it would be contrary to our defence interests to antagonise the Church and the present Government in Malta. On the other hand, there might be serious opposition in the United Kingdom to any arrangement which placed the Church in Malta in a position of political advantage.

The Prime Minister, summing up the discussion, said that it was essential that adequate provision should be made for a satisfactory Defence Agreement; and this might best be done by linking it with the provision of financial aid for the Government of Malta. Further consideration should be given to the constitutional status of the Church, having regard both to the position in Malta and to public opinion in the United Kingdom. It would be desirable to take steps to ascertain more precisely the probable strength of parliamentary feeling on this issue.

The Committee:—

(1) Invited the Colonial Secretary to be guided in his forthcoming discussions with the Prime Minister of Malta by the points made by the Prime Minister in his summing up.

(2) Invited the Colonial Secretary, in consultation with the Foreign Secretary, the Secretary of State for Defence and the Chief Secretary, Treasury, to give further consideration to the possibility of linking a Defence Agreement with financial aid to Malta, on the lines indicated in their discussion.

(3) Invited the Colonial Secretary to give further consideration, in the light of their discussion, to the status and privileges to be accorded to the Roman Catholic Church in an independence Constitution for Malta.

190 CAB 148/1, DO 25(64)4

3 June 1964

‘Malta’: Cabinet Defence and Oversea Policy Committee minutes on Malta’s independence constitution

(Previous Reference: D.O. (64) 24th Meeting, Minute 5)

The Colonial Secretary said that his negotiations with the Prime Minister of Malta, Dr. Borg Olivier, for the conclusion of a defence agreement were proceeding relatively satisfactorily. One or two points, however, remained outstanding (including the right of United Kingdom ships and aircraft carrying nuclear weapons to use the base at Malta) on which our proposals were not yet acceptable to Dr. Borg

Olivier. Meanwhile, it would be helpful if consideration could be given to the extent to which our forces would need the exclusive use of Hal Far airfield, which might otherwise be incorporated in a project for a free port area which was potentially important to the Maltese economy.

In discussing financial arrangements, he was seeking with Dr. Borg Olivier to find a common approach. Finally, as regards those aspects of the proposed Constitution affecting the position of the Church which were objectionable to United Kingdom opinion, he had had valuable discussions with the Apostolic Delegate in the United Kingdom, Archbishop Cardinale. He hoped that it might be possible to agree on a formula which would be acceptable to the Vatican and would not raise difficulties in the United Kingdom Parliament.

In discussion there was general agreement that, if we lost our defence facilities in Cyprus and Libya, our base in Malta would be of critical importance. It might therefore be argued that, unless we were able to obtain a satisfactory defence agreement which subsequent Maltese Governments would be unable to abrogate, we should withhold independence from the Island. On the other hand to withhold independence at this stage would probably unite all the main political parties in Malta against us and might also precipitate the return to power of Mr. Mintoff and the Maltese Labour Party with all the danger that would involve to our defence interests. In these circumstances we should examine what alternative means of retaining a military presence in the Mediterranean were available to us. For example, it might be possible to obtain military facilities in Turkey, although we should hardly contemplate the building of another overseas base for this purpose. The possibility that we might have to rely on facilities in Turkey made it the more important to secure a solution of the Cyprus problem that was acceptable to the Turkish Government.

The Committee:—

- (1) Took note of the statement by the Colonial Secretary and the points made in discussion.
- (2) Agreed to resume their discussion at a subsequent meeting.

191 CAB 148/2, DO(64)52

10 June 1964

**'Financial aid to Malta': memorandum by Mr Sandys for Cabinet
Defence and Oversea Policy Committee**

It has been agreed that we should give Malta £7.4 m. in capital and budgetary aid during the current financial year. We now have to consider what financial assistance we should provide thereafter.

2. If, as has been proposed, we are to link the defence agreement with financial support, the Maltese will expect this to continue throughout the period of the agreement.

3. The Treasury consider that we should not commit ourselves financially for more than five years ahead. That would mean that we would have to be content with a five-year defence agreement and that, if we wished to retain military facilities in Malta for a longer period, we would have to negotiate an extension.

4. There is little prospect that Malta will in the near future become financially self-supporting. It will, therefore, be in her interest to keep British troops in the island for as long as possible. On the other hand, one cannot foresee what pressures may be put upon her to secure the removal of the British base.

5. If a five year agreement is acceptable from the defence standpoint, I suggest that we should undertake to give Malta £5 m. per annum for capital expenditure and emigration in each of the next four years. To this would be added such budgetary assistance as might be annually agreed.

6. Unemployment in Malta (calculated on the same basis as in Britain) now stands at 10% and is increasing. Without outside assistance, it would be likely to rise to a catastrophic level in the next three or four years. The Malta Government's Development Plan is designed to hold unemployment at about 8%. In order to achieve this, they are asking us to provide up to £7 m. per annum in capital aid (including assistance for emigration) for five years, together with a total of about £12 m. in budgetary assistance for the same period.

7. Earlier in the year, the Treasury were disposed to accept that we should offer Malta capital aid at the rate of £4 m. a year. In view of the grave unemployment situation and the increased strategic importance which we now attach to Malta, I hope it will be agreed that the higher figure of £5 m. a year, which I am now proposing, is not unreasonable.

192 CAB 148/2, DO(64)56 10 June 1964
'Malta': memorandum by Mr Thorneycroft for Cabinet Defence and Oversea Policy Committee on the defence facilities needed in Malta

At our meeting on 3rd June (D.O. (64) 25th Meeting, item 4)¹ we agreed to resume our discussion at a subsequent meeting.

2. My colleagues may like to have the following notes on the possible additional facilities which we may require in Malta for defence purposes.

3. The full extent to which defence facilities in Malta might be needed cannot be accurately assessed until our future position in Cyprus and Libya is clarified. Our thoughts have, however, naturally turned more towards Malta as a means of meeting our future commitments should either or both of these bases be denied to us.

4. On the basis of current commitments the Chiefs of Staff recently concluded that additional facilities to off-set so far as possible some of the consequences of losing the facilities in Cyprus and Libya could, and would probably have to, be provided as follows:—²

- (a) additional staging facilities at Luqa;
- (b) the retention and possible development of Hal Far as an operational airfield;
- (c)

¹ See 190.

² Sections (c) and (e) of para 4 have been retained under section (3)4 of the 1958 Public Records Act.

- (d) communications required for strategic purposes and contingency plans;
- (e)
- (f) increased naval forward operating facilities;
- (g) possibly some increase in existing Army and Royal Air Force headquarters.

5. Because of the uncertainties no accurate measure of the future value of Malta for defence is possible at this stage. However, the Colonial Secretary proposes an additional £1m. a year and this could be regarded as helping to meet current and contingent requirements, in so far as it assists in keeping the Maltese economy viable. In no sense should it be regarded as a 'rental' for the use of defence facilities; it would, nevertheless, be an essential aim in discussions with the Maltese to make clear that the aid would be automatically reduced or even cut off, should these facilities be denied to us at any time.

193 FO 371/177837, no 4

11 June 1964

'Cabinet DOPC meeting: 12 June:¹ financial aid to Malta': minute by P C H Holmer² recommending acceptance of Mr Sandys' and Mr Thorneycroft's proposals

The Colonial Secretary has submitted a memorandum on financial aid to Malta (DO(64)52).³ The financial assistance for the current financial year has been agreed with the Maltese. The Colonial Secretary now recommends that Malta should be given £5 million per annum for capital expenditure and emigration in each of the next four years together with such budgetary assistance as might be annually agreed. He also accepts that this assistance could be linked to the Anglo-Maltese Defence Act.

2. The Secretary of State for Defence has also submitted a memorandum (DO(64)56)⁴ in which he sets out the additional defence facilities which we may require in Malta. He supports the Colonial Secretary's suggestion that the £4 million a year which the Treasury earlier this year were disposed to accept as the figure for aid to Malta should be increased to £5 million and states that he thinks that aid must be made conditional upon the availability of defence facilities.

3. Dr. Borg Olivier's principal political opponent, Mr. Mintoff, is known to receive moral and material support from the United Arab Republic, has developed contacts with the Soviet Union and has stated that if he comes to power he will abrogate the Defence Agreement with the United Kingdom. Increasing unemployment and economic deterioration in Malta might well make it easier for the Maltese Labour Party to come to power. Anything which tends to ease the economic situation and thus to help to secure Dr. Olivier's position is therefore to be welcomed.

4. *I therefore recommend* that the Secretary of State support Mr. Sandys' suggestion that we should increase the amount of financial assistance which we are prepared to offer Malta. He should also support Mr. Thorneycroft's suggestion that it is essential for aid to be closely linked with United Kingdom use of defence facilities in Malta.

¹ See 194.

² First Secretary, FO.

³ See 191.

⁴ See 192.

194 CAB 148/1, DO 26(64)2

12 June 1964

'Malta: financial assistance and defence agreement': Cabinet Defence and Oversea Policy Committee minutes*Financial assistance*

The Committee had before them a memorandum by the Colonial Secretary (D.O. (64) 52)¹ on the financial assistance to be given to Malta after the current financial year.

The Colonial Secretary said that at the Committee's meeting on 14th May (D.O. (64) 23rd Meeting)² it had been proposed that the offer of financial assistance should be linked with the conclusion of a defence agreement, which would safeguard our defence facilities. While it was desirable, however, that a defence agreement should remain in force for at least ten years, Treasury Ministers were reluctant that we should commit ourselves financially for a period of more than five years. He therefore proposed that we should undertake to give Malta £5 million a year for capital expenditure and emigration in each of the next four years and that, in addition, they should receive such budgetary assistance as might be annually agreed. Nevertheless, the Maltese Government would expect the term of the defence agreement to match that of our financial undertakings; and it was therefore for consideration whether a five year defence agreement was acceptable from the defence standpoint.

In discussion the following main points were made:

(a) A defence agreement which lasted only five years would not meet our requirements and would not justify the expense of constructing facilities in Malta to replace those which we might expect to lose in Cyprus and Libya.

(b) If we decided to maintain a military presence in Malta, this would provide some relief for Malta's economic difficulties. Nevertheless, in view of their gravity financial assistance would be required over a period of more than five years. On the other hand, the proposed figure of £5 million a year exceeded the amount of assistance that had been provided in the past, and was disproportionate to that which we were affording to other countries. Moreover, it was difficult to justify the promise of assistance at this level over an extended period, since this assumed the failure of the development projects which were the objects of our financial support.

(c) The Maltese Government were asking for £7 million a year for five years in financial assistance, together with about £12 million in budgetary assistance over the same period, and would be disappointed with any offer that fell short of this figure. Nevertheless, their past record in administering assistance which we had given them left much to be desired; and it was difficult to see, without further information, how they could usefully spend a sum of the magnitude that they envisaged. The situation might be greatly improved, however, if the Maltese Government were prepared to accept that any financial support that we provided was administered by a Joint Development Board which would exercise control over their development projects.

¹ See 191.

² See 189.

(d) Although there was likely to be a requirement for substantial financial support in the first few years after independence, this might decrease in the longer term. It might therefore be preferable to offer a total sum over, say, a ten year period instead of a fixed annual contribution. In these circumstances, however, there should be no formal commitment to continue to supply additional budgetary assistance, although some such assistance would almost certainly be required.

In further discussion there was general agreement that, provided that the Maltese Government were prepared to conclude a satisfactory defence agreement for not less than ten years and to accept a Joint Development Board, they should be offered, if necessary, a sum of up to £45 million in financial assistance for nine years, beginning at the conclusion of the current financial year.

The Committee:—

(1) Authorised the Colonial Secretary in his negotiations with the Maltese Government to offer them, in return for a satisfactory Defence Agreement and acceptance of a Joint Development Board, the sum of up to £45 million in respect of financial assistance for a period of nine years beginning at the conclusion of the current financial year.

(2) Took note that the Colonial Secretary would seek to refrain from incurring, in addition, any commitment in respect of budgetary aid to Malta.

Defence agreement

The Committee had before them a memorandum by the Secretary of State for Defence (D.O. (64) 56)³ on the additional defence facilities which would be required in Malta in order to offset, as far as possible, the loss of facilities in Cyprus and Libya.

The Secretary of State for Defence said that the list of defence facilities required in Malta had been prepared on the hypothesis that we lost our present facilities in Cyprus and Libya. In the time available it had not been possible to cost them; and he proposed that detailed consideration should be deferred until a subsequent meeting.

He had learnt from SACEUR that there was no chance of keeping a headquarters of the North Atlantic Treaty Organisation (NATO) in Malta unless Malta was prepared to adhere to NATO. He proposed to inform General Lemnitzer that it had long been the desire of the Maltese Government to adhere to NATO and that the United Kingdom Government were also in favour of their adherence. Nevertheless, some other members of NATO might find Maltese adherence unwelcome.

The Committee:—

(3) Took note of the statement by the Secretary of State for Defence.

(4) Agreed to resume their discussion at a subsequent meeting.

³ See 192.

195 CAB 128/38, CM 34(64)4

2 July 1964

‘Malta’: Cabinet conclusions on sticking points in negotiations with Dr Borg Olivier about the form of the independence constitution

The Colonial Secretary informed the Cabinet that, during his most recent discussions with the Prime Minister of Malta, Dr. Borg Olivier, about the form of

constitution to be introduced when the island achieved independence, the latter had maintained his opposition to the modifications in the constitutional status and privileges of the Roman Catholic Church which we considered essential, despite the fact that the Vatican authorities were now prepared to endorse them.

In discussion it was suggested that there could be no certainty that, even if we achieved some compromise settlement with Dr. Borg Olivier on this issue, we should succeed in reaching agreement with him on the further questions which would remain to be settled, particularly the proposed Defence Agreement and the related question whether we should be able to continue to use our military base in the island for the deployment of nuclear weapons. But unless our right to do so was clearly established, a Defence Agreement would be of little value to us; and it was for consideration, therefore, whether we should take the present opportunity to break off the current negotiations, basing ourselves on the issue on which the Government would have the maximum of support from public opinion in the United Kingdom, *i.e.*, the status and privileges of the Roman Catholic Church. On the other hand, if we failed to reach agreement with Dr. Borg Olivier, his Government would probably fall and all the major political Parties in the island would be liable to unite in opposition to the United Kingdom. This would be a reversal of the policy which the Cabinet had hitherto endorsed and would be very damaging to our long-term interests in the Mediterranean.

The Prime Minister, summing up the discussion, said that the balance of advantage appeared to incline in favour of a further attempt to bring the current discussions to a successful conclusion. But if this proved to be impracticable, the negotiations should be so conducted that their failure would be seen to be clearly attributable to a fundamental difference of view on the constitutional status and privileges to be accorded to the Roman Catholic Church rather than to an inability to agree on the provisions of a Defence Agreement. If the negotiations reached deadlock, it might be desirable to suggest that they should be adjourned for a period in order to allow both parties to reconsider their positions.

The Cabinet:—

Invited the Colonial Secretary, in his further negotiations about the independence constitution of Malta, to be guided by the Prime Minister's summing up of their discussion.

196 CAB 148/1, DO 31(64)2 6 July 1964
 'Malta': Cabinet Defence and Oversea Policy Committee minutes,
 agreeing to postpone further discussions on Malta's independence
 until the autumn

(Previous Reference: D.O. (64) 30th Meeting, Minute 2)¹

The Colonial Secretary said that three points were still outstanding in his discussions with the Prime Minister of Malta, Dr. Borg Olivier, about the

¹ CAB 148/1, DO 30(64)2, Cabinet Defence and Oversea Policy Committee minutes, 3 July 1964.

independence of the island. Although the broad terms of the financial agreement had been agreed there had as yet been no serious discussion of the amount of financial aid. Similarly, broad agreement had been reached on the terms of the defence agreement, with the exception of the reference to nuclear weapons. Dr. Borg Olivier was prepared to allow ships and aircraft carrying nuclear weapons to use Malta in transit, but he was asking for an assurance that nuclear weapons would not be stockpiled in the island. Finally, agreement had not yet been reached on the question of the constitutional status and privileges of the Roman Catholic Church. If, therefore, it was decided to break off negotiations, this could be attributed to failure to reach agreement on the position of the Church, although Dr. Borg Olivier for his part would be likely to represent it as the result of failure to agree on the provisions of the defence agreement relating to nuclear weapons. Nevertheless, the breakdown of negotiations would almost certainly result in the fall of Dr. Borg Olivier's Government; and it had always been held to be in our interest to avoid putting Mr. Mintoff in power.

To proceed with independence despite the breakdown in the current negotiations would involve imposing amendments to the electoral law and maintaining that, because of the breakdown of the negotiations in respect of nuclear weapons and the consequent failure to conclude a defence agreement, we were unable to make a financial agreement. But, in view of Malta's dependence on the United Kingdom for financial aid, the grant of independence on these terms would be unrealistic.

Dr. Borg Olivier had proposed that the defence agreement should be concluded, leaving open the question of nuclear weapons. Moreover, in informal discussions it had been suggested that the Maltese Government should be content with an assurance that, unless there was some significant change in the military situation, it was not our present intention to establish a permanent stockpile of nuclear weapons in Malta. But, even if this language were acceptable to Dr. Borg Olivier, it might not be in our wider interest to accept this qualification.

In discussion the following main points were made:—

(a) In concluding a defence agreement with the Maltese Government it was very important to avoid compromising our right to maintain nuclear weapons in bases in other parts of the world, since this would have wide implications not only for the United Kingdom but also for the United States.

(b) General Sir Robert Laycock, a former Governor of Malta, had expressed the view that, owing to the incompetence of Dr. Borg Olivier, it was unlikely in any case that his Government would survive for more than a relatively short time. If he was then succeeded by Mr. Mintoff, there was a serious risk that in a few years' time Malta would become closely linked with the United Arab Republic. On the other hand, if the island reverted to the status of a Crown Colony, this would be welcomed by the majority of the Maltese population, provided that we made available sufficiently generous financial assistance at the same time.

(c) There might be advantage in deferring the grant of independence to Malta pending the outcome of a new referendum on the independence issue. On previous occasions, however, Mr. Mintoff had threatened to boycott a referendum on this question.

(d) In view of the support which the Colonial Secretary had obtained from the Vatican, it was possible that Dr. Borg Olivier might accept, under protest, the

imposition of amendments to the Constitution in respect of the Roman Catholic Church, provided that agreement had been reached on all other outstanding points. Nevertheless, very strong feelings were held in the island about the religious issue.

(e) On account of the importance of our defence interests, the financial assistance which we proposed to offer Malta was proportionately larger than that which we had provided for other former colonial territories and was dependent on the conclusion of a satisfactory defence agreement.

(f) If elections were held in Malta following the breakdown of the current negotiations, Dr. Borg Olivier might still win the largest number of seats, but would be unlikely to obtain a clear majority.

(g) There was just time in the current Parliamentary session to pass the necessary legislation granting independence to Malta, provided that the Bill was uncontroversial; but this seemed unlikely so long as full agreement had not been reached on the outstanding issues of defence and the position of the Roman Catholic Church.

The Prime Minister, summing up the discussion, said that, on balance, it seemed preferable to try to postpone further discussions on Malta's independence until the autumn, notwithstanding the risk that this would enable Dr. Borg Olivier to claim that the negotiations had broken down over the question of nuclear weapons, which would in turn have the effect of making nuclear weapons a dominant factor in any future negotiations. In announcing the postponement of the negotiations to Parliament, however, the Colonial Secretary might say that the Government had offered Malta a long-term financial agreement but wished for time to give further consideration to the terms of the defence agreement and to the amendment to the electoral law in respect of the influence of the Roman Catholic Church. It was therefore not possible to pass the necessary legislation during the current Parliamentary session.

The Committee:—

Agreed with the views expressed by the Prime Minister in his summing up and invited the Colonial Secretary to be guided by them in his future discussions with Dr. Borg Olivier and in any subsequent parliamentary statement.

197 CAB 128/38, CM 35(64)5

7 July 1964

'Malta': Cabinet conclusions¹ on the deadlock which had been reached in discussions with Dr Borg Olivier about independence for the island

The Commonwealth Secretary said that his discussions with the Prime Minister of Malta, Dr. Borg Olivier, about the independence of the Island had now reached a deadlock. Three issues were outstanding—a financial settlement; a defence agreement; and the constitutional status and privileges of the Roman Catholic

¹ Previous reference, see 195.

Church in Malta, with which was linked the amendment of the Island's electoral law which would be required in order to prevent the Church from exercising, by the threat of spiritual sanctions, undue influence during elections. The difficulties in the way of a financial agreement were not insuperable; and, since we had now succeeded in enlisting the support of the Vatican authorities for the amendment of the electoral law which we had in mind, it was possible to hope that this question also might eventually be satisfactorily resolved. But this issue should be kept open since, if the negotiations finally broke down, it would be to our advantage that they should be seen to do so on an issue on which the Government could expect the maximum of support from Parliament and public opinion in this country. Dr. Borg Olivier, on the other hand, would wish to be able to attribute the failure of the negotiations to our inability to accept his conditions for a defence agreement, particularly his stipulation that we should not be entitled to use Malta, after it became independent, for the storage of nuclear weapons, if we thought fit to do so. The Chiefs of Staff held that we could not afford to compromise on this issue, not merely because any limitation of our freedom of action in this respect would be unacceptable in relation to Malta itself but also because it would establish a precedent which could be employed to our disadvantage in relation to other military bases overseas where it would remain essential that we should be able to maintain stockpiles of nuclear weapons, if circumstances so required. Nevertheless, it would be embarrassing if Dr. Borg Olivier succeeded in creating the impression that it was on this issue that the negotiations had failed; and, if he went so far as to suggest that, while he was not prepared to compromise on the defence agreement, he would accept the proposed amendment of the electoral law and would dispense with a financial agreement altogether, we should then have no alternative but to indicate that we must insist on the incorporation in the defence agreement of acceptable provisions as regards nuclear weapons. It would thus become clear that the question of nuclear weapons was the real cause of the breakdown in negotiations; and the Government would then be in an embarrassing position.

In discussion there was general agreement that, if, as a result of the failure of negotiations, Dr. Borg Olivier's Government fell and was succeeded by an Administration under Mr. Mintoff, Malta would be likely to succumb to the influence of the United Arab Republic and, possibly, the Soviet Union. This made it very desirable to reach a settlement with Dr. Borg Olivier if at all possible. Alternatively, we could now abandon the negotiations and allow Malta to remain indefinitely in its present Colonial status; but this, too, might merely accelerate the fall of Dr. Borg Olivier and promote Mr. Mintoff's prospects. Moreover, a breakdown in the negotiations on the issue of our right to maintain a stockpile of nuclear weapons in Malta would be as likely to bring this sensitive issue to public attention as the conclusion of a defence agreement which specifically limited our freedom of action in this respect. It was worth considering further, therefore, whether we need insist on an unrestricted right in this respect or whether we could afford to accept the limited facilities as regards the temporary transit of such weapons through the Island which Dr. Borg Olivier was apparently prepared to contemplate. This issue had to be considered in relation to the other overseas bases where it was essential that we should be free to exercise the right to store nuclear weapons, if necessary; and, in reaching our decision, we must not overlook the interests of the United States Government, who were disturbed about the possible repercussions on their own

oversea bases if we accepted any limitation on our right to store nuclear weapons in Malta.

The Prime Minister, summing up the discussion, said that the Cabinet would wish to have the advice of the Chief of the Defence Staff before forming a final view on the difficult issues involved. An early meeting would be arranged for this purpose.

The Cabinet:—

Agreed to resume their discussion at a subsequent meeting.

198 CAB 128/38, CM 36(64) 8 July 1964 **‘Malta’: Cabinet conclusions¹ reiterating the desirability of postponing further discussions on Malta’s independence until the autumn**

The Cabinet resumed their discussion about the independence of Malta.

The Colonial Secretary said that, if no agreement was reached in the current negotiations, the Prime Minister of Malta, Dr. Borg Olivier, would attribute their failure to our insistence on retaining, in the projected defence agreement, a right to deploy nuclear weapons in the island if circumstances so required. In that event the effect on our right to deploy nuclear weapons in other parts of the world might be almost as damaging as the effect of acceding to Dr. Borg Olivier’s request for an assurance that we would not maintain a nuclear stockpile in Malta. Moreover, although agreement had not yet been reached on the question of the constitutional status and privileges of the Roman Catholic Church and we for our part might seek to emphasise that this was the reason for the breakdown of the negotiations, public opinion would be more likely to concentrate on the failure to conclude a defence agreement and we should be accused of refusing to grant Malta the independence which we had promised nearly a year ago because the Maltese Government were unwilling to allow us to establish a nuclear base off the coast of Africa. Seen in this light, a refusal to grant Malta independence at this stage in the negotiations would be liable to damage our relations with African countries and to discredit any statement which we might make, during the Meeting of Commonwealth Prime Ministers which was about to begin, about our intentions to grant independence to our remaining colonial territories as soon as possible.

On the other hand, if Dr. Borg Olivier sought to resolve the deadlock by offering to accept independence for Malta without either a financial agreement or a defence agreement, we should inevitably find ourselves still obliged to assume some measure of financial responsibility for the island without obtaining the benefit of the defence facilities which had now been agreed, apart from the issue of our right to maintain a stockpile of nuclear weapons in the island, if necessary.

In these circumstances it might be best to seek to compromise on the basis of a private assurance to Dr. Borg Olivier that, apart from the temporary storage of nuclear weapons in transit, we had no foreseeable requirement to maintain a nuclear stockpile in Malta but that, if at any time, owing to changed circumstances, we

¹ Previous reference, see 197.

should wish to do so, we would consult with, or seek the agreement of, the Government of Malta.

The Secretary of State for Defence said that it was very unlikely that such an assurance would remain secret. But, if it became public knowledge, it would constitute a very damaging departure from the principle, which both the United Kingdom and the United States Governments had hitherto maintained, that we refused either to confirm or to deny the presence of nuclear weapons in any particular base. While it might prove impossible to maintain this principle indefinitely, it would be a very grave step to depart from it unilaterally; and we should not contemplate action of this kind except after full consultation with the United States authorities. Moreover, any concession in the case of Malta could not fail to have far-reaching repercussions on our right to deploy nuclear weapons in bases in other parts of the world and would be liable to expose us to pressures which would be unacceptable but difficult to resist.

In any case it was unlikely that Parliament would be prepared to approve Malta's independence unless satisfactory agreement had been reached on the religious issue. In further discussion with Dr. Borg Olivier, therefore, we could justifiably maintain that in the short time available in the remainder of the current Parliamentary session it would be impossible to enact a measure of such importance and that there was now no alternative to postponing further negotiations on the outstanding issues until the autumn.

In discussion the following main points were made:

(a) If Dr. Borg Olivier's Government fell, Mr. Mintoff was likely to come to power. Despite his close relations with the United Arab Republic (U.A.R.) and the Soviet Union, it would be difficult to refuse independence to Malta indefinitely; and there was therefore a serious risk that in a few years time the island would be closely linked with the U.A.R. Such a development would have serious strategic implications for the United Kingdom. It followed that it was to our advantage to support Dr. Borg Olivier as far as possible. On the other hand, while he might be brought to accept, in the last resort, an amendment to the Constitution in relation to the status and privileges of the Roman Catholic Church, he appeared to be compelled by internal political reasons to insist on obtaining a satisfactory assurance that nuclear weapons would not be stockpiled in the island. Nevertheless, there was at present no significant popular agitation in Malta about nuclear weapons.

(b) Time was available in the current Parliamentary session to pass the necessary legislation granting independence to Malta, but only if the Bill was wholly uncontroversial. In view of the religious issue and the absence of a defence agreement, however, this was unlikely to be the case; and there was now insufficient time before the end of the session to consult the United States Government and, if necessary, the authorities of the North Atlantic Treaty Organisation about any alteration in the established policy of refusing to confirm or to deny the presence of nuclear weapons in specific overseas bases.

The Prime Minister, summing up the discussion, said that in this difficult situation it seemed preferable, on balance, to postpone further discussions on Malta's independence until the autumn. It might be desirable, however, not to bring the current negotiations to an abrupt conclusion during the Meeting of Commonwealth

Prime Ministers; and it would therefore be best that Dr. Borg Olivier should be informed at an appropriate point that, while significant progress had been achieved in negotiating the terms of Malta's independence, there were still several outstanding issues which made it impossible to pass the necessary legislation during the remainder of the current Parliamentary session. It was our hope, however, that full agreement would be reached on these issues when discussions were resumed in the autumn.

The Cabinet:—

Endorsed the views expressed by the Prime Minister in his summing up and invited the Colonial Secretary to be guided by them and by the general sense of their discussion in his further negotiations with Dr. Borg Olivier about the independence of Malta.

199 CAB 128/38, CM 37(64) 9 July 1964 **'Malta': Cabinet conclusions¹ on the storage of nuclear weapons in Malta after independence**

The Cabinet resumed their discussion about the independence of Malta. They had before them a Note by the Secretary of the Cabinet (C.P. (64) 134), to which was appended the draft of a private and confidential letter which the Prime Minister of Malta, Dr. Borg Olivier, would be willing to write to the Colonial Secretary about the defence agreement which was to form part of the independence settlement, together with the draft of a public statement which he would propose to make on the conclusion of the agreement.

The Colonial Secretary said that Dr. Borg Olivier was now prepared to sign a defence agreement containing no restriction on our entitlement to use our base in the Island for the storage of nuclear weapons, if we found it necessary to do so. But he would feel it necessary to send us, at the same time, a private and confidential letter explaining that he had found it possible to acquiesce in an agreement of this kind only on the basis of certain assurances which we had given him and reserving the right of the Government of Malta to raise objections to the use of the Island as a nuclear base at any time in the future. This letter, to which we should not be expected to send any answer, would have no legal effect and would not modify the agreement in any way. But Dr. Borg Olivier regarded it as essential that he should be able to satisfy his colleagues in the Government of Malta, on his return, that he had not consented to the establishment of a stockpile of nuclear weapons in Malta; and he made it clear that, if the negotiations on Malta's independence finally broke down, he would publicly ascribe their failure to our intransigence on this issue.

In discussion it was suggested that this course was open to serious objection. There was a considerable risk that the terms of the proposed letter would eventually be disclosed; and, if it became known that a defence agreement purporting to give us an unrestricted right to enjoy defence facilities in Malta was qualified by a confidential understanding, the Government would be placed in an embarrassing

¹ Previous reference, see 198.

position in relation to Parliament and public opinion in the United Kingdom. Moreover, the letter would be liable to place an unacceptable limitation on our freedom of action to use Malta as a nuclear base if it became necessary to do so; and, if its disclosure prompted the Governments of other oversea territories where we had defence facilities to seek to qualify our rights in respect of those facilities in a similar way, its effects would be even more damaging. For these reasons it might be preferable to seek to compromise with Dr. Borg Olivier on the basis of an oral assurance that we were not currently contemplating using Malta as a nuclear base, coupled with the incorporation in the proposed defence agreement of a clause leaving it open to both parties to raise any issue connected with it, if they found it necessary to do so in the light of changing circumstances. Any implication that this arrangement would entitle either party to review or reconsider the terms of the agreement must be avoided, since we should otherwise be completely at the mercy of any future Government of Malta which was hostile to our interests. It would be necessary, therefore, to make it clear that neither party would be committed in advance to accept any amendment of the agreement which the other might propose. Since it was desirable that the provision of financial aid should be linked with the defence agreement, it would be necessary to incorporate a corresponding clause in the financial agreement in order to enable it to be amended in line with any changes in the defence agreement.

In further discussion the following main points were made:

(a) The United States Government would be liable to be as disturbed by a breakdown of the negotiations for Malta's independence as by a unilateral departure on our part from the principle which both we and they had hitherto maintained, that we neither confirmed nor denied the presence of nuclear weapons in any particular part of the world. Nevertheless, it was for consideration whether the United States authorities should be consulted before we took any step of the kind now in contemplation.

(b) Agreement had not yet been reached on the question of the constitutional status and privileges to be accorded to the Roman Catholic Church in the independence constitution. It might be desirable, therefore, to explore this issue further with Dr. Borg Olivier before considering any concessions in relation to the defence agreement since, unless agreement was reached on the position of the Church, it was unlikely that Parliament would be prepared to approve Malta's independence. On the other hand it might be to our tactical advantage to defer discussion of the outstanding issues affecting the Church until the latest possible stage in the negotiations, since Dr. Borg Olivier might be prepared in the last resort to accept the constitutional provisions which we had proposed in this context and, if the negotiations subsequently failed, it would then be clear that it was solely on the question of our right to store nuclear weapons in the Island that they had broken down.

(c) If we sought to escape from the dilemma by postponing the negotiations until the autumn, we might merely damage the political position of Dr. Borg Olivier and accelerate the return to power of the Opposition leader, Mr. Mintoff, who might refuse to conclude any defence agreement with us at all.

The Prime Minister, summing up the discussion, said that it was greatly in our interest to conclude an agreement on Malta's independence, if this were possible on

acceptable terms. In view of the embarrassment to which we might be exposed if we concluded a defence agreement which was qualified by an exchange of confidential letters about our intentions as regards the storage of nuclear weapons in Malta, it might be preferable to confine ourselves to incorporating in the proposed defence agreement a provision (with a corresponding clause in the proposed financial agreement) that it would be open to either party, in the event of any subsequent change of circumstances, to raise any issue that they wished, without commitment on either side to amend the agreement. He would be prepared, if necessary, to discuss with Dr. Borg Olivier an arrangement on these lines and would consider whether, if so, we could give him, orally, some additional private assurance about our intentions as regards the use of Malta as a nuclear base.

The Cabinet:—

(1) Invited the Lord Chancellor, in consultation with the Foreign Secretary, the Colonial Secretary, the Secretary of State for Defence and the Chief Secretary, Treasury, to draft a clause, in the sense indicated by the Prime Minister in his summing up of their discussion, for incorporation in the proposed defence agreement with the Government of Malta; and to consider whether any corresponding adjustment should be made in the proposed financial agreement.

(2) Invited the Colonial Secretary to pursue with Dr. Borg Olivier the outstanding issues in respect of the constitutional status and privileges to be accorded to the Roman Catholic Church in the independence constitution of Malta.

200 DEFE 13/531, no 63

13 July 1964

‘Malta’: minute by F W Mottershead¹ to Mr Thorneycroft expressing doubts about the wisdom of publishing relevant documents should negotiations with Dr Borg Olivier be suspended or broken off

I attended a meeting held by Lord Lansdowne at the Colonial Office this morning to consider the position on Malta after the meeting between the Prime Minister and the Prime Minister of Malta on 11th July.

2. No progress was made at that meeting on either of the outstanding points. U.K. Ministers received the impression that the electoral law point was of considerably more importance to Dr. Olivier than the nuclear point.

3. On the electoral law point he said that this was a matter for domestic Maltese legislation. It was for the Maltese to decide their own voting arrangements. He could not accept that Maltese legislation could be cancelled by an Order in Council, because Mr. Mintoff had asked for this.

4. On the nuclear point Dr. Olivier was given the proposed addition to Article 7 of the Agreement² (copy attached;³ this is a slight variation of the version which you

¹ Deputy secretary, Ministry of Defence/Admiralty.

² *Malta: Proposed Agreement on Mutual Defence and Assistance between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Malta* Cmnd 2410, 1964.

³ Not printed.

saw). He said that this would only meet his point if words were included to the effect that any proposal to use Malta as a nuclear base would be regarded as a 'change of circumstances'. He was told that to include words to this effect would be a breach of the basic principle of neither confirming nor denying the presence of nuclear weapons.

5. After a long discussion it was left that Dr. Olivier would think the matter over. Nothing more has been heard from him so far.

6. The Colonial Secretary is therefore preparing for the suspension or breaking off of the negotiations. He has instructed Colonial Office officials to make all the documents ready for publication within the next few days in case it should be decided to do this. Because it would not be possible to publish the exchange of letters that had been proposed about the link between the Defence Agreement and the Financial Agreement he has instructed that this link should be written in to the Financial Agreement.

7. Both Colonial Office officials and I expressed the gravest doubts about any suggestion to publish all the documents at this stage. Lord Lansdowne took note and said that it would have to be a matter for collective Ministerial decision. I wholly reserved your own position.

8. Colonial Office officials and I are agreed in advising that if the talks have to be suspended because Dr. Olivier does not accept either the electoral or the nuclear point the public statement announcing the suspension should be quite brief. It would say that a very wide measure of agreement had been reached on all aspects of the discussions—the Constitution, the Defence Agreement and the financial arrangements,—but it had not been found possible to conclude agreement on all points in time for the Independence Bill to be introduced in the present Parliament. We should try to get Dr. Olivier to agree that comment on this statement, particularly on what were the outstanding points, should be refused.

9. If Dr. Olivier could not remain silent on the outstanding points, namely the electoral law and the nuclear point H.M.G.'s position on these matters would have to be publicly explained. On the nuclear point we should rehearse the universal policy of the Americans and ourselves of neither confirming nor denying the presence of nuclear weapons in any particular place and the reasons for it, and explain why it was not possible to make an exception on behalf of Malta alone to this general principle. We should add that nothing in our statement implied any intention of using or not using Malta for any nuclear purpose.

10. It would be better if we could avoid stating a public case on these two points because it would clearly make it more difficult to reach agreement upon them when negotiations were resumed. It seems however to both Colonial Office officials and me that the worse thing of all would be to publish now all the documents (Constitution, Defence Agreement and Financial Agreement) before final agreement has been reached on any of them. To take the Defence Agreement alone, to publish it now would inevitably give rise to public discussion on many of its clauses and would reopen many of the matters on which, after a great deal of discussion, we have at the moment reached agreement with the Maltese. We should be throwing open to controversy all the ground that has been painfully won. Yet, we still could not avoid dealing with the only two matters that are in fact in dispute, the electoral law and the nuclear point.

201 CAB 128/38, CM 38(64)6

16 July 1964

‘Malta’: Cabinet conclusions¹ agreeing to abandon earlier insistence on a change in Maltese electoral law provided that HMG secured a defence agreement which satisfied ‘essential requirements as regards the right to store nuclear weapons in Malta’

The Colonial Secretary said that negotiations with the Prime Minister of Malta, Dr. Borg Olivier, about the independence of the Island appeared to have reached a virtually final deadlock. Dr. Borg Olivier still refused to accept that the proposed defence agreement should incorporate provisions enabling us to store nuclear weapons in Malta, if we found it necessary to do so; and he was equally unwilling to acquiesce in an amendment of the Maltese electoral law which would prevent the Roman Catholic Church from exercising undue influence over the conduct of elections in the Island. The present law, which had been introduced during our own administration of Malta, provided that any individual who inflicted or threatened to inflict moral or material injury on a voter was exercising undue influence. On the other hand United Kingdom law in this context referred not to moral or material injury but to spiritual or temporal injury. The difference between ‘moral injury’ and ‘spiritual injury’ lay in the fact that the Maltese courts did not interpret the former as preventing the Church authorities from threatening voters with spiritual harm if they supported a particular political party. While the authorities of the Vatican and the Archbishop of Malta were willing to accept an amendment of the Maltese law which would bring it into line with United Kingdom law, this change was unacceptable to Dr. Olivier on the grounds that his recent victory in the referendum had committed him to maintain the Maltese law in its present form and, if he conceded the point, the Opposition Party in Malta, led by Mr. Mintoff, would turn it to their political advantage.

There was some reason to believe, however, that Dr. Olivier would accept a defence agreement which would be acceptable to us if we would forgo our demand for a change in the Maltese electoral law. On the other hand the Opposition in Parliament had made it clear they would oppose legislation to provide for the independence of Malta unless the electoral law were changed; and there was no longer sufficient time in the remainder of the present session for the enactment of contentious legislation. It was now necessary, therefore, to decide whether we should accept a breakdown in the negotiations or whether we should seek to bring them to a positive conclusion by abandoning the demand for the alteration of the electoral law in return for Dr. Olivier’s acceptance of a satisfactory defence agreement and by undertaking that legislation to give effect to the independence of Malta would be introduced in the next Parliament.

If all the other issues were disposed of, it would be necessary to decide the manner in which our offer of financial assistance to Malta over a 10-year period would most appropriately be linked with the defence agreement. During the last 7 of the 10 years the provision of financial assistance should be specifically dependent on the satisfactory discharge of the Maltese obligations under the defence agreement. For

¹ Previous reference, see 199.

the first three years, however, it should be unconditional, since financial support would have to be provided from United Kingdom funds for Malta for that length of time in any event.

In discussion it was suggested that it might be wiser to let the negotiations break down, since the Maltese Labour Party, who were known to be determined to repudiate the defence agreement, might well come to power in the next few years and it would therefore be unwise to appear to have secured an agreement which might be valueless in return for the surrender of a point of principle as regards the exercise of undue spiritual influence in elections. On the other hand it would be inconsistent with our general policy to withhold independence from Malta on the score of a refusal by the Government of the Island to amend a provision in the electoral law which had been introduced during our own administration of Malta and would not, in any event, be regarded by public opinion in the United Kingdom as of critical significance. The increased importance of facilities in Malta to our strategic interests was such that, if a satisfactory defence agreement could be concluded, it would be contrary to British interests to allow the negotiations to break down.

The Prime Minister, summing up the discussion, said that the balance of advantage appeared to incline in favour of seeking to bring the negotiations to a positive conclusion. The Colonial Secretary should therefore endeavour to reach agreement with the Prime Minister of Malta on the basis that we would be prepared to abandon our earlier insistence on a change in the Maltese electoral law provided that we secured a defence agreement which satisfied our essential requirements as regards the right to store nuclear weapons in Malta, if necessary. The provisions of the financial agreement could, if necessary, be as proposed by the Colonial Secretary. If a final settlement was reached on this basis, the Government would have to be prepared to introduce the necessary legislation in the next Parliament.

The Cabinet—

(1) Invited the Colonial Secretary to seek to complete the negotiations with the Prime Minister of Malta about the independence of the Island on the basis indicated by the Prime Minister in his summing up of their discussion.

(2) If negotiations were concluded in accordance with Conclusion (1), to arrange for the agreements to be initialled and published.

202 CAB 128/38, CM 40(64)1

21 July 1964

‘Malta’: Cabinet conclusions reporting the successful conclusion of negotiations with Dr Borg Olivier on the lines previously approved by the Cabinet¹

The Colonial Secretary informed the Cabinet that the negotiations with the Prime Minister of Malta, Dr. Borg Olivier, had now been brought to a successful conclusion on the lines previously approved by the Cabinet. The defence agreement² would not

¹ See 201.

² *Agreement on mutual defence and assistance between the government of the United Kingdom of Great Britain and Northern Ireland and the Government of Malta 1964*, Cmnd 3110, 1966.

incorporate any unacceptable limitations on our entitlement to store nuclear weapons in Malta, if necessary; and we for our part had foregone our stipulation that the electoral law in the island should be so amended as to prevent the Roman Catholic Church from exercising undue spiritual influence during elections. It would now be desirable to enact promptly the legislation required to give effect to the independence of Malta on this basis.

In discussion the Cabinet expressed their satisfaction at this result. Very little time now remained in the present session for the passage of the necessary Bill through both Houses of Parliament. Nevertheless, this should not be impossible; and every effort should be devoted to securing its enactment before the Recess.

The Cabinet:—

Approved the introduction, for enactment before the forthcoming Recess, of legislation to grant independence to Malta on the basis described by the Colonial Secretary during their discussion.

203 CO 926/1823, no 39

15 Sept 1964

[Security situation]: outward telegram no 622 from CO to
Sir E Wakefield on the uncovering of a murder plot during Malta's
independence celebrations

[At the beginning of 1964, Archbishop Gonzi had expressed the fear that Mintoff would 'stage a coup d'etat immediately after independence on the lines of Zanzibar' (PREM 11/4914, minute from James Ramsden (secretary of state for war) to Thorneycroft, 27 Jan 1964). On the eve of independence, the local intelligence committee reported that 'Current frustrations have impelled a few M.L.P. leaders who advocate violence to consider that some more desperate measures must be taken, to arouse the people to take up arms. There is talk of a secret plot to murder the Prime Minister, probably during the Independence celebrations. To this end, those concerned are collecting funds and seeking a man willing to carry out this murder. It is realised by the M.L.P. extremists that an assassination although against the Prime Minister might endanger the Duke of Edinburgh. One extremist said that this would be all to the good, as bound to cause a bigger sensation. However, Mintoff is not being told of this plot "because he would be afraid of retaliation"' (CO 926/1823, no 36, enclosure, annex to local intelligence committee report, 7 Aug-3 Sept 1964). Although Wakefield subsequently reported that the risk of a plot materialising was 'remote' (CO 926/1823, no 40, inward telegram no 355 from Wakefield to the CO, no 355, 16 Sept 1964), the secretary of state insisted on sending his own police adviser, Sir Ivo Stourton, to oversee security arrangements (CO 926/1823, no 42, outward telegram no 631 from Mr Sandys to Wakefield, no 631, 16 Sept 1964.)]

Reply required by 9.a.m. B.S.T. tomorrow.

Our attention has just been called to paragraph 6 of Annex to Monthly Intelligence Report for August enclosed in your Top Secret savingram No. 156 in which reference is made to the possibility of a secret plot to murder the Prime Minister during the independence celebrations and of risk that this assassination might endanger the Duke of Edinburgh.

2. Please telegraph at once your assessment of risk of plot materialising. Has Prime Minister been informed? What special security arrangements if any are being made and are they in your view and that of your advisers adequate?

204 CAB 158/54, JIC(64)78

6 Nov 1964

**'The threat from the Malta Labour Party in the immediate future':
report by the Joint Intelligence Committee**

The object of this note is to provide a brief assessment of the immediate threat to internal security in Malta from the Malta Labour Party (M.L.P.).

Numerical strength

2. The paid-up membership of the M.P.L. is probably about the same as it has been since February 1962, i.e. 10,800. The party's voting strength is probably between 50,000 and 55,000 out of a total electorate of about 170,000. Whether its strength can be maintained or increased in the near future depends mainly on the outcome of the present discussions between the party leadership and the Church following the Archbishop's lifting of the interdict on the National Executive.

3. There is no organised communist group in Malta but there are at present about seventy communist sympathisers in the Island. Most of these people are members of the Malta Labour Party. About thirty of them are 'men of violence'. There are also approximately thirty-five more 'men of violence' in the M.L.P. not recorded as communist sympathisers.

Ability to harm the government

4. The M.L.P. at present holds sixteen of the fifty seats in the House of Representatives, while the present Government holds twenty-six. There seems little possibility of the M.L.P. coming to power by constitutional means during the next few months, although they might hope to achieve success at the next elections, due in 1966, particularly if the conflict with the Church can be resolved to their advantage.

5. The M.L.P. could, with the support of the General Workers Union (G.W.U.), organise strikes particularly in the civil docks. Such strikes, if they were to be prolonged, would bring the economic life of the island to a standstill. As against this the G.W.U. has not got large strike funds and its members are concerned not to lose or reduce their pay packets. The M.L.P. could also pursue, with some success, a policy of intimidation in the larger towns, and although the Security Forces are probably sufficient to guard the larger and most important installation, minor sabotage of communications and interruption of road traffic, power and water supplies could be undertaken. Police strength is about 1,200 and Royal Malta Artillery in the island number nearly 400. Although a number of these are known to be pro-Mintoff, it is doubtful whether the M.L.P. could rely on their active support in an emergency. Furthermore events during the Independence celebrations demonstrated the comparative ineffectiveness of the M.L.P. mob when faced with well-organised police arrangements.

Ability to seize power by force

6. It is not known if the M.L.P. has any plans at present for seizing power by force, but there are continuing reports that a number of M.L.P. extremists are discussing ways and means of assassinating the Prime Minister, and perhaps other Cabinet Ministers and leading police officers. There is some doubt whether Mintoff

has the ability to draw up an effective plan for such an operation and whether he could find sufficient strong arm men with the necessary courage and determination to carry it out. Although in May and June of this year he threatened bloodshed and spoke of armed struggle, some leading members of the M.L.P. are opposed to the use of violent methods, and there are strong doubts within the party whether there are many G.W.U. members who would be willing to become involved in violent action.

7. Although large numbers of shotguns are available to the M.L.P. we think it unlikely that they have much in the way of modern arms and equipment.

Relations with the U.A.R. (Egypt), Algeria and the Soviet Union)

8. Mintoff has made approaches to the U.A.R., Algeria and the Soviet Union seeking moral support and the supply of arms and ammunition. During his visit to the U.A.R. earlier this year he was promised help with broadcasting, arms, training of saboteurs and money. Of these he has received help with broadcasting and money (in the form of travel expenses to Cairo and New York for M.L.P. Delegations). The Algerians have recently given a sum of £900 to the M.L.P. The Soviet delegation to the Independence celebrations gave the M.L.P. £500, but advised it against fighting on two fronts, i.e., against the Church and the British, at the same time. The Soviet Union appears to have procrastinated on the question of arms, giving no indication of being eager to become involved in Malta, while making the appropriate noises in support of the M.L.P. cause.

Conclusions

9. The M.L.P. is in a position to foment strikes and civil unrest on a fairly large scale. If these involved simultaneous outbreaks of violence in different places, the Maltese Police and Military forces would be unable to contain them without the assistance of the British forces.

10. Although some M.L.P. members have talked seriously of seizing power by force there is little evidence of preparations for this. As far as is known, the Party has not obtained any arms from abroad. Moreover it seems unlikely that Mintoff would attempt to seize power by force, if he believed that British forces would be authorised to intervene on behalf of the lawful government.¹

¹ A year later the JIC reached similar conclusions about the threat from the MLP (CAB 158/60, JIC(65)79, 'The threat to Malta in the next five years': report by the JIC, 11 Nov 1965).

205 OD 34/33

30 Dec 1964

'Malta': minute by C J Hayes¹ to E C Burr² stressing HMG should
'stand firm on the [Financial] Agreement and the amount in it'

[Extract]

Thank you for your report of 23rd December on your negotiations with the Maltese, under your Colonial Office hat.

¹ Under-secretary, Finance and Western Hemisphere Division, Ministry of Overseas Development.

² Assistant secretary, Finance Department, Ministry of Overseas Development.

2. Certainly the Treasury, and I think all the Whitehall Departments concerned, agreed to the £50 m. settlement with Malta as a final and all-embracing one intended to remove in future all the tedious, unpleasant, and dishonest arguments in the past. It was generous in relation to Malta's needs compared with those of other aid-receiving countries, and in the light of resources in Malta which the Maltese insist on investing in British securities and refused to invest in their own economy. I thought that the final nature of this settlement was made quite clear to Malta. It is of course the nature of the Maltese to keep on trying for more and scheming to describe everything as a special case outside the Agreement.³ I am sure that we must stand firm on the Agreement and the amount in it and make the Maltese responsible for their own priorities. In particular we must take care to avoid continuing in the past position in which Britain felt a greater responsibility for the dockyard than Malta did. The yard is now vested in Malta and is their best asset; if they fail to allocate development money to it their own economy and level of employment suffer, but we must keep it clear to them that if this happens the British Exchequer will not rescue them. (Perhaps, to anticipate the sort of problem that may arise, we ought to be careful to avoid saying anything which might imply that any inevitable expenditure or loss in the dockyard, such as might follow from a strike, can be fathered on to the British Government.)

3. I agree that we must stand fast on the agreed £18.8 m. in the first three years. I think we must avoid appearing to assume any *responsibility* for any bigger commitment figure designed to entail expenditure of this amount, since we shall then be pressed to issue the commitment figure; once this starts, eventually the £50 m. will be exceeded before the end of the 10 years

³ *Agreement on financial assistance between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Malta, 21 Sept 1964, Cmnd 3111, 1966.*

206 FO 371/182888, no 3

8 Jan 1965

'Malta: the political future': letter from Sir E Wakefield to Mr A Bottomley

1. As I shall shortly be relinquishing charge of my duties as British High Commissioner, I have the honour to submit a report containing my assessment of the political scene in Malta at the beginning of 1965.

2. Malta became independent on 21st September, 1964. The change from quasi-colonial status to independence is of fundamental importance not only to Malta's future but to the future of the British in Malta. In the past the attempts of the Maltese to govern themselves have invariably broken down. Whenever this happened the British, as the Sovereign Power, intervened and assumed temporary control of the Administration. With the grant of independence, however, the Rubicon has been crossed and the point of no return has been passed. We cannot again, as we have done in the past, repair for the Maltese the damage caused by their own political failures. Herein lies the true significance of Malta's independence; and continuance of the British presence in Malta will depend in future not on the exercise of sovereign rights but on observance of a treaty which one of the two major parties in Malta, the Malta Labour Party, has already denounced.

3. For the moment, however, the change from dependence to independence appears to have been one of form rather than of substance. Before independence the Maltese were managing—or mismanaging—their own internal affairs. They are still doing so. Before independence their economy was sustained by British Services' expenditure in the island, coupled with British financial aid. It is still being sustained by the same means. Before independence the Maltese were sending delegations abroad to attend international conferences. They are still doing so. The only apparent differences are that Malta's status at international assemblies is higher than it was, that Malta has become a member of the United Nations and of its Specialised Agencies, that the Maltese flag flies in Malta in place of the Union Jack, and that the Hymn of Malta has taken the place of God Save The Queen.

4. Malta has two political leaders who matter, Dr. Borg Olivier and Mr. Mintoff. Both have been somewhat enlarged by independence. Dr. Borg Olivier has acquired a degree of self-confidence which three years ago was totally lacking. This derives from his success in securing independence for his country, largely on his own terms, and from the acclaim which this achievement has won for him locally. Unfortunately, Dr. Borg Olivier has also acquired an exaggerated opinion of his own status and importance. It is significant that, in the Table of Precedence which he is now preparing, he has placed the Prime Minister above the Archbishop. This, in 'Malta Catholicissima', is a revolutionary change. If, as the result of a rapprochement between the Church and the Malta Labour Party, loyal Catholics lose their fear of a Mintoff Government, this action of Dr. Borg Olivier's could be made into an issue which would lose for him at the next elections even more votes than his patent administrative incompetence.

5. For the ambitious Mr. Mintoff the grant of independence has opened up new vistas. Dynamic, intelligent, dictatorial, he is interested primarily in the exercise of personal power. In the past there were two barriers to his exercise of unrestricted power—British sovereignty and the influence of the Church. The first of these barriers has now been removed, and the second, by the removal of the first, has been seriously weakened.

6. Mr. Mintoff would prefer to gain office by constitutional means. His chances of doing so at the next elections (due to take place within the next 13 months) would be considerably improved if he were to campaign, not for the outright abrogation of the Defence and Finance Agreements, but for their revision, with the object of securing a better bargain from the British. He has been careful, despite his frequent denunciations of the agreements, to leave the door open for such a deal. But if he fails to win the next elections he would not be averse to seizing power by unconstitutional means if he thought that he could do so successfully.

7. Should Mr. Mintoff become Prime Minister he would, whatever his electoral promises, declare Malta a Republic (inside or outside the Commonwealth), he would secularise the Constitution, humiliate the Church, question the NATO presence in the island and repudiate the Defence Agreement with Britain on the grounds that it is inconsistent with Maltese sovereignty. Having repudiated the Defence Agreement he would seek to put Malta up to international auction. If Britain, in order to retain a foothold in Malta, were prepared to offer sufficiently generous terms, he would probably accept those terms for a short period of years. But the terms would have to be extremely generous. At the same time he would see what offers of financial and economic aid he could secure from the United States, the U.A.R., Algeria and Russia.

His aim is to convert Malta into a non-aligned, neutral State and, from a position intermediate between East and West, bargain for aid from both *blocs*. In formulating this policy he has been much influenced by Nasser who, for his own purposes, would also like to see Malta neutralised.

8. If the Maltese can be kept prosperous and reasonably contented, as they are at present, Mr. Mintoff's prospects of achieving power in the near future will be slight. But danger arises from three sources. They are:—

- (i) the incompetence of Dr. Borg Olivier's Administration;
- (ii) unemployment caused directly or indirectly by the Services' run-down; and
- (iii) possible dislocation of work at the Malta drydocks.

9. Dr. Borg Olivier's Cabinet consists of five Doctors of Law and three Doctors of Medicine. Two members of the Cabinet have some administrative ability and energy—Dr. Cachia Zammit, the Minister of Labour, who is responsible for emigration, and Dr. Caruana, the Minister of Agriculture. The others are passengers in a motionless boat. Dr. Borg Olivier, in addition to being Prime Minister, holds the portfolios of Finance and External Affairs. He instinctively prefers inaction to action, is chronically indecisive, and indulges to the full an unrivalled talent for procrastination. The key Ministry, that of Industrial Development and Tourism, is in the flaccid hands of Dr. Felice, whose ultra-conservatism makes him incapable of any thought or action that is not retrograde. Dr. Felice's outlook is best described in his own words. Speaking in the House of Representatives on 4th December, 1964, he formulated his philosophy with lapidary incisiveness. 'I do not want', he declared, 'to make anything an accomplished fact'.

10. With this team of legal and medical practitioners in office Malta has little chance of developing her economy. As I shall submit later in this despatch, I believe that the best hope for the future lies in the establishment of a competently managed Development Corporation which, divorced from political control, could not only put to efficient use the funds provided by the British Government under the recently negotiated Financial Agreement but might also induce the Maltese, against all their past predilection, to invest some of their own money in their own country.

11. Unemployment caused by the Services' run-down is a constant and increasing anxiety. More than two years have elapsed since the Services began to discharge redundant personnel. On 1st October, 1964, the Services were employing 2,327 fewer Maltese civilians than they were employing on 1st October, 1962. At the end of October 1964 the unemployment figure was 7,170 (more than 10 per cent of the employee work force) compared with 6,273 two years earlier. (In October 1960 the figure was only 3,664.) At the same time expenditure by the Services in Malta has been declining fast. In 1961 they spent nearly £22 million locally; the figure for 1964 is unlikely to exceed £15 million. However, the economic and social consequences of the Services' run-down have not yet proved as serious as was at the time expected. This has largely been due to the safety valve of emigration. In 1963 the rate of emigration was double that of the two preceding years, and increased further in 1964. The other major factor which has cushioned the steep decline in Services' employment and expenditure is the considerable private savings which the thrifty Maltese accumulated during the 'fat' years following the end of the war. It is estimated that more than £100 million of such savings have been invested in the United Kingdom alone.

12. Nevertheless, the most difficult period, 1965–66, when the naval discharges reach their peak, is only now beginning. Older employees who were approaching pensionable age have already been released. Younger employees who were willing to emigrate have already done so. Thus the number of compulsory discharges is likely to increase substantially during the coming months and some degree of discontent is inevitable. It is possible that this discontent will find expression in the form of strikes and bans on overtime. However, against a background of general unemployment, strike action would be ineffective, and it is more likely that discontent will find expression in a ‘protest’ vote against the Government at the coming elections. This means, in practice, more votes for Mr. Mintoff.

13. The third danger to the present Government arises from the possibility of dislocation of work at the Malta drydocks. As the dockyard constitutes the most important single element in Malta’s industrial life, so it constitutes the most sensitive single element in its political life. Should lack of capital lead to postponement of development projects at the dockyard, or should the British Government’s legal battle with the Baileys have an unfavourable issue, interruption of the gradually increasing flow of commercial work to the dockyard would have consequences disastrous to Malta’s political stability.

14. The political situation in Malta at the beginning of 1965 can be summarised in a few words. Malta has a conservative Government which is friendly to Britain and wholly committed to the Western Alliance, but is administratively so passive and incompetent that social discontent must sooner or later lead to its downfall. The alternative Government, led by Mr. Mintoff, would deal actively enough with social problems but would, at the same time, pursue policies designed to secure, sooner or later, the expulsion of the British from Malta since their presence in the island is incompatible with his neutralist ideas. Mr. Mintoff would like the Russians to pay Malta for keeping the British out, and he would like the British (and perhaps the Americans) to pay Malta for keeping the Russians out.

15. If Mr. Mintoff is to be denied the opportunity of putting into practice his plan of double blackmail, means must be devised of protecting the present West-aligned Government from the consequences of its administrative ineptitude. The task is not impossible. Experience at the dockyard points the way to its achievement. A Council of Administration, set up by the Malta Government and responsible to that Government, appointed Managing Agents who, free from political interference, have made encouraging progress in rehabilitating the dockyard. In the same way a Malta Development Corporation, set up by the Malta Government and responsible to that Government, could, through competent executives, transform the Maltese economy in the space of a few years. Such a Development Corporation would put to fruitful use the generous financial aid which Britain will be providing over the next decade. Equally important, it could attract and use for the development of industry and tourism in Malta local savings which are at present leaving the island at the rate of more than £4 million a year. I do not suggest, of course, that such a Development Corporation would prove a panacea for all Malta’s economic ills. It cannot control tariffs or taxation or dictate Ministers’ fiscal policy. It could, however, if accorded Ministerial co-operation, remedy the worst defects of the present Administration.

16. It may not be easy to persuade Dr. Borg Olivier to relinquish the controls by which, through Dr. Felice, all plans for progress are now strangled at birth. Nevertheless, if we wish to retain a secure foothold in Malta, we must, as far as lies in

our power, ensure the continuance in office of the present Government; and this is best done by encouraging them to employ experts to perform a task which they are not equipped to perform for themselves. Dr. Borg Olivier and his Government take credit for the peaceful progress of the conversion of the dockyard to commercial use. I would like to see them take credit, where they now have discredit, for the conversion of the rest of the economy. Political stability in Malta is just as important for the British as it is for the Maltese. It cannot be achieved under Mr. Mintoff; it can only be achieved under Dr. Borg Olivier if he proves willing to transfer to competent hands outside his Cabinet the responsibilities now neglected by Dr. Felice.

17. I must stress, in conclusion, that Britain's interest in Malta is essentially strategic. The recently negotiated Defence Agreement gives the British Services all the facilities they require in Malta. What is now important is that the Services should have security in the enjoyment of those facilities. In the final analysis the only sure guarantee of that security is Anglo-Maltese good will. There is still in Malta, despite the unemployment caused by the Services' run-down and despite the fulminations of Mr. Mintoff, abundant good will to Britain and the British. This is an irreplaceable asset. It must be the first object of our policy to preserve it unimpaired.

207 CAB 148/20, OPD(65)39

15 Feb 1965

'Malta dockyard: litigation with the Baileys': memorandum by Mr Bottomley for Cabinet Defence and Oversea Policy Committee proposing to 'try to settle the litigation out of court'

In 1958 C. H. Bailey Limited were invited by the British Government to form a company in Malta to take over the Naval Yard and run it as a commercial ship repairing yard. The company (Bailey (Malta) Ltd.) was duly formed for this purpose and started operations in 1959. They were given loans by the British Government under a Financial Agreement to help to meet the cost of the conversion and equipment of the yard and to provide working capital. In 1960, certain financial transactions of the Company caused concern. As a consequence the British Government insisted on the appointment of three independent directors in 1961. They resigned in April, 1962. Mr. J. R. Muirie, a partner of Peat, Marwick, Mitchell & Co., Chartered Accountants, was then appointed to inspect the Company's accounts. His report was printed as a Parliamentary Paper.¹ On the strength of this report the Government came to the conclusion that the Company had not been conducting its business in a proper manner, and an action was started in the courts against Bailey (Malta) for the immediate repayment of the loans advanced to them, amounting to approximately £3.1 million. This was the only remedy open to the British Government under the terms of the Financial Agreement, since the Baileys refused to take the action requested by the British Government. At the same time the Malta Government appointed a body (the Council of Administration) to administer the Company and conduct and carry on its business pending the settlement of the litigation. The Directors of Bailey (Malta) were temporarily deprived of their functions except as regards the litigation.

¹ Report by J B Muirie on Bailey (Malta) Ltd, 1962 no 131, 1963.

It might well be as long as 3 or 4 years before the action is decided and I propose to try to settle the litigation out of court. The Malta Government is anxious that this should be done so that permanent arrangements can be made for the future of the yard, which is the main industry of Malta. They are not prepared to have the Baileys back in Malta in any shape or form. Apart from the growing embarrassments of protracted litigation, we cannot be certain of a successful outcome. Moreover the Council of Administration are not prepared to carry on indefinitely.

The present is a particularly opportune time to seek a settlement, because the Baileys are in financial difficulties just now in raising the money to repay in April loans which were raised to finance their Mountstuart operations.

Our terms of settlement would include the revocation of the obnoxious agreements referred to in the Muirie report, and the complete severance of the Baileys from the yard. This will involve our purchasing their shares in Bailey (Malta) which we propose to offer to the Malta Government. I propose to authorise our Counsel, who will be negotiating on our behalf to offer, if necessary, up to £500,000 for the shares, so long as everything is put right on our terms, but it may ultimately be necessary to go above this figure. I hope to be able to arrange payment from the £50 million allocated to Malta on independence.

The fact is that events have shown that Baileys were not the right firm for this job, and we shall have to pay to get rid of them.

208 OD 34/33, no 43

22 Mar 1965

‘Malta: budgetary aid’: minute from R H Belcher¹ to Mrs Castle

As part of the independence settlement, and distinct from the agreement to give £50–M over ten years as development aid, we last year gave Malta £600,000 as budgetary aid. Mr. Sandys then said he ‘could not enter into any advance commitment as regards budgetary aid for future years, but would be prepared to consider any request which H.M. Government of Malta might wish to make from time to time’ (Hansard 23rd July).² In February this year, a delegation duly arrived from Malta to discuss a request for budgetary aid for 1965/66 on the basis of a deficit of £2,573,000 in their draft estimates. We discussed these estimates with them without commitment, and we have now to decide whether we should give aid this year, and if so how much. The Maltese Budget is to be presented at the end of April and it is therefore becoming urgent to let the Government know our decision.

2. Strictly from the point of view of this Ministry, quite a strong case could be made for giving no aid at all. Malta must stand on its own feet: budgetary aid is in every way an inappropriate form of aid to give an independent country: the £50–M settlement was a very generous recognition of the real difficulties the Naval ‘rundown’ has left behind; and the average income per head in Malta is enormously higher than in countries we should help but cannot because of our limited aid funds. (It is arguable that until Malta’s development plans fructify and produce alternative employment, and tax income, there is a genuine need for budgetary help—the Maltese Government predict a balanced budget by 1971/72 if they are given help with

¹ Under-secretary, Ministry of Overseas Development.

² *H of C Debs*, vol 699, col 711, 23 July 1964.

their deficits meanwhile. But our Economic Planning Staff have said they could not accept this without a very thorough investigation.)

3. Nevertheless officials of all departments (C.R.O., Treasury, Ministry of Defence and this Ministry) are agreed that the fact of budgetary aid having been given last year, and Mr. Sandys's statement quoted above, have created expectations that can only be disappointed at a political cost to ourselves that could be very considerable, involving not only our political relationship with Malta but the future of our Defence agreement. The conclusion is inescapable that some aid must be given; the question is how much. It is not helpful to try ourselves to judge the appropriateness of the Maltese draft estimates and so to reach an acceptable figure; no agreement between departments that way has been found possible – the decision must in any case be a 'political' one. We have said, with Treasury agreement, that we could not agree to do more than repeat last year's £600,000 and that the decision must be combined with some binding limitation for future years. The C.R.O. have now consulted the Commonwealth Secretary, whose views on what is politically at stake are set out in the paper at Flag B³ in which they argue that we should agree to give £1.5m (i.e., the gap in the draft estimates less last year's carried over deficit and certain other unjustifiable items). I do not think we can accept a figure as large as this.

4. I do not believe we could reach agreement with the C.R.O. on any figure less than £1–M. Equally, if we stuck to our guns, I believe the outcry from the Maltese Government would in the end drive the ultimate figure up again: and there is still the question of future years which we must deal with. But I think there is a chance that provided we (i.e. the British Government) stand firm we can force the Maltese to accept realities and avoid serious consequences to ourselves if we now agree to give £600,000 this year and again next year but make it quite clear we shall not in future agree to give this kind of aid. If you are prepared to accept this proposal we shall put it to the C.R.O. and suggest you and the Commonwealth Secretary should jointly put it to your colleagues on the D.V.O. Committee. If this is not acceptable a discussion with that Committee will be unavoidable.

³ Not printed.

209 OD 34/33, no 44

22 Mar 1965

'Malta: budgetary aid': minute from C J Hayes¹ to Sir A Cohen²

You have asked for my views very quickly and I have not had time to provide a detailed financial assessment.

I strongly support Mr. Belcher's recommendation that we should try to stand firm and limit budgetary aid to £600,000 this year and the same next year.³ All the officials who have dealt with Malta think that a cold douche is essential at this stage when Malta has become independent with a very generous 10-year settlement. This settlement will give average annual aid more than Malta has drawn in the past and will give it over the whole 10 years however much the economy is boosted meanwhile (as we are confidently told it will be). £5 m. a year represents about £100

¹ See 205, note 1.

² Permanent secretary, Ministry of Overseas Development.

³ See 208.

a family. Malta has a higher standard of living than Greece and Spain and most under-developed countries; some £4 m. of private savings are being invested outside Malta every year and there are heavy investments of previous savings in Britain. In my view Malta must be forced to use her own resources and rest entirely on development aid for outside help. If we do not administer a cold douche now, experience of the past shows that Malta will simply hit up the budget deficit more and more every year and send us the bill. Apart from competing with our aid to more needy countries, this is an unproductive form of aid. I hope, therefore, that the Minister will do her best to bring the Commonwealth Secretary's sights a good deal lower.

210 OD 34/33, no 45

29 Mar 1965

[Budgetary aid]: letter from C J Hayes¹ to C S Pickard² arguing that essential policy should be 'to avoid falling back into the position of a Colonial power having to meet budget deficits in Malta'

You wrote to Belcher on 19th March enclosing your draft paper about Malta's budgetary position, concluding that we cannot offer Malta less than £1.5 m. for 1965/66, but should make it clear to the Maltese that they cannot expect assistance at this level in future years.

2. We have considered this issue very carefully, both in discussions with your colleagues and inside the Ministry.³ We have put the issue fully to Mrs. Castle, including your letter and draft paper. We took account of the fact that budgetary aid had been given last year, though I remember that that was meant to be the last such gesture to a country about to become independent. We also bore in mind Mr. Sandy's statements in July last year⁴ that we should be prepared to consider any request which the Government of Malta might make for budgetary assistance; I think however that this was a defensive remark rather than an offer to go on giving budgetary subsidies. However, we recognise the political factors in refusing to give any budgetary aid this year and we are forced to acquiesce in the conclusion that some such assistance is inescapable.

3. We have not thought it appropriate to examine in detail the budget of an independent Commonwealth country and we think that the matter should be decided as one of policy. The essential policy as we see it is to avoid falling back into the position of the Colonial power having to meet budget deficits in Malta, but without the control of the budget that went with that position. We think it vital, now that Malta is independent, and especially at the beginning of independence, that the Maltese Government should be obliged to face the realities of its situation. While we are prepared—indeed committed—to provide extraordinarily generous development aid (something like £100 a family a year), we think that Malta must make full use of her own resources for recurrent expenditure. We think that it will be impossible to establish this state of affairs if we subsidise the budget this year to anything like the extent the Maltese are asking for.

¹ See 205, note 1

² Assistant under-secretary of state, CRO

³ See 208 and 209

⁴ See 208, note 2

4. We think therefore that at the most we should approve budgetary aid of £600,000 for 1965/66 and if necessary the same amount for 1966/67, making it finally clear to the Maltese that we shall not thereafter be prepared to provide them with budgetary aid.

5. Our willingness to provide on our Votes this rate of budgetary assistance which is higher than it has been before takes account of the very generous financial settlement already made with the Maltese which is a burden on our overall aid programme, and no less than three quarters of which will be in grant form. There are many other countries with a lower standard of living than Malta to which we should like to give development aid, but we shall be unable to do so within the accounts we shall be able to spend. We also take account of the fact that we are already reliving the Malta budget of something like £½ m. this year and will do so for the next 9 years, by refunding to them customs duty on N.A.A.F.I. imports for the Services which other independent countries provide duty free.

6. I hope that you will be able to agree that the offer to be made to Malta should be the above, and that we should try to keep to it in spite of the unwillingness which may be expected from Dr. Borg Oliver to be satisfied with it. If so I hardly think that Ministers need consider the matter in Committee though if you think it necessary we will agree with you a paper which might go to the Ministerial Committee on Overseas Development.

I am copying this to Wright in the Ministry of Defence and to Richard Sharp in the Treasury.

211 CAB 148/42, OPD(O)(65)30 6 Apr 1965
'Malta: budgetary aid 1965–6': CRO memorandum for Cabinet
Defence and Oversea Policy (Official) Committee. *Attachments*

The Malta Government is asking for budgetary assistance for the year April, 1965 to March, 1966 to cover a deficit of £2.475m.¹

The draft estimates for 1965/6 compare with the latest estimated outturn on 1964/5 as follows:—

	<u>£000</u>	
	<u>1964/5</u>	<u>1965/6</u>
Expenditure	14,279	15,520
Revenue	<u>14,132</u>	<u>13,621</u>
Deficit	147	1,899
Deficit b/f	<u>429</u>	<u>576</u>
Cumulative deficit	576	2,475

The 1964/5 revenue figure includes the budgetary assistance of £600,000 made available by the British Government.

In February the Malta Government sent a mission to London to make out their case and the situation has been studied in detail by the Ministry of Overseas Development, the C.R.O. and the Treasury.

¹ See 208 which gives the figure as £2,573,000.

Previous statements

2. When the question of budgetary aid was raised by the Malta Government during the independence negotiations, the then Colonial Secretary said that there could be no advance commitment but the British Government were prepared to consider any request for budgetary aid which the Government of Malta might make from time to time. He also made the following statement in Parliament in August, 1963:—

‘We fully realise that Malta will continue to need financial support from us. I made it quite clear that our support will not be cut off, and that Malta will be neither one penny the better nor the worse off as a result of independence.’²

Financial background

3. The increase on the expenditure side of about £1m. on a budget of about £14m. would not normally be thought unreasonable, bearing in mind the unavoidable additional costs to Malta arising directly from independence, i.e. diplomatic representation, subscriptions to international organisations, the cost of the Malta Territorial Force, which used to be met by the Ministry of Defence, and the additional recurrent expenditure generated by the development plan. Nevertheless there have got to be economies and possible cuts might be of the order of £650,000, e.g. by reductions on food subsidies, education, public works and health services.

4. Malta revenue is falling off as a direct consequence of the Services rundown which is now in full swing. Services expenditure, on which the economy of Malta has depended for generations, will be reduced by a further £3 m. in the coming year. Employment of Maltese by the Services will fall by about 900, to which must be added the secondary unemployment caused by a general drop in incomes. The movement of the Royal Sussex Regiment from Malta to Aden in April will be a further adverse factor. Although we are giving very generous development aid to Malta, for the next two years at least the effects of this will not be great enough to restore the budgetary position. Unemployment has risen from 3.5% in 1962 to over 9% of the working force, in spite of emigration having trebled over the last three years to about 9,000 a year. There are limitations, particularly in an election year in Malta, on the introduction of new taxation which is bound to have a direct effect on the standard of living. Nevertheless we think that new taxation of the order of £550,000 could be raised, e.g. by higher rates of income tax, higher indirect taxes on such things as tobacco, drink and petrol, higher charges for various licences and by increasing the P.W.D.’s charges for development work.

Views of Sir John Martin

5. Sir John Martin (Our High Commissioner) has advised that there would be grave political danger in offering less than £1.5m., but more recently he has suggested that ‘we could perhaps get by’ with £1.2 m. Extracts from his letters are attached.

Views of the O.D.M.

6. The Ministry of Overseas Development consider that on the ‘economic developmental’ merits the case for giving budgetary aid from our aid funds would be

² *H of C Debs*, vol 682, col 657, 1 Aug 1963.

very weak. Malta must stand on her own feet: budgetary aid is in every way an inappropriate form of assistance for an independent country; the £51 m. independence settlement was itself a generous recognition of the real difficulties of the service rundown; and Malta's income per head is enormously greater than that of other countries which have a strong claim on us for economic assistance but which we cannot help because aid funds are limited. Nevertheless they recognise that expectations of further budgetary aid were aroused at the time of the independence settlement and that we should suffer serious political damage if those expectations were to be disappointed. On that account they are prepared to agree to repeat for 1965/66 the current year's provision of £600,000. And since they consider it of great importance to bring the giving of budgetary aid to an end they would be prepared to promise now the same sum for 1966/67 on the understanding, which should be made plain to the Maltese Government, that this would be the last occasion on which this sort of aid would be given to Malta.

Political considerations

7. It is the view of our High Commissioner and the C.R.O. that, if we do not give substantial budgetary aid, there will be a very serious financial and economic crisis in Malta. As has happened before, we must expect a wave of political and industrial disturbances which would frustrate the objectives of our development aid. In the unstable conditions which would result British Forces might well become involved, since the Malta Government have the right to seek assistance from British Forces to maintain law and order if their own resources prove inadequate. Our Defence Agreement would be in jeopardy.

Recommendations

8. In view of the political considerations set out above the C.R.O. recommend that, taking into account the possibility of reductions in expenditure and increased taxation referred to in paragraphs 3 and 4 above, it would be imprudent to offer less than £1.2m. for 1965/66. It is no use trying to foresee now what may be the position in 1966–67.

Attachments with 211

Extract from a letter from Sir J Martin to Sir N Pritchard, 16 Feb 1965

... 'There would be grave political danger in offering anything less than budgetary aid of the order of £1.5 m. in the coming year. Refusal on our part to help Malta pay for the inescapable consequences of independence, and to maintain her essential Government services during the peak year of the Services' run down, which is reducing Malta's overseas earnings and lowering the taxable capacity of the country, will be regarded as going back on the pledges which Mr. Sandys gave in Parliament at the time of independence. If we show by our actions that Borg Olivier has been wrong in his contention that the Defence and Financial Agreements have enabled Malta to maintain independence with generous British help, we will have taken the ground from under his feet. He will be personally embittered and there would be a real danger that Mintoff would be returned to power on a wave of disillusionment

with Borg Olivier's independence. Any possible advantage in having a more decisive Prime Minister would be heavily outweighed by the atmosphere of unrest and anti-British feeling caused by increased unemployment and a generally declining economy.

The fact is that we cannot expect the present regime, who inherited practically empty coffers from the Colonial regime, to put their house in order overnight and, if we want to maintain our present defence facilities here, we must be prepared to give fairly substantial budgetary aid for some years to come. We must of course do what we can to stimulate the redeployment of the economy and one condition we might attach to our aid this year would be the immediate establishment of the Industrial Development Corporation

I do very much hope you will be able to persuade the Ministry of Overseas Development of the disastrous consequences to be expected from undue harshness in meeting Dr. Borg Olivier's requests. In the long run the cost could very far exceed any immediate economy'

Extract from letter from Sir J Martin to J M Kisch, 3 Mar 1965

7. . . . As for the political aspect, you will remember that in his valedictory despatch Wakefield referred to the 'irreplaceable asset' of goodwill to Britain and the British and concluded 'it must be the first object of our policy to preserve it unimpaired'.³ Without goodwill our enjoyment of the defence facilities here could be gravely hampered. If Borg Olivier loses the election, especially because of a wave of anti-British feeling, our position will be increasingly uncomfortable and expensive. Mintoff will demand revision of the Defence and Financial Agreements and will seek to use the threat of admitting the Egyptians or the Russians to extract a higher price from us'

³ See 206.

212 OD 34/34, no 57

7 Apr 1965

[Budgetary aid]: outward telegram no 132 from Sir J Martin to the CRO arguing in favour of aid being given on the basis of need

My telegram No.127: Financial Negotiations.

Following are my comments on Hayes' letter of 29 March to Pickard.¹

2. It is my clear recollection that budgetary aid given to Malta for 1964/65 was not (repeat not) intended to be *last such gesture to a country about to become independent*. I am certain that Mr. Sandys' statement² was not just a *defensive remark*: what he said was deliberate and he meant it. It was realised in the Colonial Office that with the cumulative effect of the services run-down (as forecast by the Joint Study Group) Malta would inevitably be faced with increasing budgetary difficulties in the first few years of independence, and that aid required in 1965/66

¹ See 210.

² See 208, note 2

was likely to exceed that approved in 1964/65 (which was for that reason kept to the lowest possible figure). Mr. Sandys' undertaking that Malta would not be a penny the better nor the worse as a result of independence was admittedly given (in reply to a Supplementary Question in Parliament) without Treasury authority, but the pledge stands and cannot be disregarded without breach of faith. What it means is that aid will continue to be given on the basis of need. As Hayes' letter points out, it is not appropriate to examine in detail the budget of an independent commonwealth country, and this means that it is difficult to establish exact extent of *need*; but it is possible by such discussions as you and we have had with Maltese to form an approximate judgment. I am convinced that Maltese Treasury control of departments is anything but soft. One is constantly coming across examples of provision for items on votes which are pitifully small in relation to needs. Salomone is as good a no-man as any Financial Secretary to the Treasury. In present budget he has inescapable commitments resulting for example from wage increases (which we agreed to pay to our services employees in Malta) and from consequences of independence (particularly overseas representation which is being kept within embarrassingly modest limits). Much expenditure on maintenance is overdue if Malta is not to degenerate into an outward condition of scruffiness that will repel tourists. No doubt cuts can and must be made (original provision for territorials was obviously excessive), but there is really not much room for manoeuvre without creating further intolerable additions to the mounting numbers of unemployed in a year in which the maximum impact of the run-down will be felt. There is a significant difference between encouraging the Maltese to cut their coat according to their own cloth and bringing about incurable unemployment with its grave consequences for our position and interests here.

3. Weakest aspect of Maltese case is their failure to accept need for self-help, and in particular increased taxation. I believe that they should be told that they must accept increases in taxation, even although this will make difficulties for Malta Government in an election year, and can scarcely fail to have serious effect on cost of living. There is I am afraid much evasion of income tax (for example on incomes from foreign investments), and more effective collection might well be at least as productive as increased rates. There is also, I think, scope for taxation of capital gains, at least on the enhanced value of land, in which there is currently considerable speculation in areas benefiting from tourist development.

4. I also believe that the Maltese should be brought to accept the necessity for deficit financing; we should use all our arts to persuade them that there is nothing immoral about it.

5. The proposed grant of pounds 1.5 million will leave a gap of about pounds 1 million and this will compel the Maltese to face the need for still further pruning of estimates, for new taxation and for deficit financing. It is simply not realistic to demand more in the present economic situation with mounting unemployment (8,650 in February 1965 compared with 7,480 a year ago and 5,200 in February 1962), continuing falls in services expenditure (£14.56 million in 1964 compared with £17.67 million in 1963 and £19.73 million in 1962), and certainty of compulsory discharge of 500 people by the Navy this year (on top of a like number leaving naval employment through natural wastage).

6. Although there is therefore a sound case for aid based on need, question is as much political as financial. We are receiving in all important respects friendly

cooperation from Malta Government in enjoyment of our rights under defence agreement. We cannot expect this goodwill to continue if we make their position impossible. A victory by Mintoff in the coming election will not be end of world, but it will make our defence position very uncomfortable if not untenable, and on present evidence as much as on past experience, he will blackmail us to the limit. In purely financial terms, I believe we shall lose more by forcing on Borg Olivier (whose present overall majority is only two) a politically unsaleable budget than we shall save if the grant is limited to £600,000.

7. I hope special importance of this year's budget is understood. It is likely to be decisive for Borg Olivier's chances in the election and in this respect a more important factor than present state of relations between Church and Mintoff. If Borg Olivier secures a decisive victory we can reasonably look forward to a period of stable government in which we can use all our influence to persuade him to take the necessary measures to apply our capital aid effectively and to impose the necessary burdens on his people. Malta as it is with its present standard of living and its slow-moving administration is our own creation. We cannot expect it to change overnight.

8. I therefore urge approval of proposed offer of £1.5 million as in draft C.R.O. paper; and that this be given in time to enable Malta Government to make necessary adjustments in their budget before presentation to Parliament by end April (as required by constitution). In giving warnings regarding future aid, reference might be made to problem of improving collection of taxes and offer made to second British Inland Revenue staff to assist in tightening up machinery. Reference might also be made to propriety and necessity of deficit financing, and to possibility of tax on increased land values; and the opportunity might be taken to insist on progress of setting up development corporation (on lines of Fiennes' report), as means of diversifying and strengthening of economy.

213 CAB 148/18, OPD 21(65)5 12 Apr 1965 'Malta: budgetary aid, 1965–66': Cabinet Defence and Oversea Policy Committee minutes

The Committee considered a note by the Chairman of the Defence and Oversea policy (Official) Committee (O.P.D. (65) 75)¹ covering a paper on budgetary aid to Malta in 1965–66.

The Secretary of State for Commonwealth Relations said that the Maltese Budget in 1964–65 showed a total deficit of £576,000 in spite of budgetary aid of £600,000 from the United Kingdom. The estimate for 1965–66, the first full year of independence, showed a total deficit of about £2.5 million. In theory the Maltese Government should be able to make economies amounting to £650,000 and to increase taxation to bring in an extra £550,000, though this would not be politically easy in an election year. Even if these measures were adopted there would still be a gap of about £1.3 million. A Budget deficit was almost inevitable during the early

¹ CAB 148/21, OPD(65)75, 'Malta: budgetary aid 1965–66': paper attached to a note by Sir B Trend, 9 Apr 1965.

stages of independence and the Maltese Government's financial difficulties were to a large extent due to the rundown of the United Kingdom Services. The High Commissioner in Malta had advised² that there would be grave political danger to our relations with Malta and to political stability in the island itself if we did not offer substantial budgetary aid this year—of the order of £1.5 million or at the very minimum £1.2 million. We were committed to assist the Maltese Government in the maintenance of law and order and if there were disturbances requiring the reinforcement of United Kingdom troops this could cost much more than the budgetary aid which he proposed.

The Minister of Overseas Development said that it was wrong in principle to give budgetary aid to an independent country. Malta was already receiving £50 million in development aid over 10 years, a higher figure per head of the population than any other recipient country. In her view there was no economic case for giving budgetary aid of £1.5 or £1.2 million since the Maltese Government could substantially increase their revenues by higher taxation and by preventing tax evasion. The case for budgetary aid was political and she would reluctantly agree to a figure of £600,000 this year and the same amount next year provided it was understood that no further aid of this type would be given thereafter.

The Secretary of State for Defence said that as a result of the defence review it might prove possible to cut our defence commitments in Malta. This would mean a further loss of revenue to the Maltese Government and in order to meet this problem he hoped that it would be possible to involve the North Atlantic Treaty Organisation (NATO) in the island, both by the establishment of a NATO Headquarters there and, if possible, by some provision of NATO aid. While we had defence commitments it was important to maintain stability in the island owing to our obligation to assist in maintaining law and order. It was also in our interest to assist the present Prime Minister, Mr. [sic] Borg Olivier, since he was genuinely pro-British, while the Opposition Leader, Mr. Mintoff, might, if he won the elections, repudiate Maltese association with NATO and turn to the Soviet Union.

In discussion it was suggested that the provision of budgetary aid on the scale proposed by the Commonwealth Secretary might be regarded as an attempt to strengthen Mr. [sic] Borg Olivier's position and hence as an intervention in Maltese domestic politics. It was, however, pointed out that the elections would probably not be held until late this year while the Budget must, according to the Constitution, be presented by the end of April. Moreover, if our aid were made conditional on the Maltese Government increasing taxation it would be less likely to appear to be a device to assist Mr. [sic] Borg Oliver.

Summing up the discussion *the Prime Minister* said that considerable weight must be given to the defence arguments. On the other hand there seemed little doubt that the Maltese Government could considerably increase their revenues through higher taxation and through preventing tax evasion. We should therefore provide £1.2 million in budgetary aid this year subject to the Maltese Government effecting economies in the Budget and increasing taxation by amounts which we judged to be reasonable. The Maltese Government should also be informed that we regarded steps to deal with tax evasion as essential and would be prepared to consider providing

² See 212.

them with expert advice for this purpose if they so wished. Budgetary aid in 1966–67 would depend on effective measures being taken in this field. It should be made clear that we would not propose to provide any budgetary aid in subsequent years.

The Committee:—

Invited the Commonwealth Secretary to arrange for the Maltese Government to be informed in the sense of the Prime Minister's summing up.

214 CAB 148/22, OPD(65)113 13 July 1965
'Malta: budgetary aid': joint memorandum by Mr Bottomley and Mrs Castle for Cabinet Defence and Oversea Policy Committee

At the meeting of the Committee on 26 May mention was made of the Malta Budget for 1965/6 and it was suggested that the failure of the Malta Government to raise additional taxation was a breach of the understanding on which they had been promised the British budgetary assistance to which the Committee had earlier agreed on 12 April (OPD 21st Meeting).¹ The Prime Minister suggested that we should examine the situation. We now submit for our colleagues' information a brief account of the facts and of the action that has been taken.

2. Following the Committee's decision on 12 April the Malta Prime Minister was informed that a grant of up to £1.2m. would be made available 'on the understanding that the Malta Government will effectively take the further steps necessary to balance the Budget by effecting economies in their expenditure and by increasing the tax revenue'. In the event the Malta Budget was balanced, taking our grant into account, partly by the previous year's outturn being nearly £400,000 more favourable than the figures given to us during the negotiations a few weeks earlier had suggested was likely, partly by economies in expenditure of about the same amount, and partly by relying on increased revenue of about £500,000 during the current year from existing taxes.

3. In these circumstances we agreed that the fact that the Budget figures were significantly more favourable than the estimates shown to us earlier and the failure to impose new taxation, raised a strong suspicion that the Malta Government had been less than frank in their dealings with us over our budgetary assistance. We also agreed that this suspicion had not been removed by the detailed explanation, relating to the estimates, which the Malta Government had given us of their own volition when the Budget had been presented. We agreed, nevertheless, that it would be fruitless to enter into an argument with the Malta Government about the facts, and that the right course was to make it plain to them that we had been greatly concerned by the difference between the final estimates and those shown earlier to us, and by the failure to increase taxation, and to warn them that this would affect the manner in which we should consider any request for budgetary assistance in 1966/7.

4. A message in these terms, reaffirming also the decision not to provide budgetary aid beyond 1966/7, was given to Dr. Borg Olivier by our High

¹ See 213.

Commissioner on 11 June. When Dr. Olivier subsequently came to see the Minister of Overseas Development on 29 June, while he was in London for the Prime Ministers' Meeting, he made an *apologia* for the way in which matters had been handled, saying that there had been no intention to mislead, but that the estimates had genuinely turned out differently from what had been expected and mentioning his political difficulties over taxation in an election year. The Minister took this opportunity to reinforce the points made in the message, stressing in particular the continuing need for the Malta Government to increase taxation revenues.

5. Our colleagues will remember that the decision to give budgetary assistance this year was coupled with the sending of an expert to advise the Malta Government on Tax evasion. This offer was accepted and arrangements are in hand for an expert from the Board of Inland Revenue to visit Malta, probably in August. At the same time the Malta Government have invited the United Nations Technical Assistance Bureau to send an expert to advise them on the taxation structure as a whole.

215 CAB 148/22, OPD(65)115 30 July 1965
**'Malta dockyard: litigation with the Baileys': memorandum by
 Mr Bottomley for Cabinet Defence and Oversea Policy Committee
 examining the different courses of action open to HMG**

Ministers have agreed (O.P.D. 10th Meeting)¹ that the action against Bailey (Malta) Ltd., should, if possible, be settled out of Court. This involves our purchasing the shares held by C. H. Bailey Ltd., in Bailey (Malta). I proposed in my earlier memorandum (O.P.D. (65)39)² that we should offer not more than £500,000 gross, though I warned that we might have to go higher.

2. From the Bailey's attitude in the negotiations so far, I am satisfied that we shall have to offer much more to get a settlement. It has now become most urgent that we should if possible settle this matter. There are four possible courses of action.

3. The first is to drop the negotiations and continue the litigation. If we won the case we could put the Company into liquidation, and so get the Baileys out of the Dockyard. This is all we could possibly get from continuing the litigation. On the other hand, if we lost the case, a contingency which cannot be ruled out, the Baileys would be back in the Yard and would make every effort to obtain heavy damages not only against the Council of Administration but also the British Government. The total legal costs, probably well over £100,000 would also have to be met by the British Government. This is so, even if the Government wins, as the Company would have no funds. There is another financial implication. Despite the considerable efforts of the Council of Administration the Yard is running at a loss, mainly because the Council, as the temporary administrators, answerable to the Malta Government, are not in a position to deal effectively with the many problems affecting the industry. The cash losses are at present of the order of £350,000 a year which would give a total of over £1 million in the period (three to four years) required for a final decision in the

¹ CAB 148/18, OPD 10(65)5, Cabinet Defence and Oversea Policy Committee minutes, 17 Feb 1965.

² See 207.

courts. As the Company has no reserves the Malta Government will have to find cash to keep the Yard running. With our agreement it could be found from the £51 million available to Malta for development under our Financial Agreement with them, but the Malta Government will probably press for the money to be provided outside the £51 million, using the argument that the need for it arises out of the mistake made by the British Government in putting the Baileys into the Yard. Meanwhile the litigation is undoubtedly jeopardising the future of the Dockyard, the main Maltese industry, and the situation is already giving rise to difficulties in our relations with Malta, which will increase as time goes on.

4. The second alternative is to offer whatever is necessary to settle the litigation. This might involve a payment for the shares of anything between £1 million and £1,500,000 representing two to three times the amount of cash which C. H. Bailey Ltd. invested in Bailey (Malta). A settlement on these terms would not only be extremely expensive, but would also be open to strong criticism on other grounds. The shares may have some potential value, but they have no commercial value at present. The British Government would be open to the charge that they had allowed themselves to be blackmailed by the Baileys into paying an excessive price for the shares, and that by the settlement they had not only condoned the Baileys' conduct of the affairs of the Company, which was so strongly criticised by the Muirie Report³ which was circulated to the House of Commons, but had rewarded them handsomely.

5. The third alternative is to press on as quickly as possible with the negotiations and if necessary, to make a final offer of up to £750,000 (which we are advised would be a reasonable figure for the shares in a settlement) possibly with some modification of our other terms for a settlement and with a time limit for the acceptance of the offer. A settlement on this basis would be open to the objections set out in the previous paragraph, though to a much lesser degree. It would have the advantage of being demonstrably fair and reasonable, and it would avoid the fourth alternative (below) and further delay and uncertainty. It seems doubtful whether the Baileys will settle even on these terms.

6. The fourth alternative is to expropriate the shares or the assets of the Company. This would of course have to be done by the Malta Government. The Prime Minister of Malta is considering proposals for expropriating the shares involving legislation which would, *inter alia*, fix compensation arbitrarily instead of leaving it to be determined under the procedure laid down in the Constitution for assessing fair compensation for expropriated property. A two-thirds majority would be required for the enactment of this legislation, and the Prime Minister has told me that he sees no prospect of getting the necessary majority if the Malta Government has to pay the compensation. Expropriation of any kind would be open to the general objections to the expropriation of the property of British subjects, and, if we were to reimburse the Malta Government for the cost of compensation, to the additional very serious objection that the British Government were actively assisting in the operation. In this case, too, there is a further objection that expropriation, whatever form it took would deprive the Directors of Baileys of the opportunity of refuting, in the English Courts, the charges we have made against the Company, which reflect on their

³ See 207, note 1.

ability and integrity. The Maltese legislation under consideration would also purport to terminate the contracts of Bailey (Malta) with parties in England. Counsel has advised that the English Courts would not be likely to accept such provisions as valid. It may be possible to devise some arrangements for expropriation which would be less objectionable than the sequestration proposals under consideration by the Prime Minister of Malta, but it is unlikely that any expropriation arrangements could be made which would leave the Baileys with their fundamental right to refute the charges we have made against them in the English Courts, or free us entirely from the accusation of connivance, or at least acquiescence.

7. All these courses are thus objectionable, in varying degrees, on political, legal and/or financial grounds. Nevertheless, a choice can no longer be delayed, and I have come to the conclusion that the least objectionable course is combination of alternatives three and four.

8. I therefore invite my colleagues to agree that:—

(1) We should press on with the negotiations, increasing our offer for the shares, as necessary, up to £750,000; but that this figure, together with some possible modification of our other terms should be made a final offer with a time limit for acceptance.

(2) While the negotiations thus proceed we should urgently consider, in consultation with the Malta Government, alternative arrangements for expropriation, including nationalisation, which might be less objectionable than the proposals at present under consideration by the Prime Minister, with a view to expropriation being set in motion without delay if our final offer is not accepted. This would, I fear, mean that we should have to pay the compensation, and that we could not even be certain of our ability to bring the amount inside the £51 million available to Malta for development under our financial agreement with them. We should be in a stronger position to defend expropriation if we could say that we had made a reasonable, and in fact generous, offer to settle, and the Baileys would be in a correspondingly weaker position to organise a protest.

216 CAB 148/18, OPD 35(65)2 4 Aug 1965 **‘Malta’: Cabinet Defence and Oversea Policy Committee minutes on the Malta dockyard and litigation with the Baileys**

The Committee considered a memorandum by the Secretary of State for Commonwealth Relations (OPD (65) 115)¹ about the Malta Dockyard and litigation with Bailey (Malta) Limited.

*The Minister of State for Commonwealth Relations*² said that the Committee had agreed at a previous Meeting that the action against Bailey (Malta) Limited should, if possible, be settled out of court by offering to pay up to £500,000 gross for the shares held by C. H. Bailey Limited in Bailey (Malta) Limited. It had been made clear to the Committee at the time that we might have to go higher than this figure. From Bailey’s attitude in the negotiations so far he was satisfied that we should have to

¹ See 215.

² C Hughes.

offer considerably more to get a settlement and it was now urgent that we should do so. There were four possible courses of action:—

(i) To drop the negotiations and continue litigation. If we lost the case, a contingency which could not be ruled out, Baileys would be back in the dockyard and would make every effort to obtain heavy damages. Even if we won, the case might last three years, during which time the dockyard would be likely to continue to run at a loss of the order of £350,000 a year since the Council of Administration was not in a position, as temporary administrators, to deal effectively with the many problems affecting the industry. In any event, the previous administration had agreed that the total legal costs, which would probably be well over £100,000, would be met by the United Kingdom Government.

(ii) To offer whatever was necessary to settle the litigation. This might involve a payment of between £1 million and £1,500,000 and, in addition to being extremely costly, would lay the Government open to severe criticism.

(iii) To make a higher and final offer of up to £750,000 with a time limit for acceptance. This would be demonstrably fair and reasonable but it was doubtful whether Baileys would settle even on these terms. It should, however, be borne in mind that the Government would recover some £180,000 of this sum since this was owed to Bailey (Malta) Limited.

(iv) To expropriate the shares or the assets of the company. This would have to be done by the Malta Government and would require a two-thirds majority for the enactment of the legislation. There would be no prospect of securing this if the Malta Government had to pay the compensation. Expropriation would be open to obvious general objection and would moreover deprive the directors of Baileys of the opportunity of refuting in the English courts the charges made against the company. Officials might nevertheless consider, in consultation with the Malta Government, what form expropriation might most appropriately take if this course became necessary.

All the possible courses were therefore open to some objection and in the circumstances a combination of the third and fourth seemed the best.

*The Solicitor-General*³ said that action which might properly be termed expropriation or sequestration would be open to very strong objection. There might, however, be advantage in the nationalisation of the dockyard by the Malta Government, a course which would not be open to comparable objection and which while freeing the administration of the dockyard from the uncertainties of continuing litigation, would not deprive C. H. Bailey Limited of their right to take action in the English courts if they thought fit to do so. If, however, a settlement out of court were desired it would be necessary to increase the offer as proposed by the Minister of State for Commonwealth Relations.

The Chief Secretary, Treasury,⁴ said that there was no evidence that the higher offer proposed would necessarily be acceptable to Baileys and to achieve a settlement it might be necessary to go considerably higher. It should, moreover, be noted that the deduction of £180,000 from the final payment was something which had already been taken into account when the Committee had agreed to a maximum offer of

³ Sir Dingle Foot.

⁴ John Diamond.

£500,000. A higher payment than the latter would be open to severe public and Parliamentary criticism and in these circumstances it would be preferable to pursue the proposal for nationalisation.

Discussion showed general agreement that the form and the relative advantages of nationalisation should be further considered by officials before the Committee came to a decision. A public statement by the Malta Government to the effect that this course was under consideration or indeed a leakage of information to that effect might well affect the attitude of Baileys to the acceptance of the present offer of £500,000. It was noted that in the event of nationalisation the Malta Government might look to the United Kingdom Government for a further grant to meet the cost involved, though there would be good grounds for maintaining that such expenditure should be met from the total of the United Kingdom monies already committed to the assistance of the Malta Government.

The Committee:—

- (1) Invited the Minister of State for Commonwealth Relations, in consultation with the Chief Secretary, Treasury, to arrange for the examination by United Kingdom officials, in conjunction with officials of the Malta Government, of the implications of the nationalisation by the Malta Government of the Malta Dockyard.
- (2) Agreed to resume their discussion in the light of the outcome of this examination.

217 CAB 148/24, OPD(65)181

19 Nov 1965

**'Use of Malta or Cyprus for provision of aircraft support to CENTO':
memorandum by Mr Bottomley for Cabinet Defence and Oversea
Policy Committee**

In reaching a decision as to whether support for CENTO by aircraft with a nuclear capability should be adequately provided from Malta or from Cyprus as at present, there are certain political and other considerations affecting our relations with Malta and Cyprus to be borne in mind.

Cyprus

2. In Cyprus our bases are sovereign areas, and although it is necessary to have the goodwill of the Cypriot Government, and if necessary to pay for that goodwill in various ways in order to have the facilities on which the use of the bases depends, nevertheless we can in the last resort and if necessary continue to operate from the bases even under difficulty. But looking to and beyond 1970, our tenure of the bases must be expected to become more and more difficult to maintain against growing political and subversionary pressures. These pressures may be even more severe if the conflict in Cyprus between the Turks and the Greeks is resolved. It is also relevant that if, through no longer having a commitment to reinforce Libya, we wished to give up Dhekelia, it is likely that the pressure on us to give up Akrotiri as well would greatly increase.

3. If we could dispense with the use of the bases in Cyprus, we should remove a possibly serious bone of contention with an otherwise friendly country in the Eastern

Mediterranean. If we can negotiate the handing over of the Sovereign Base Areas in the context of a settlement of the Cyprus problem, we ought to be able to retain the right to have an undefended staging post in the Island, even though, in certain circumstances, a future Cypriot Government might make difficulties over its actual use. It is implicit that while the present conflict in Cyprus lasts it will be extremely difficult for us to withdraw completely from the bases.

4. If, before there is a settlement in Cyprus enabling us to negotiate the giving-up of the bases, we decided solely to remove the Canberra squadrons to Malta, we should have to leave sufficient forces in the bases to continue their effective occupation.

Malta

5. If, as planned, we reduce to an undefended staging post in Malta, the Maltese Government will certainly raise strong objections, because they will regard such a small establishment as derisory—apart from any financial claim as mentioned in paragraph 9 below. If we were to station our Canberra squadrons in Malta, this would ensure our having the staging post and make compensatory aid unnecessary. We should be able to maintain in Malta a stockpile if it were still needed for the reinforcement of Libya.

6. There is no British sovereign territory in Malta, and any military forces which we use would be under the Defence Agreement (until 1974).¹ On the other hand, in comparison with Cyprus, Malta is free from ethnic conflict and is more socially homogeneous and politically stable. The Maltese are accustomed to British military establishments and, generally speaking, welcome the presence of our forces in the Island. The present Maltese Government want us to stay; and the best advice I have is that in the event of Mintoff coming into power, he would in practice welcome such a British activity, although he would seek to get us to pay a steeper price for it in aid.

7. There is, however, one special difficulty in respect of stationing squadrons with nuclear capability in the Island. The present Maltese Government has shown itself peculiarly sensitive with regard to any proposal for placing nuclear equipment in the Island, even temporarily; and it must be assumed that a Government under Mintoff would have at least as strong an objection. Although there is nothing in the Defence Agreement excluding nuclear equipment, we have in the past deferred to Malta's wishes in this regard, and if we did intend to maintain nuclear equipment there in future, we should have to persuade the Maltese to change their minds. Maltese cavils might be removed if it were practicable to propose to them that, although we should not normally keep nuclear equipment in the Island, we should be permitted to bring it in as and when our operational needs required it.

8. In short, Malta has certain advantages as compared to Cyprus, provided that in negotiation we could get over the nuclear problem. This would be difficult; but might not prove impossible. There would be problems of timing (see paragraphs 3 and 4 above).

Finance

9. Whichever course we decide to follow, financial considerations outside the scope of the defence budget will arise and will require further consideration.

¹ See 202, note 2.

Continued use of the Cyprus bases will involve a continuation of aid under the Treaty; but, if we leave, there will at any rate be a demand from the Cypriots for compensation for their economy. If we only retain an undefended staging post in Malta, we cannot avoid giving substantial compensatory support for their economy, beyond what we give at present; but this would not arise if the Squadrons were transferred to Malta. (While the pattern of our forces would be different, I am assuming from the Appendix to Part 1 of the Mediterranean Study, Annex E to MISC 17/14,² that our forces in Malta would then not differ greatly in total from what they are at present.)

² CAB 130/213, MISC 17/14, 'Defence review': report by the Cabinet (Official) Defence and Oversea Policy Committee, 8 Nov 1965.

218 CAB 148/26, OPD(66)7 13 Jan 1966
'Malta': memorandum by Mr Cledwyn Hughes¹ for Cabinet Defence and Oversea Policy Committee on the consequences of proposals to reduce British forces in Malta

At their meeting on 24 November the Committee invited the Secretary of State to circulate a memorandum on the consequences for our commitments under the Malta Defence Agreement of our proposals to reduce our armed forces in Malta to a staging post with a reconnaissance squadron (OPD (65) 52nd Meeting, Conclusions).

2. The Defence Agreement, which the previous Government signed on Malta's independence in September 1964 and which runs for ten years, provides that the British Government and the Malta Government 'each undertake to afford to the other assistance for mutual defence . . .'. The Agreement enables us to station military forces and maintain military establishments in Malta for the purpose of mutual defence. We also undertake to provide, to such extent as may be agreed, facilities for the training of Maltese armed forces. Under Article 6 of the Defence Agreement 'the Government of the United Kingdom will consult the Government of Malta when major changes in the British forces in Malta which might have significant effects on the defence or economy of Malta are contemplated'. Thus, we cannot make the proposed reductions without consulting the Malta Government; and we are bound to admit that a reduction on the scale proposed will have a very serious effect on the Maltese economy.

3. The previous Government also signed with the Maltese, at independence, a financial agreement which was closely linked with the Defence Agreement and obliges us to give capital aid to Malta until 1974 totalling some £50 million. From 1967 the aid is subject to the continued operation of the Defence Agreement which we do not intend to abrogate. By any standards this is generous aid but the minimum that was considered necessary in the circumstances. We have also provided budgetary aid of £0.6 million in 1964/65 and £1.2 million for 1965/66. We have said

¹ Minister of state for Commonwealth relations.

that we could not consider giving budgetary aid for 1966/67 unless the Malta Government demonstrates a genuine need and takes effective measures to reduce expenditure and increase taxation. The argument advanced for budgetary aid was that in the period until development plans fructified it was necessary to assist in counteracting the effects of unavoidable increases in expenditure after independence and the decline of prosperity occasioned by the Service run-down.

4. The implications of the above undertakings are examined below.

Political

5. The present Malta Government and the majority of the Maltese traditionally regard the presence of British forces in Malta as part of their daily life and a symbol of their close attachment to Britain. And the attitude of Mr. Mintoff and his followers would be conditioned by the economic effect of our departure. Our proposals will therefore come as a severe shock to Maltese opinion. The High Commissioner considers that the consequent massive unemployment would inevitably lead to an anti-Western Government. Unless, therefore, the run-down of British forces is very gradual, and its economic effects cushioned to a very large extent, we must reckon with the possibility that the virtual withdrawal of British forces, with the consequences described in this paper, will give rise to a strong political reaction in Malta, not only against Britain, but against the West and NATO as a whole, opening the way to a dangerous extension of neutralist and Soviet bloc influence and perhaps leading to a demand for a total withdrawal of NATO. A general election must be held not later than July 1966, and this is a factor affecting the timing of any approach to the Maltese Government.

Defence

6. We may expect the Maltese to question our ability to honour our obligation to defend them if we withdraw our military garrison. However much we argue that we need not station British forces in Malta in order to fulfil this obligation, the Maltese are likely to insist that we help them with local defence. They will expect us to continue to provide funds for their own territorial forces; and they may well ask us to maintain the Royal Malta Artillery as part of the British army, and to permit units to be readily available for local defence in Malta.

7. The run-down of our forces makes it all the more important that a NATO headquarters be maintained in Malta. Though consisting of only about 150 NATO personnel of different nationalities the presence of the NATO headquarters would assume greater significance as a visible sign of Malta's link with the West. Some members of NATO, primarily Italy, may suspect our motives in arguing for the retention in Malta of the NATO headquarters. But it seems probable that the Alliance would accept the need for this at least for the foreseeable future, and, even if the headquarters is downgraded, its size is unlikely to be reduced.

8. We have also inherited an undertaking given confidentially to the Malta Government by Mr. Duncan Sandys to consider any request which the Malta Government may make for British military help in maintaining internal security. It would, I think, be best to seek a release from this obligation, but it is unlikely to be easy to obtain such release: the Malta Government would almost certainly insist upon having their own full-time force for internal security, and probably for the

defence of the Island, and claim that we should pay for the creation and maintenance of such a force. It should be noted that Malta's internal security situation would be of some concern not only to ourselves, but also to our NATO allies.

Economic

9. When the Ministry of Defence announced, in the Defence White Paper of 1962, that Malta would be reduced to the status of a forward operating base, this started off a significant run-down of our Services establishments in Malta, involving the compulsory retirement of a large number of Maltese employees. At the beginning of the run-down in 1962 the total of Maltese employed by the Services was over 13,000. The numbers still in service employment are now some 9,000. The Government of Malta was informed in advance of the numbers which we intended should be declared redundant; and while the previous Government could not give any specific pledge that the number of these redundancies would not be exceeded, Dr. Borg Olivier was told formally in May 1962 that 'although the facilities of a major naval base will no longer be required in Malta, H.M.G. certainly hope to retain in the Island forward operating facilities for the Royal Navy and Royal Air Force. This will entail the continued stationing in Malta of substantial numbers of United Kingdom Service Personnel and continued employment of a substantial labour force. There will also be an Army garrison'. This assurance was accepted by the Maltese as good ground for believing that there would be a continuing British Service presence in Malta; and this impression was confirmed by Mr. Sandys when he visited Malta in June 1963 and said, with reference to the Services run-down, 'without making any promises, I will continue to explore the possibility in one way or another of softening the effects of these changes'. While the consequences of the 1962 Defence White Paper may have been less severe for the Maltese than at first seemed likely, unemployment has been steadily rising and is currently about 8,100 (9 per cent of the working population), i.e. approximately double the 1962 level. The situation would have been even more critical but for the emigration policy pursued by the Malta Government (with financial assistance from us). Since 1962 over 20,000 persons have migrated from Malta. The efforts made by the Malta Government, with our help and our financial assistance to provide alternative work for those discharged, and to provide opportunities for young people now leaving school, cannot however be said to have been entirely successful. Since the First Five Year Development Plan began in 1959 the total number of actual new jobs created up to 30 September 1965 by the new industries was 2,835 with an estimated potential capacity of 5,608, but there has been a tendency for the new industries to have a bias towards female and youth employment, rather than adult male. There is no apparent prospect that tourism, or the limited kind of industrial development which can flourish in Malta, can compensate for the certain and assured employment provided directly by the Service Departments and indirectly by the armed forces and their families.

10. As stated above, at present Service Departments and M.P.B.W. employ some 9,000 people. If Malta is reduced to a staging post with a reconnaissance squadron this figure is likely to drop to approximately 600 and the number of British Services personnel in Malta seems likely to fall from about 6,000 to about 1,200, with a consequent reduction in the numbers of Service families. These changes will greatly reduce Service spending, create further secondary unemployment and widen the gap

in Malta's balance of payments. It is estimated that between 1961 and 1964 Service expenditure has dropped from £21.89 million to £14.56 million and is now in the region of only £12 million per annum. The cumulative effect of the decline in Service expenditure is already noticeable, and in 1964, for the first time in many years, Malta had an adverse balance of payments of some £1.4 million.

11. The Maltese will react very strongly when we inform them of our intentions. I would expect them to exploit to the full our obligation to consult them, and to insist that we cannot withdraw our forces and reduce our establishments without compensating them fully for the damage to their economy. I would expect them to concentrate their demands under four heads:—

- (i) additional capital assistance to generate new work in the medium and long term;
- (ii) immediate budget assistance to pay for a short-term programme of public works to provide employment, and to enable them to pay for additional unemployment relief;
- (iii) additional budget assistance for an expanded programme of emigration;
- (iv) strong pressure on us to increase the Maltese quota under the Commonwealth Immigrants Act, to an even higher figure than the present exceptionally high one (relative to Malta's population), which has already exposed us to strong criticism from other less favoured Commonwealth countries.

The Ministry of Overseas Development can at present hold out no hope that within the present aid ceiling there is any prospect of additional aid being available for Malta. A similar problem consequential on our new defence policy will arise in Singapore and Cyprus (and no doubt also in Aden). We shall need to know in more detail what the economic effects of our new defence policy are likely to be in these places and in what directions and to what extent we might be able to alleviate them if we decided to contribute economic aid for this purpose. The officials are in touch with those of the other Departments concerned.

Conclusions

12. I conclude that the consequences of our proposals to reduce our armed forces in Malta are likely to be as follows:—

- (i) We are obliged under the Defence Agreement to consult the Malta Government before we can implement these reductions. The Malta Government will use this process of consultation to extract maximum compensation from us.
- (ii) In particular, they will question whether we can honour our obligation to defend them without a garrison, and will press for further defence aid for the maintenance of their own forces for internal security (paragraphs 6 and 8).
- (iii) They will also press strongly for more economic aid to offset the consequent loss of employment and other economic disadvantages (paragraph 11).
- (iv) In any event their relations with us will be impaired, and should they be dissatisfied with our response to (ii) and (iii) above, there would be a serious increase of neutralist and anti-Western influence, which would be dangerous to our interests and those of NATO.

219 CAB 148/25, OPD 9(66)5

1 Feb 1966

'Malta': Cabinet Defence and Oversea Policy Committee minutes on the effects on Malta of the decision to reduce the UK military establishment

(Previous Reference: OPD (65) 52nd Meeting, Item 1)

The Committee considered a memorandum by the Minister of State for Commonwealth Relations (OPD (66) 7)¹ on the position in Malta in relation to the provisional conclusions reached in the Defence Review.

The Commonwealth Secretary said that the decision to reduce our military establishment in Malta to a staging post with a reconnaissance squadron would have serious effects on the Maltese economy and would aggravate the problem of unemployment. Under Article VI of the Defence Agreement we were committed to consult the Government of Malta before giving effect to our decision and it must be expected that the Malta Government would press strongly for compensation. They would be likely to ask for further defence aid for the maintenance of their own forces for internal security and for more economic aid to offset the loss of employment and other economic disadvantages which would result from our withdrawal. Our relations with Malta would be impaired and, unless a settlement were reached acceptable to the Malta Government, there would be a risk of increased neutralist and anti-Western influence which would be dangerous to our interests and those of the North Atlantic Treaty Organisation. The High Commissioner in Malta fully endorsed these conclusions. In view of the obligation to consult the Government of Malta he proposed that there should be a study by the Commonwealth Relations Office, the Treasury and the Ministry of Overseas Development of the consequences of the proposed reduction in United Kingdom forces in Malta and of the measures which might be taken to mitigate them. Malta was not the only place in which changes in our military dispositions resulting from the Defence Review might lead to claims for increased aid and similar studies might be required, for instance in regard to Cyprus and Singapore.

In discussion there was general agreement that a study should be made as proposed by the Commonwealth Secretary. It was however pointed out that Malta was already receiving aid at a very high level in proportion to the total population and that further assistance could not be provided within the present aid ceiling. It was also doubtful whether Malta could absorb any more development aid even if the money were available. Malta's foreign exchange reserves were moreover high in proportion and the Maltese were still investing some £5 million a year abroad. There should therefore be scope for internal measures, such as the provision of improved housing, and particularly for a more equitable system of taxation, which would relieve the unemployment problem and the other effects of the proposed run-down of United Kingdom forces.

Summing up the discussion *the Prime Minister* said that the study proposed by the Commonwealth Secretary should be put in hand; this would not prejudge the question whether any further assistance to Malta would be justified to compensate for the reduction in our forces.

¹ See 218.

The Committee:—

(1) Took note of OPD (66) 7.

(2) Invited the Commonwealth Secretary, in consultation with the Chancellor of the Exchequer and the Minister of Overseas Development, to arrange for a study of the economic consequences for Malta of the proposed reduction in United Kingdom forces, on the lines indicated by the Prime Minister in his summing up.

220 CAB 148/25, OPD 34(66)2

5 Aug 1966

‘Defence review: Malta’: Cabinet Defence and Oversea Policy Committee minutes

The Committee considered a memorandum by the Commonwealth Secretary (OPD(66) 86)¹ on the implications for Malta of the decisions taken in the Defence Review.

The Commonwealth Secretary said that in accordance with the decisions of the Defence Review it was intended that our defence establishments in Malta should be reduced to the level of a staging post and an RAF reconnaissance squadron by 1st April, 1969. It had been recognised that these reductions in personnel and establishments would have a severe effect on the Maltese economy and that the decision to reduce our forces would necessitate consultation with the Malta Government under the terms of our Defence Agreement with Malta. At the Meeting of the Committee on 1st February, 1966 (OPD(66) 9th Meeting, Item 5)² it had been agreed that a study should be made by officials of the economic consequences for Malta of the run-down envisaged by the Defence Review, and of the measures which might be taken to mitigate them. From this study it had emerged that by April, 1970, unemployment in the Islands might be of the order of 20 per cent; that the direct effect on the Maltese national income might be a fall in the order of 8–10 per cent which, coupled with the indirect effects, might rise to 15 per cent; that the effect on the Maltese budget would be substantial, and that there would be a direct foreign exchange loss to Malta of between £3 and £4 million from a reduction in Service expenditure. There could thus be no doubt of the intense severity of the effects of the run-down now proposed on the Maltese economy; the United Kingdom High Commissioner considered the effects would be catastrophic. Moreover even if we could in the present circumstances afford the provision of further economic aid it must be recognised that no form of aid could materially assist a solution of the unemployment problem which would develop. For these reasons he had intended before the recent economy exercise to ask for a modification of the timetable for the Defence run-down in Malta in the special circumstances of the Islands, and he would still wish to urge this strongly. If, however, in view of the paramount need to secure early savings in our oversea defence expenditure the Committee felt it was essential to keep to the phasing proposed, our consultations with the Malta Government should, as a minimum, include the following:—

¹ CAB 148/28, OPD(66)86, ‘Defence review: Malta’: memorandum by Bottomley, 3 Aug 1966.

² See 219.

- (i) We should reassure the Maltese that the £37.2 million aid remaining under the Financial Agreement would not be affected and that if these moneys proved inadequate we would consider as sympathetically as possible the case for further economic aid.
- (ii) We should offer to provide experts to consider with the Maltese any measures open to quicken the adjustment of their economy to the run-down and the provision of alternative sources of employment. For example, a team from the Confederation of British Industry (CBI) might investigate the possibilities of United Kingdom investment in Malta.
- (iii) We should be as forthcoming as possible in offering employment under the Crown to Maltese, whether under the Service or civilian Departments.
- (iv) The enhanced rates of terminal gratuities sanctioned for the previous run-down and due to expire on 1st April, 1967, should be continued until the end of the proposed run-down.
- (v) Subject to the views of the Commonwealth Immigration Committee we should offer a substantial increase in the allocation of employment vouchers for Maltese to enter the United Kingdom under the Commonwealth Immigrants Act and extend the period of the existing concession until at least July, 1970.

If the Committee decided to confirm the run-down as given in Annex A to OPD(66) 86 as the basis for consultations with the Maltese, then, in addition to authorising the offer of the measures proposed above, we should confirm that no further acceleration of the run-down would be contemplated and that implementation of the run-down would not begin until the views of the Malta Government on our proposals had been taken into account.

In discussion there was general agreement that in present economic circumstances the phasing of the Defence Review proposed in Annex A of OPD(66) 86 could not be delayed. As regards the effect of this on the Maltese economy, *The Chancellor of the Exchequer* said that he was impressed by the serious nature of the difficulties which would face Malta and in particular by the extent of unemployment which would result but considered that in the first instance there should be a more thorough examination of the present state of the Maltese economy and of the further measures which might be taken by the Malta Government themselves to meet the situation, having regard to the present relatively high per capita income e.g. in securing a more equitable distribution of taxation burdens and preventing evasion of income tax.

Discussion then turned to the suggestions in paragraph 7 of the Commonwealth Secretary's memorandum:

(a) Aid

The Minister of Overseas Development said that under the Financial Agreement of 1965, £51 million was to be made available to Malta over a period of ten years. It had been agreed that £6 million should be made available for the current financial year and not exceeding £31.2 million for the remaining seven years of the agreement. It was possible that the £6 million for this year would not all be spent. It would be difficult for him to agree without prejudicing the overseas aid programme as a whole that any unspent balance should be carried over to the following year, or that any commitment however guarded should be made to consider the case for further economic aid.

In discussion it was agreed that in view of the Government's decision to cut the level of overseas aid by a total of £20 million it would not at this stage be possible to undertake any commitment to consider sympathetically Malta's case for further economic aid, or to carry over any unspent balance of the £6 million for 1966–67 to the following year.

(b) Advice to the Maltese on economic measures

It was agreed that it would be useful for a proposal to be made to the Malta Government that the United Kingdom Government should provide experts to consider with the Maltese any measures which might be open to them to quicken the adjustment of their economy to the run-down and the provision of alternative sources of employment. While the CBI might be approached to send a team to investigate the possibility of British investment in Malta, the manner of such an approach to the CBI would need careful consideration, in which the Treasury should be consulted in view of the discouragement by the Government of capital investment in the sterling area during our current balance of payments difficulties.

(c) Offer to the Maltese of employment under the Crown

It was agreed that this should be pursued. While the Ministry of Defence would be glad to take as many Maltese as possible in both Service and civilian capacities, it was unlikely, however, that the number who could be absorbed would be very large.

(d) Enhanced rates of terminal gratuities

The Commonwealth Secretary's proposal was agreed.

(e) Allocation of additional employment vouchers for Maltese immigration to the United Kingdom

*The Home Secretary*³ said that on the previous day the Commonwealth Immigration Committee had taken the view, with the exception of the Parliamentary Under-Secretary of State for Commonwealth Affairs, that an additional immigration quota for Malta could not be granted. This would be liable to re-open in this country the whole question of Commonwealth immigration, which was now relatively quiescent. It could also lead to renewed criticism from other Commonwealth countries such as Jamaica that we were practising racial discrimination. It was suggested that the Maltese Government could be reminded that the special quota of 1,000 vouchers for Malta would continue until August, 1967, and that an undertaking was given in last year's White Paper that the position would then be reviewed. It had also been pointed out that Malta was not using to the full the quota agreed by Australia for Maltese immigration there and that there were other opportunities for Maltese immigration to other European countries.

In discussion the view taken by the Commonwealth Immigration Committee was generally endorsed. It was pointed out that it would be for the Malta Government, if they so desired, to take up with the Australian Government the question of obtaining further opportunities for Maltese emigration to Australia.

³ Roy Jenkins.

In further discussion *The Secretary of State for Defence* said that he was reluctant to accept the position that no further acceleration of the run-down beyond that described in Annex A could be contemplated. If the United States Government undertook to provide air transport to meet our military commitments in Libya some further acceleration might be possible in the run-down in Malta, and he must reserve his position in this respect. It would also be difficult for him to accept that implementation of the run-down should not start until the views of the Malta Government on our proposals had been fully taken into account. In order to implement the savings agreed in the Defence Review it would be necessary to start the movement of Forces and supplies on 1st October and there was an obligation to consult NATO beforehand.

The suggestion was also made that it would be worth considering how far it would be possible to soften the impact on Malta of our withdrawal by using Malta temporarily for the accommodation of United Kingdom troops withdrawn from the Far East and possibly also Germany. It was agreed that this could be further studied in due course.

The Prime Minister, summing up the discussion, said that the Committee agreed that having regard to the paramount need for economy no relaxation was acceptable in the phasing of the proposed run-down in Malta agreed at the Defence Review and set out in Annex A of the Commonwealth Secretary's paper. As regards the Commonwealth Secretary's proposals for further consultation with the Malta Government in order to reduce the impact on the Maltese economy of our proposed run-down, the proposals to provide Malta with experts to advise upon measures to quicken the adjustment of their economy, to offer employment under the Crown to Maltese wherever practicable, and to continue the enhanced rates of terminal gratuities until the end of the proposed run-down were agreed, subject to the points made in discussion. As regards aid, it was agreed that it would not be possible at this stage to undertake any further commitment to consider sympathetically the case for further economic aid or to carry over the unspent balance of the £6 million for 1966–67 to the following year. The proposal to offer additional immigration vouchers to Malta had been rejected by the Commonwealth Immigration Committee; it would be possible for the Maltese to pursue the question of emigration with Australia and European countries if they wished. The Commonwealth Secretary might now consult the Malta Government further on the lines agreed in discussion.

The Committee:—

- (1) Invited the Commonwealth Secretary, in consultation with the Chancellor of the Exchequer and the Minister of Overseas Development, to consider further the question of what measures the Government of Malta might now be advised to take to improve the Maltese economy, particularly as regards taxation.
- (2) Invited the Commonwealth Secretary, in consultation with the Chancellor of the Exchequer, the President of the Board of Trade and the Minister of Overseas Development, to consider an approach to the CBI to urge them to send out a team to investigate the possibilities of United Kingdom investment in Malta.
- (3) Invited the Commonwealth Secretary to initiate consultations with the Malta Government on the basis of the run-down outlined in Annex A to OPD(66) 86, having regard to the points indicated by the Prime Minister in his summing up of their discussion.

221 CAB 148/25, OPD 39(66) 12 Oct 1966
**‘Malta’: Cabinet Defence and Oversea Policy Committee minutes on
the services rundown in Malta**

(Previous Reference: OPD(66) 34th Meeting, Item 2)¹

The Committee considered a memorandum by the Commonwealth Secretary (OPD(66) 98)² on the reduction of the services in Malta.

The Commonwealth Secretary said that the Maltese Government had reacted very strongly against the proposals put to them by the Parliamentary Under Secretary of State and there was no prospect of securing their acquiescence in reductions on the scale and timetable we had envisaged. During the Commonwealth Prime Ministers’ Conference the Maltese Prime Minister had confirmed their position and had referred to an assurance given by the former Colonial Secretary (Mr. Duncan Sandys) in 1964 that there would be no further reduction for ten years: however no record of any such undertaking existed in the Commonwealth Office.

A re-examination of the consequences for the Maltese economy had shown that these would be very severe, particularly in regard to unemployment. Even if more money were available this would not mitigate the effects in the short term. The Chiefs of Staff had confirmed that the remaining facilities which we intended to retain in Malta would be of great importance and many of our plans, for instance the evacuation of British subjects in case of need from Nigeria, depended on the use of Malta as a staging post. There was however a risk that if we carried out the reductions against the wishes of the Maltese Government, they would deny us these remaining facilities. This would be against their own best interest but both Government and Opposition in Malta were in that event likely to act on emotion rather than reason. Resentment might be so strong as to turn Malta against the West, with serious consequences for the North Atlantic Treaty Organisation and for the strategic position in the Mediterranean. The damage to Anglo-Maltese relations would affect other issues on which decisions were urgently required, such as the future of the Malta Dockyard and which were important to United Kingdom interests. It must also be recognised that the savings we should obtain would be offset by a reduction in Maltese imports from the United Kingdom so that the net benefit to the balance of payments might be no more than £4 million a year. We should therefore agree to modify the extent and timing of the rundown. We should offer to defer for two years the withdrawal of the two battalions from Malta. This would cost an additional £1–2 million a year, but against this could be set £1¾ million which would have to be spent on accommodation in the United Kingdom if the troops were brought back here. We should also offer to retain for a further period the Royal Malta Artillery (RMA) now serving in Germany, to which the Maltese Government attached great importance, if only for reasons of prestige. We might also offer to defer the withdrawal of one Canberra squadron for six months and of the Royal Navy frigates for twelve months. The total net additional cost would be a little more than £2 million, of which £1.5 million would be in foreign exchange. The Maltese Prime Minister would be leaving

¹ See 220.

² CAB 148/28, OPD(66)98, ‘Malta run-down’: memorandum by Mr Bowden, 10 Oct 1966.

Malta for two months in early November but it had been suggested to him that he should come to London in late October for further consultations about the rundown.

The Secretary of State for Defence said that Malta was only one instance of the difficulties which were bound to arise from the Defence Review redeployment and the decision taken in July to accelerate the programme. We faced similar difficulties in such areas as Germany, Hong Kong, Libya and Brunei. There were dangers in dealing with each area individually and it would be better to take decisions after a review of the whole problem. If it were decided, after such a review, that changes in the Defence Review redeployment were required for political rather than military reasons, any additional cost should not fall on the Defence Vote. In regard to Malta it was important that the Royal Navy and Royal Air Force reductions should not be delayed and according to his information the cost of doing so would be higher than that suggested by the Commonwealth Secretary. If the Royal Navy frigates were not withdrawn we should have to retain the shore installations and the cost would be £2 million in resources and £3.4 million in foreign exchange. The retention of the Canberra squadron would cost £20,000 in resources and £100,000 in foreign exchange. The RMA would not be required in Germany after April 1967 and to retain it there would cost our balance of payments £500,000 a year in remittances as well as the cost of maintaining the second regiment in Malta. We should not go further than the offer already made to discuss with the Maltese Government the date for handing over to them responsibility for the RMA. The retention of the two Army battalions in Malta would offer certain advantages in easing the accommodation problem in the United Kingdom, but the additional United Kingdom expenditure of £1¼ million would only be deferred unless the battalions were to remain in Malta for a number of years until the problem of temporary accommodation in the United Kingdom had been solved. If we made any offer in relation to the two battalions we should try to limit its scope. Instead of agreeing initially that both battalions should remain for an additional two years we might seek agreement on the basis that withdrawal should be deferred for only one year or that the delay should be of one year for one battalion and of two years for the second. A particular problem concerned the withdrawal of the Shackleton squadron; this had not been in Malta at the time of the 1964 Agreement and its withdrawal had not been accelerated by the July decisions. Even if consultation with the Maltese Government about our other proposals were delayed we should secure their acquiescence in the withdrawal of the Shackleton squadron.

In discussion there was general agreement that the position in Malta should be considered in relation to the position in other areas affected by the Defence Review redeployment and by the decisions reached in July to make savings of at least £100 million in Government overseas expenditure during 1967/68. It would then be possible to judge the arguments in regard to Malta, based on the long association between Malta and the United Kingdom and the economic consequences for Malta, against the arguments applying to other areas.

Summing up the discussion *The Prime Minister* said that the Government had recognised that the decisions taken in July in regard to savings in Government overseas expenditure would be difficult to implement, but it was important to achieve the total saving which had then been announced. A review of the progress made in reaching this total, and particularly of the defence savings which formed part of it, should be prepared urgently so that the Committee could consider the position in Malta and in the other areas affected by the Defence Review

redeployment. Meanwhile, the Maltese Prime Minister might be informed that the question of the Services rundown in Malta was still under consideration; but we should insist that the withdrawal of the Shackleton squadron should be treated as a separate issue and should not be deferred.

The Committee:—

(1) Took note that the Prime Minister would arrange for an urgent review of the progress made in implementing the Government's decision to reduce Government overseas expenditure by at least £100 million in 1967/68.

(2) Agreed to reconsider the question of the Services rundown in Malta in the light of this review.

(3) Invited the Commonwealth Secretary to inform the Maltese Prime Minister that the question of the Services rundown in Malta was still under consideration but that the withdrawal of the Shackleton squadron was a separate issue and could not be deferred.

222 CAB 148/25, OPD 41(66)5 19 Oct 1966
'Malta': Cabinet Defence and Oversea Policy Committee minutes, agreeing to alleviate the services rundown in order secure the Malta government's acquiescence

(Previous Reference: OPD(66) 39th Meeting)¹

The Committee resumed their discussion of the memorandum by the Commonwealth Secretary (OPD(66) 98)² on the Services run-down in Malta.

The Commonwealth Secretary recalled that at their previous meeting the Committee had agreed that the withdrawal of the Shackleton squadron from Malta must take place urgently and should be regarded as a separate issue from the Services run-down. He had so informed the Maltese Government who had acquiesced; this issue could be regarded as settled.

We had a formal obligation to consult the Maltese Government on the level of our forces and they had reacted very strongly to the proposals for the run-down put to them by the Parliamentary Under-Secretary of State. The Maltese Prime Minister had taken the same line with him in subsequent conversation although he had accepted that given time the Maltese economy should be able to deal with the effect of our withdrawal. If, however, we forced through the run-down on the scale and timetable we had proposed, let alone accelerated it still further by withdrawing the two battalions in 1967 instead of 1968, we should inflict unacceptable damage on Malta including unemployment at a level equivalent to four million in the United Kingdom. We should almost certainly lose the chance of agreement with the Maltese Government on the future of the dockyard, on which a quick settlement was much in our interest. We should also put at risk the remaining defence facilities which we needed to retain in Malta after the run-down. We should therefore offer to rephrase the timescale of the run-down. The withdrawal of the two battalions should be deferred for a period beyond 1968. The cost of this would not be unduly heavy and

¹ See 221.

² See 221, note 1.

could be set against nugatory expenditure of about £1¼ million in the United Kingdom on temporary accommodation which would otherwise have to be provided. We might also offer to defer the withdrawal of a Canberra squadron for six months and the possibility of retaining the frigates in Malta for a further year might be considered. We might also be able, at no great cost, to retain the battalion of the Royal Malta Artillery (RMA), now serving in Germany, for a period beyond 1967.

The Secretary of State for Defence said that it was essential to our defence interests for us to retain facilities in Malta after the run-down for staging purposes. It was also in our strategic interest that Malta should not turn from her present alignment and seek help from the Soviet Union. There was therefore a case for offering the Maltese Government some alleviation of the run-down in order to secure their acquiescence. It would be wrong to delay the run-down of the Royal Navy which would cost £3½ million a year. The case for a six months' deferment of the withdrawal of the Canberra squadron was more arguable, although the benefit to Malta would be limited and the cost would be £20,000 in resources and £100,000 in foreign exchange. The retention of the RMA would involve expenditure in relation to remittances from Germany and the maintenance of the second battalion in Malta; we should not go beyond our offer to discuss the date on which responsibility for the RMA would be handed over to the Maltese Government. The main area on which some alleviation might be made was the date of withdrawal of the two battalions. Their retention would cost £1–2 million a year in foreign exchange, but there would be substantial offsetting advantages in relation to the problem of accommodation in the United Kingdom. We should not, however, initially offer to retain both battalions for a full two years but should seek in negotiation to get agreement on some lesser commitment.

The Chancellor of the Exchequer said that he recognised the difficulties which the run-down would cause in Malta; we could not, however, afford to forego the savings there on which we had counted. We urgently needed to carry through the withdrawal from Malta in the shortest possible time. The Committee's discussion of the first item on their agenda had shown that the only savings on which we could count with assurance towards the total of £100 million in 1967–68 were those directly under our own control, particularly in regard to economic and military aid. It appeared that savings in our overseas defence expenditure in 1967–68, excluding Germany, would amount to little more than £20 million and the whole of this might be counterbalanced by increased net costs in foreign exchange in Germany next year as compared with 1966–67.

In discussion it was recognised that there was a need for the maximum possible reduction of expenditure in Malta in 1967–68 in the light of the unsatisfactory position in regard to defence savings as a whole, particularly in Germany, and the diminished prospect of obtaining the defence contributions on which we had counted. It must not however be ignored that the savings in defence expenditure would be achieved according to plan in 1967–68. On the other hand there was general agreement that if we forced through the run-down against the wishes of the Maltese Government the consequences in Malta, for Anglo-Maltese relations and consequently for our defence facilities, could well be extremely serious. The special position of Malta in relation to the United Kingdom had been recognised in the past, not least by the offer of integration, although this had not in fact been accepted by Malta.

Summing up the discussion, *The Foreign Secretary* said that the general view of the Committee was that the consequences of forcing through the run-down on the scale and timetable originally proposed to the Maltese Government, still more of accelerating it yet further, would be unacceptable and that some alleviation should therefore be offered in order to secure the Maltese Government's acquiescence. This alleviation could best be made by offering to defer the withdrawal of the two battalions, although we should seek, as suggested by the Secretary of State for Defence, to get agreement on something less than a commitment to keep both battalions in Malta for a further two years. If it were essential to secure agreement, we might also offer to retain the Canberra squadron in Malta for six months. We should not, however, agree to defer the naval run-down or to retain the RMA beyond the date envisaged for handing over responsibility to the Maltese Government. It would also be necessary to inform the Cabinet of the position in regard to the saving of £100 million in Government oversea expenditure, as revealed in the Committee's discussion. He would consult the Prime Minister about this.

The Committee:—

(1) Invited the Commonwealth Secretary to arrange for the earliest possible further consultation with the Maltese Government about the Services run-down on the basis described by the Foreign Secretary in his summing up.

(2) Took note that the Foreign Secretary would consult the Prime Minister about the way in which the Cabinet should be informed of the position in regard to the saving of £100 million in Government oversea expenditure.

223 DO 202/29, no 1

17 Dec 1966

'UK-Malta relations': letter from A J Brown¹ to C E Diggines² on relations between the two countries against the background of the services run-down

The 'Bulletin' is an ill-produced and sometimes almost illiterate evening daily published in English. Its circulation is small and I do not suppose it exercises much influence on Maltese opinion. It is very close to the Church and to the Nationalist Party and, among the English language press here, probably reflects more closely Nationalist opinions than any other paper. The other two English dailies are the organs of the G.W.U., which is of course close to the M.L.P., and of Mabel Strickland, who [? which] is close to Mabel Strickland. (She regards her party as still in existence, even if practically no one else does). The editorials and political comment in the 'Bulletin' are therefore of some interest when one is trying to assess current Government and Nationalist Party feeling. It is for that reason that I enclose a cutting of an editorial from the 'Bulletin' of 14 December under the heading 'Need of Reappraisal'.

2. The paper accompanied this editorial with a piece in its daily column on foreign affairs devoted to the moral decline of Britain. This article proclaims that Britain had first lowered and later removed the moral sanctions imposed by

¹ Deputy high commissioner, Malta.

² Head of Mediterranean Department, Commonwealth Office.

Christianity on what was to their fathers a sin. This is linked to condemnation of the Private Member's Bill for the medical termination of pregnancy. The article concludes that Britain is sliding down the ladder politically and morally and that socialist, pagan, Britain has nearly reached the bottom rung. These views, of course, reflect those of the Maltese Curia.

3. The editorial is politically more interesting, particularly if one may assume that it reflects the thinking of at least some members of the Nationalist Party, probably including some Ministers. The editorial concludes that, since Britain is on the decline morally and politically and wishes to rid herself of remaining responsibilities, Malta must seek new friends elsewhere. It suggests that help may be forthcoming from the United States and Italy until Malta can become more economically viable.

4. I have written to you separately about the Prime Minister's press conference at the airfield on his return from his long overseas tour. He paid a handsome tribute to the American Ambassador and, by his reference to the discussions he had had with American companies in the United States, no doubt reinforced the hopes of those Maltese who look to Uncle Sam to replace the bounty which Britain dispensed while she still ruled the waves. The expectation even among well-informed and intelligent, people that the United States Sixth Fleet would somehow how take the place of the British Fleet in all its former glory in Malta, has shown how far many Maltese have deluded themselves on the extent to which United States economic assistance might be forthcoming. The American Embassy's announcement on 12 December that the Sixth Fleet families from Villefranche were going to Gaeta in Italy has not produced the outcry of disappointment that might have been expected.

5. When contemplating the Services run-down, many Maltese seem to regard this as a virtual abandonment of Malta to her own economic devices and a betrayal of our obligations for defence and economic support. The scale of British Government expenditure in Malta will of course still be heavy even after the end of the run-down, since to the £4m. per annum on defence we shall still be contributing something under £5m. in economic assistance. It will be necessary for us to try to get this across to Maltese public opinion when the Defence talks are over. We have kept the Maltese for so long in comfort that any threat that we shall one day no longer support them in the style to which they have become accustomed arouses resentment rather than gratitude for past generosity. During a speech to the Casino Maltese, the senior Maltese club, on 24 November, the High Commissioner said that he had sometimes felt it to be his duty to remind people that if the British Government had obligations to Malta arising from the past or the present, we claimed that the debt was being discharged. He then referred to some of the monuments to British aid which are conspicuous in the Malta scene; such as the University, the Law Courts, the College of Arts, Science and Technology, the new hotels and the industrial estates. In speaking of Britain's present economic difficulties and the need to bridge the gap in our balance of payments, he said Britain's economic collapse could scarcely be less disastrous for Malta than it was for ourselves because it would destroy our ability to provide financial aid. He appealed to his listeners' understanding and realism when the British Government's plans for defence economies were discussed. He said that Malta shared with Britain the discomforts of a period of profound change and readjustment. The old security resting on dependence on the British Services had disappeared and the Maltese had to find new economic resources. The occasion was one of great goodwill

towards the High Commissioner and Lady Martin, in whose honour the dinner was held, and much was said on both sides about the closeness of Angle-Maltese relations. Nevertheless, the High Commissioner's suggestion that Malta could not be a British pensioner for ever, struck a temporary chill in the atmosphere and was the subject of conversation in Maltese circles for days afterwards.

6. In his Despatch on Information Policy in Malta, the High Commissioner described the feelings of the people at large towards Britain. There is a good deal of warmth among the ordinary people towards Britain, but many in the educated classes have had strong links with Italy, although Italy's sun was largely eclipsed by the war, from which Malta has not yet physically recovered. Malta was, as you know, on the brink of integration with Britain but Mintoff, the then Chief Minister, ever unpredictable, threw it away. The Church, headed by the Archbishop, resolutely opposed it. The Nationalist Party's official line in the referendum was to abstain. The point is that it was the M.L.P. rather than the Nationalists who favoured the closest association with Britain. The members of Maltese society that one constantly meets at cocktail parties and elsewhere are outwardly extremely civil and apparently well-disposed towards Britain. They speak fluent English and the wealthier ones have children undergoing education in Britain. Whatever ones [sic] personal relations with these people may be, I cannot help wondering whether their political attitude towards Britain will not undergo a marked deterioration, at least until they come to realise that the effects of the run-down may not be so catastrophic as they had feared and that Britain will remain the chief benefactor of Malta and will not be replaced or even joined by any other major donor. Because of the surface affability of the Maltese it is difficult to tell how far the tone of the 'Bulletin' editorial reflects the feeling of the Government and Nationalist Party.

224 CAB 128/42, CC 2(67)3

19 Jan 1967

'Malta': Cabinet conclusions reporting Mr Bowden's discussions with the Maltese government and other interested parties on the services rundown

The Commonwealth Secretary said that in the early part of the week he had had consultations with the Maltese Government on the reduction of our forces there in consequence of the decisions reached after the Defence Review.¹ He had explained the limited deferment of certain parts of the reduction (primarily the retention of the two battalions in Malta for two years after 1968) which we were prepared to make in order to alleviate the consequences on employment, but these had wholly failed to obtain the acquiescence of the Maltese Government in our proposals. Their initial attack on them had indeed been based not on the economic situation, but on the contention that we were in effect abrogating the 1964 Defence Agreement by reducing our forces to a level which would make it impossible for us to defend Malta

¹ The review had stated: 'We intend, in accordance with Article 6 of the Defence Agreement, to enter into consultations with the Government of Malta for a reduction of British forces in the next few years; a range of defence installations will, however, be kept' (*Statement on the Defence Estimates 1966: Part I: The Defence Review*, Cmnd 2901, pp 7–8, para 21).

against attack. There was no substance in this contention, since we would not be dependent for defending Malta on forces stationed there at any time: indeed, an attack on Malta would involve the whole of the North Atlantic Treaty Organisation (NATO). Subsequently their opposition had concentrated on the consequences for the level of unemployment. It was agreed between the Maltese Government and ourselves that the reductions were likely to increase unemployment by some 4,500 in the first two years and 7,000 by the end of the period, thus resulting in a peak level of unemployment of about 14 per cent in 1968–69.

He had also held discussions with a number of other interests in Malta and in particular with the General Workers Union. It appeared probable that the announcement of the proposals would lead to strikes and the possibility of violence could not be excluded. It was not, however, thought necessary to evacuate any of the families of British servicemen in Malta. In discussion with the Heads of the Services, the Commander-in-Chief, who also held a NATO appointment, had suggested some minor deferment of the naval run-down, partly for NATO purposes and partly to mitigate somewhat the consequent increase in unemployment in the next two years. Further study of the cost of such deferment was, however, required before a decision could be taken.

In the upshot he had made no concessions on the Government's proposals, but had agreed that he would report the outcome of the consultations to his colleagues.

The one hopeful feature of the situation was that the situation in the dockyard had improved under the Council of Administration and the agency of Swan Hunter. As the Cabinet were aware, the long-standing dispute with Bailey (Malta) Ltd. made it necessary, if finality were to be reached on reasonable terms, for legislation to be passed in the Maltese Parliament nationalising the dockyard. If such legislation were passed in the near future the way would then be clear for further development which was at present inhibited and there was every reason to hope that activity in the dockyard and the level of employment there would substantially improve.

It would be necessary to make an early statement in the House of Commons, preferably on Monday of the following week (23rd January),² about the reduction of our forces which was envisaged, to inform the Maltese Government that this would be done and to give the Heads of the Services in Malta the opportunity to inform their respective Services of what was proposed before a Press statement was issued.

In discussion concern was expressed about the level of unemployment which would result in Malta from the rundown of the forces and it was urged that the United Kingdom Government must accept some responsibility for these consequences in the light of the history of our connection with Malta. It was questionable whether the likely cost of the changes in the naval run-down proposed by the Commander-in-Chief would be justified by the small increase in employment which might ensue, particularly since there seemed to be no prospect that this would be adequate to obtain the acquiescence of the Maltese Government in our proposals as a whole. It was, however, urgent to seek an early conclusion to the discussions on the future of the dockyard and to enable its development to proceed thereafter. It might also prove necessary to consider some further concession to Malta in respect of the level of immigration into the United Kingdom.

² The statement was actually made on 24 January. See *H of C Debs*, vol 739, cols 1274–84, 24 Jan 1967.

The Cabinet:—

- (1) Took note of the statement by the Commonwealth Secretary.
- (2) Agreed that an announcement should be made in the House of Commons on Monday, 23rd January, of the details of the reduction of our forces in Malta.

225 CAB 128/42, CC 4(67)1

31 Jan 1967

‘Malta’: Cabinet conclusions on Dr Borg Olivier’s threatened abrogation of the defence agreement

The Minister of State for Commonwealth Affairs (Mrs. Hart) said that a serious situation had developed in Malta as a result of the announcement of our plans substantially to reduce our forces in the island, to the level agreed after the Defence Review. The Maltese Prime Minister, Dr. Borg Olivier, maintained that we were in consequence in breach of our Defence Agreement with Malta since these forces would be inadequate to defend the island and since we had failed properly to consult them about the reductions. In his view, therefore, we had forfeited all our ‘rights, privileges and facilities’ under the Defence Agreement and he had called upon us to cease making use of them. He proposed to introduce a Bill to cancel the Agreement accordingly. We maintained on the contrary that the reduction of our forces had no relevance to our ability to defend Malta and that if the Maltese Government were to deny us our rights under the Defence Agreement they would be in breach of their international obligations. The reason for the extreme course which the Maltese Government were taking was the level of unemployment which would result from the reduction of our forces and would reach 14 per cent in 1968–69. There was widespread support in Malta for Dr. Borg Olivier’s attitude and, unless a settlement could be reached, our international reputation would suffer and the position of our forces in the island would become untenable. Without the facilities in Malta we might also be unable to carry out our commitment to Libya. The provision of fuel supplies for military aircraft was already proving difficult as the Maltese were demanding that we should pay customs duty, contrary to the Defence Agreement, and refused to release the supplies until we did so. An urgent study was in hand of the full implications of the situation but it was clear that if we were to make any impact on the unemployment problem major changes would be needed in the defence plans or, alternatively, substantial extra aid would be required.

The Defence Secretary said that there was a short and a long-term problem. In the short term a way must be found of enabling us to import stores, including aviation fuel. If this were not done our military aircraft would cease to fly and the base would become inoperative. A solution might be to pay the customs duty but to make plain that this was under duress and that future aid payments would be reduced accordingly. At the same time, and in an attempt to dissuade the Maltese from passing legislation abrogating the Defence Agreement as they intended on the following day, a senior Minister might visit Malta for discussion or, alternatively, the Prime Minister might send a message to Dr. Borg Olivier. Malta stood to lose £18 million of payments on the defence account and £34.5 million worth of aid if our forces had to be withdrawn but in the present highly emotional situation, these considerations might not deter the Maltese Government from pursuing their present

course. For the longer term, contingency plans for a total withdrawal from Malta should be prepared and submitted to Ministers urgently. Account would also need to be taken of the repercussions in other parts of the world, for example, in Aden and Singapore, of any failure to reduce our forces in Malta to the level that was desirable in United Kingdom interests, or of any concessions that we might otherwise consider making to meet the immediate situation there.

In discussion concern was expressed at the level of unemployment which would result in Malta from the reduction of our forces and also at the consequences for our international position and our military facilities should the Maltese Government hold to their view that the Defence Agreement was abrogated. Nevertheless, there was general agreement that the Government could not seek a settlement with the Maltese Government by making further substantial concessions on the rate at which our forces in Malta should be reduced to the level agreed after the Defence Review, or in the provision of aid. A concession on either issue would have unacceptable repercussions for our position in other countries where our forces were being reduced, such as Aden and Singapore, and where similar claims would be likely to be pressed upon us by the local Governments. Furthermore, we could reasonably bear in mind that the level of aid to Malta represented a much higher payment per head of population than in any other country save St. Helena. The level of our aid and the concessions which had already been made in agreeing to slow down the rate of reduction of our forces in the island at considerable financial cost to ourselves demonstrated that we had not ignored the major difficulties that our action would cause in Malta. As regards the immediate situation the balance of advantage lay in our agreeing to pay the customs duty provided that this did not have unacceptable legal implications for the Defence Agreement, since otherwise our forces would be unable to operate, but it should be made clear that such payment would be offset by an equivalent reduction in our future aid to Malta. It should, however, first be ascertained that our payment of customs duty, even in such terms, would not imply that we were accepting that the Defence Agreement was abrogated, since this would have wider legal, financial and military repercussions. We should also take such other action as might prove possible to reduce emotional tensions in Malta and there might be advantage in the Prime Minister sending a suitable message to Dr. Borg Olivier. In the longer run, however, we could not maintain our forces in the face of continued Maltese hostility and if Maltese labour were withdrawn. We must therefore draw up contingency plans for the complete withdrawal of our forces from the island. The implications of such a course would need detailed consideration by officials in the first instance, including the possible implications for our position in Gibraltar in the light of any action which the Spanish Government might be encouraged to take by the situation in Malta.

The Prime Minister, summing up the discussion, said that the Cabinet were agreed that there would be unacceptable consequences both in Malta and elsewhere if as a result of the attitude of the Maltese Government and people we were to change our plans for the reduction of our forces in Malta. We should, however, agree to pay the customs duties immediately, provided this would have no unacceptable implications in relation to the abrogation of the Defence Agreement and provided such payment were offset against future aid due to Malta. He would also send a message to Dr. Borg Olivier in an attempt to prevent the passage of legislation through the Maltese Parliament breaking the Defence Agreement. In the longer term we might have to

face a complete withdrawal of our forces and the military, political and economic consequences of such a course should be examined urgently by officials and a report submitted to Ministers.

The Cabinet:—

- (1) Took note, with approval, of the Prime Minister's summing up of their discussion.
- (2) Invited the Minister of State for Commonwealth Affairs, in consultation with the Chancellor of the Exchequer, the Defence Secretary and the Attorney-General to arrange for the immediate payment of the customs duties demanded by the Maltese Government on the basis indicated by the Prime Minister, provided that the Government were advised that this would not have unacceptable legal implications in relation to the abrogation of the Defence Agreement.
- (3) Invited the Minister of State for Commonwealth Affairs to submit to the Prime Minister the draft of a message for him to send to the Maltese Prime Minister.
- (4) Took note that the Prime Minister would arrange for an inter-departmental examination by officials of the military, political and economic consequences of the withdrawal of all our forces from Malta.

226 FCO 27/190, no 1

31 Jan 1967

[Anglo-Maltese relations]: letter from Sir J Martin to Mr Bowden on the effect of the services rundown on relations with Malta

In my despatch of 17 August, 1965, submitting the traditional 'first impressions' of a newly appointed High Commissioner, I gave a picture of the Maltese people as I found them—a happy and friendly nation, outwardly prosperous (though the prosperity was not equally shared and there was a high level of unemployment following the Services' run-down), already achieving some progress in development of a viable economy and faithfully carrying out its undertakings in the Defence Agreement. Looking to the future and the coming general election, I suggested that, if Dr. Borg Olivier were returned to power with a clear majority (as in fact happened), we could look forward to a period of stable government and expect to see the process of economic development and diversification gather speed, while 'we should continue to enjoy our defence facilities with the co-operation of a Government which has shown itself loyal to the agreement'.

2. It was, on the whole, a happy sun-lit picture. So it remained until the very last weeks of my term in Malta. Anglo-Maltese relations were maintained at a higher level of close friendship than ever before in living memory. The fruits of British aid were increasingly shown in consolidation and expansion of new industries and the development of facilities to match a rapidly mounting flood of tourists. The Services continued to enjoy their rights under the Defence Agreement in an atmosphere of good will. It seemed that, given a few years—perhaps six or seven—, the economy would have developed to a point when it would no longer be dependent on Services expenditure.

3. Then, with startling suddenness, announcement of the details of the British Government's defence cuts brought a dark cloud of dismay and resentment across the scene—a resentment shared by all classes and parties, and all the fiercer because of the depth of the trust and friendship for Britain which seemed to have been betrayed.

4. This reaction came as no surprise. I myself gave repeated warnings of the 'catastrophic' effect on the Maltese economy of reductions in Defence expenditure on the scale and at the speed proposed and of the bitter Maltese resentment to be expected. Subsequent modifications of the original British proposals were insufficient to affect their reception, since they still involve a level of discharges in the first two years too high to be cushioned by any possible development of new employment in the same period or by 'natural wastage'.

5. I leave Malta today at the height of the storm, of which the incidents have been or will be separately reported to you. It is impossible to forecast its future course. The storm may soon pass (with the renewal of negotiations and Maltese acquiescence in a more acceptably phased run-down): or it may rage on (if Dr. Borg Olivier's demand that we cease 'forthwith' to enjoy our Defence facilities is taken at its face value or becomes a political commitment instead of the negotiating gambit which he no doubt intends). In the circumstances it is impossible for me to submit a valedictory appreciation of the normal pattern. I can only express the hope that the quarrel will be mended before too late and my horror in contemplating the alternative—that the friendship of the Maltese people, so deeply rooted in the shared experiences of many years of peace and, especially, war, will be cast away; that thousands who have served Britain long and loyally will be abandoned to the hopelessness of unemployment (for which, for most, there can be no remedy); that the millions already spent in aid will be frustrated through the collapse of confidence and consequent blighting of the hopeful growth of industrial and tourist development; and that we shall lose for ever this foothold in the central Mediterranean. The Battle of the Atlantic—and with it the last war—was almost lost through lack of the Irish bases. Who can say, as the Libyan oil-field develops into one of the most productive in the world and as Communist military 'hardware' is poured into Algiers, what price we and our allies may have to pay for abandonment of Malta?

6. Most of my public service was in the Colonial Office, where the guiding principle was the welfare of the wards for whom the British Government were trustees. For two years I have been a temporary diplomat, in a sphere in which the general guiding principle is the maintenance of British interests. The latter seem more difficult to calculate; but I believe that the fulfilment of moral commitments is not inconsistent with a proper estimate of British interests and, with respect, I submit that the British people have a moral commitment to see the Maltese people through their present difficulties.

227 CAB 148/30, OPD 4(67)1

2 Feb 1967

'Malta': Cabinet Defence and Oversea Policy Committee minutes, on ways of breaking the impasse with the government of Malta over the services rundown

(Previous Reference: OPD(67) 1st Meeting, Item 2)

The Minister of State for Commonwealth Affairs (Mrs. Hart) recalled that after the discussion in Cabinet the previous Tuesday of the current crisis in Malta,¹ the Prime

¹ See 225.

Minister had sent a message to Dr. Borg Olivier, the Prime Minister of Malta, which, while offering no concessions of substance, was couched in conciliatory terms to afford him the chance of reconsidering the present attitude of the Maltese Government. No reply had yet been received, but Dr. Borg Olivier had deferred the third reading of the Bill to amend the Status of Forces Act, by which the Maltese Government would purport to abrogate the Defence Agreement with us, in order to hear whether we had any further offer to make in the course of the debate which was due to take place in the House of Commons on the following day. Generally speaking personal relationships in Malta between British and Maltese were still good and it seemed possible that Dr. Borg Olivier at least was seeking some way out of the present political impasse. Nevertheless, the continued administrative harassment of our forces by his Government could make their position extremely difficult and it was essential to find some means of reducing the present highly emotional tension in the Island. Officials were examining urgently the military, political and economic consequences of a total withdrawal of our forces from Malta. Their report would not be available for consideration by Ministers before the middle of the following week but it was clear that precipitate withdrawal would damage our international standing and there had already been expressions of concern in the North Atlantic Treaty Organisation (NATO) especially from the United States and Canada. After discussion the previous evening between the Ministers primarily concerned, it was proposed that a telegram should be sent to Dr. Borg Olivier suggesting that since the essential point in the Maltese case was their contention that after the reduction of our forces we should be unable to fulfil our obligations under the Defence Agreement for the defence of Malta, there might be advantage in seeking independent advice from NATO on this issue. If the advice from NATO were to the effect that our proposals placed Malta at any serious defence risk, we would modify our plans accordingly. If this suggestion were acceptable to the Maltese Government we would undertake not to carry out any part of the reduction of our forces in consequence of the Defence Review until the NATO study was completed, on the understanding that they for their part would undertake not to proceed with the amendment of the Visiting Forces Act and to cease any other measures directed against our forces. It would have to be understood that the NATO study would be completed by the end of February.

Consultation since then with the United Kingdom representative in NATO had led to an amendment of this proposal in the sense that it would be more acceptable if we appeared to accept an offer of such advice from NATO than ourselves to originate the proposal.

The Defence Secretary said that while there had as yet been no exacerbation of personal feelings between our forces and the Maltese the situation was dangerous and such administrative measures as cutting off supplies of water could very quickly make our whole position untenable. It was also possible that a general strike might be called on the following Monday. It would be possible to evacuate our forces, despite our inability to import fuel without paying duty, by use of the Britannias and he proposed to bring to a shorter period of notice the specialist Service personnel who were already, under an existing contingency plan, earmarked to go to Malta to provide administrative support for the forces if local labour were withdrawn. It would not at this stage, however, be appropriate to meet the request of the Commander-in-Chief, Malta, to alert the battalion which was earmarked for reinforcing Malta for purposes of internal security.

In those circumstances the proposal to accept advice from NATO in the manner now suggested offered the best prospect of reducing tension. Meanwhile, the Law Officers had advised that we could, without unacceptable legal consequences for our acceptance of the abrogation of the Defence Agreement, pay the customs duties on imports for our forces which were being demanded by the Maltese Government contrary to the provisions of the Agreement. The Cabinet had given authority for these duties to be paid if the Law Officers advised in this sense, but in the circumstances now obtaining it would be preferable to defer paying the duties until it could be seen whether Dr. Borg Olivier would accept our proposal.

In discussion it was argued that the acceptance of advice by NATO on our ability to implement our commitments under the Defence Agreement would be to place the freedom of action of the Government seriously at risk, not only in Malta, but in other overseas theatres where we proposed to effect reductions in the level of our forces. The precedent which the proposal would have created could effectively be used elsewhere to delay or even frustrate reductions which we might think essential in our own interest. Even if the proposal could in relation to Malta so be circumscribed as to entail no real risk to our position there, the repercussions elsewhere would be such as to make the proposals unacceptable. In these circumstances, there was general agreement in the Committee that other means must be found of providing an opportunity which the Maltese Government could politically accept to withdraw from their present position and cease the harassment of our forces. There was also general agreement that such opportunity could not be provided by an offer to slow down still further the rate of reduction in our forces in order to mitigate the economic consequences for Malta, though it was recognised that if in consequence it proved necessary to provide additional aid for Malta, there would not only be no net gain to the Exchequer, or reduction of our expenditure in foreign exchange, but also that in the short run the provision of further aid would be wholly ineffective in providing a source of employment alternative to that offered by our forces.

In further discussion there was general agreement that the least unsatisfactory course was to offer to Dr. Borg Olivier to arrange for a small mission of prominent United Kingdom industrialists to visit Malta to advise on its more rapid development in order to mitigate the economic consequences of our reduction of forces. It was also agreed that until we could consider the reaction of Dr. Olivier to this offer we should not agree to pay the customs duties on imports for our forces which were demanded contrary to the Defence Agreement.

The Committee:—

(1) Invited the Minister of State for Commonwealth Affairs, in consultation with the First Secretary of State, the Chancellor of the Exchequer, the Defence Secretary, the President of the Board of Trade and the Minister of Overseas Development to instruct the Acting High Commissioner, Malta, to put to Dr. Olivier an offer to send out a mission of United Kingdom industrialists to consider ways in which the economy in Malta could be more rapidly developed to mitigate the consequences of the run down of our forces.

(2) Agreed that the offer indicated in Conclusion (1) should be made known to the House of Commons in the debate that afternoon.

(3) Agreed that no payment should be made of the customs duties which, despite the provisions of the Defence Agreement, were demanded by the Maltese

Government on supplies imported for our forces until we had ascertained the reaction of the Maltese Government to the proposal that we should send a mission of industrialists.

228 CAB 130/312, MISC 137(67)1 5 Feb 1967
‘Malta’: minutes of a meeting held in the chancellor of the exchequer’s room, no 11 Downing Street, on the advantages and disadvantages of rephasing the proposed reduction of British forces in Malta

[The meeting was attended by James Callaghan, Herbert Bowden, Denis Healey, and Judith Hart (minister of state for Commonwealth affairs).]

The Chancellor of the Exchequer said that the Prime Minister had asked that the Ministers most immediately concerned should meet to seek agreement on the instructions which should be given to our High Commissioner in Malta for dealing with the situation there arising from the proposed reduction of our forces.

The Commonwealth Secretary said that the current situation in Malta was serious and it was expected that on the following Wednesday the Malta Government would resort to further measures of harassment of our troops, when the legislation purporting to amend the Visiting Forces Act was expected to pass its third reading. However, disadvantageous to the interests of Malta it might be, it was more than possible that the present highly emotional situation might result in the Malta Government resorting to measures which would make it impossible for us to maintain our forces there. Moreover, in the process of withdrawal there might be clashes with Maltese civilians which could accidentally lead to bloodshed. In such circumstances, the problem was not solely one between the United Kingdom and Malta, but affected also the interests of the North Atlantic Treaty Organisation and had repercussions on our international standing. Rather than withdraw all our forces in these circumstances, and having regard to our interests in retaining defence facilities in Malta, the balance of advantage lay in making limited concessions on the phasing of the rundown within the existing limit of four years, provided in return the Maltese Government not only abandoned the harassment of our forces, but also reached agreement with us on other issues in contention such as the nationalisation of the dockyard. Early agreement on the latter alone might save us expenditure of the order of £½ million a year.

The Defence Secretary said that further studies had been made of ways in which the reduction of our forces could be rephased in order to relieve the immediate heavy impact in the first two years of the large loss of jobs in Malta which would be involved. By postponing the demobilisation of the Royal Malta Artillery and the Royal Malta Engineers and by replacing certain RAF personnel in Libya by Maltese, some 370 extra jobs could be made available in 1967–68 and some 730 extra jobs in 1968–69, with some further additional employment in 1969–70. The total cost of these measures over the years would be of the order of £1,200,000. The slowing down of the rate of reduction of the Royal Navy in Malta was more difficult and in particular there would be serious objections to retaining the frigates longer on station, because this would affect the programme for frigates as a whole.

Nevertheless, it would be possible to slow down the rate of reduction at a cost, including the cost of the changes contemplated in respect of the Army and RAF, of £3 million in all over three years in order to provide a further 1,500 jobs i.e. jobs which would be an addition to those provided by the Army and RAF.

If existing measures continued in Malta, or if they were extended, the situation of our forces might be made intolerable within a few days and there would be serious political risks in seeking to withdraw wholly from Malta in current circumstances for the reasons developed by the Commonwealth Secretary. Provided the contemplated reduction of our forces was completed in the planned period of four years it would be preferable to negotiate some slowing down of the rate of reduction if this could be done as part of a comprehensive agreement covering all our differences with the Maltese Government.

The Chancellor of The Exchequer said that there were grave objections to accepting that the rate of reduction of our forces overseas which we judged to be necessary in our own interests should be affected in the manner proposed, since this would have serious repercussions on our position elsewhere e.g. in Singapore where much larger expenditure was at issue. Furthermore, Malta was so dependent upon the employment provided by our forces and on British tourism that it seemed highly improbable that the Maltese Government would allow the situation to develop to a point where our withdrawal became inevitable. In these circumstances, the balance of advantage rather lay in maintaining our position until the Maltese Government accepted the situation. But if necessary it would be better wholly to withdraw rather than make the concessions proposed.

In discussion it was recognised that there could be no certainty on the way in which the situation in Malta might develop. It was, however, the general view that there was serious risk that in the highly emotional state of affairs, the Maltese Government might not be able to restrain action in the best long-term interests of Malta, particularly in view of the pressure that would be brought upon them by the Opposition in Malta. Nevertheless there remained a conflict of view among Ministers on the measures which should be taken to deal with the situation and it was agreed that it was necessary for an urgent meeting to be held on the following day of the Defence and Overseas Policy Committee¹ in order to reach agreement on the instructions which should be given to the British High Commissioner. Meanwhile, it was agreed that the Commonwealth Secretary and the Secretary of State for Defence should redraft the instructions to the High Commissioner in the light of the discussion so that they could be despatched forthwith should the Defence and Overseas Policy Committee agree that some concessions should be offered to the Malta Government. The revised instructions should be on the basis that the High Commissioner should inform the Maltese Government that the United Kingdom Government maintained their position that there was no defence need to retain forces in Malta beyond the level which they contemplated and that the reduction must be achieved in the planned period of four years. The United Kingdom Government were, however, anxious to alleviate the economic consequences in Malta of this reduction. They hoped that on further consideration the Maltese Government would accept the offer which they had made the previous week to send a small

¹ See 229.

mission of prominent industrialists to consider the more rapid industrialisation of Malta and would agree in consequence to abandon the harassment of British forces. In that event, the United Kingdom Government would be ready, in the context of discussions on the economic consequences of the reduction of our forces, be prepared to consider some rephrasing of the rate of reduction within the four-year period to mitigate the economic consequences to Malta, provided this could be done as part of a comprehensive agreement on the issues in dispute between the two Governments including particularly the nationalisation of the dockyard.

The Meeting:—

(1) Invited the Chancellor of the Exchequer to ask the Prime Minister to call a meeting of the Defence and Oversea Policy Committee as early as possible on the *following day*.

(2) Invited the Commonwealth Secretary, in consultation with the Defence Secretary, to prepare a redraft of the instructions for the British High Commissioner in Malta on the lines that had emerged in their discussion.

229 CAB 148/30, OPD 5(67) 6 Feb 1967
 ‘Malta’: Cabinet Defence and Oversea Policy Committee minutes,
 agreeing to enter into negotiations with Dr Borg Olivier with respect
 to mitigating the effects of the services run down

(Previous Reference: OPD(67) 4th Meeting, Item 1)¹

The Chancellor of the Exchequer said that, at the Prime Minister’s request, he had the previous evening discussed with the Commonwealth Secretary and Defence Secretary their proposal that instructions should be sent to the newly arrived United Kingdom High Commissioner in Malta authorising him to propose to the Maltese Prime Minister, Dr. Borg Olivier, negotiations of a series of proposals for resolving the present situation in Malta.² It was envisaged that these would include measures for mitigating the effects on the Maltese economy but also some rephrasing of our run down of forces within the planned four year period. Part of the agreement would be that the Maltese should discontinue legislative action to repeal their Visiting Forces Act (which governed the status and privileges of our forces in Malta) and should cease the present harassment of our forces. He was himself opposed to any negotiations on the rephrasing of the defence run down; partly on account of the political consequences if Ministers were seen to make a fresh offer to the Government of Malta after having placed before them, with the authority of the Cabinet, proposals which were described as final, but more particularly because it would be obvious that any rephrasing had regard more to local social and economic than to military considerations and to our own requirements. And embarrassing repercussions in other areas where we planned to run down our forces, such as Cyprus, Aden and Singapore, would be likely. He had therefore taken the view that the question should be referred to the Committee for decision; if, however, his

¹ See 227.

² See 228.

colleagues were disposed to agree to an offer to the Government of Malta on the lines proposed by the Defence and Commonwealth Secretaries he would not wish to press the matter further.

The Defence Secretary said that, with some reluctance, he supported the making of an offer to Dr. Olivier which would include a rephrasing of the run down of our forces. It was a principle of the defence review that withdrawals of our forces should be orderly; and the situation in Malta was now such that there was a real risk of a far from orderly withdrawal. If the Maltese legislature passed on Wednesday the Bill to repeal the Visiting Forces Act, there might well be a general strike and other developments that would make it impossible for our forces to stay in the island. If it became clear that Maltese labour was being withdrawn we should have to send out to Malta specialist servicemen to replace the withdrawn labour and possibly a further infantry battalion for internal security duties. There would be a risk of our being involved in using a measure of force, e.g. at road blocks, in order to secure our withdrawal, and we might well have to leave behind very substantial defence stores. Furthermore, while the facilities which we wished to retain in Malta after the run down were not vital to our strategy, they were valuable: without them our commitment to assist in the defence of Libya would require substantial revision, and it would be difficult for the two headquarters of the North Atlantic Treaty Organisation to continue in Malta.

Our best course was therefore to seek to help Dr. Olivier to withdraw from his present extreme position. We should in no circumstances alter our decision to reduce our forces over a period of four years; and we should concentrate on means of helping the Maltese to meet the economic consequences of our withdrawal of forces rather than on a rephrasing of the reductions. It should be a precondition that the Maltese terminated the harassment of our forces and did not continue with the visiting forces legislation; we should offer to discuss methods of helping Malta such as the proposed industrial commission, the setting up of the Malta Development Corporation which we had earlier proposed, and the nationalisation of the Malta Dockyard in order to resolve the present legal impasse with Baileys (Malta) Ltd. But we should also have to offer some rephrasing of the run down of forces since otherwise Dr. Olivier would be politically unable to accept the offer of negotiations. Officials in the Ministry of Defence had studied the run down programme to see how far heavy redundancy in the first two years, in particular in 1967–68, could be avoided: it appeared that a rephrasing was possible at some cost both financial and, in the extreme case, in terms of the operational efficiency of naval frigates. Of a number of possibilities, the one offering maximum relief to Malta would cost us about £1 million a year over three years and would bring the reduction in civilian labour down to a level which was no more severe in any one year than it had been over the previous years since 1961 of the gradual reduction of British forces in Malta. We should however avoid if possible agreeing to the maximum and should certainly start with a minimum offer so as to leave the greatest possible room for manoeuvre.

The Commonwealth Secretary recalled that the Parliamentary Under Secretary of State for Commonwealth Affairs (Lord Beswick) had visited Malta in August 1966 for discussions on our run down on the basis of its being completed within two years. As a result of Maltese reactions in these discussions Ministers had reconsidered the matter and had agreed that he himself should go to Malta to make a final offer of a run down over a period of four years. His discussions in Malta had demonstrated the

unwillingness of the Malta Government to discuss any programme for a run down of our forces. During his visit to Malta he had also had discussions with Mr. Kingswell of the Malta General Workers Union, who was opposed to any rundown of forces for at least two years, and with the leader of the Opposition in Malta, Dr. Mintoff, who professed to be glad to see a full withdrawal of British forces. Hence the present trouble in Malta following the announcement of our final plans came as no surprise. The harassment of our forces would no doubt be intensified after the repeal of the Visiting Forces Act had been enacted in two days' time. It was plain that we could not hope to stay in Malta on the basis of the present planned withdrawal for another four years. Two courses were open to us. One was the withdrawal of our forces now, using force to the extent necessary to achieve withdrawal. The alternative was to authorise the High Commissioner to propose further talks with Dr. Olivier as indicated by the Defence Secretary; in them we should also discuss the proposed dry dock (for which an excellent naval site already existed) and the possibility of a free port. It was impossible to be certain that the Maltese would accept a proposal for talks on this basis; but there seemed a good prospect that they would do so.

In discussion it was recognised that these proposals might set an embarrassing precedent but it was the general view that on a balance of our interests our best course was to seek further discussions with Dr. Olivier on the basis proposed by the Commonwealth and Defence Secretaries. It was important that these should be put to Dr. Olivier as talks not primarily about the rephrasing of the reduction of our forces but about assisting Malta with the economic consequences. There was reason to think that the Malta Government, with the support of the Opposition, was ready to take action in respect of the dockyard (which was at present costing us over £1/2 million a year). Importance was attached to the dry dock proposal, which would offer an immediate prospect of constructional work for 2,000. While the rephrasing of the reductions would be a necessary part of our offer, we should offer no further concession on the defence reduction beyond rephrasing within the four year period and we should start the negotiations with a minimum offer. It was noted that the possible range of adjustments to the present programme for the rundown would cost from £1.2 million to rather more than £3 million over a period of four years. This compared with the maximum possible saving over the four year period of £28 million, less £5 million which we had foregone through the rephrasing already offered. In making our offer to Dr. Olivier attention should be paid to publicity; any public announcement should be made simultaneously in Malta and the United Kingdom. It was also the general view that in discussions on the reduction of our forces in other oversea theatres, it was important to draw the appropriate inferences from the course of events in Malta. We should for example start any such negotiations by offering no concessions in respect of our own requirements, and not display our willingness to make concessions till a later stage.

In further discussion it was noted that the withdrawal of the Shackleton aircraft from Malta was not part of the defence reductions and would proceed irrespective of the reductions planned in the defence review, which on present plans were to begin in May.

Summing up the discussion, *The Prime Minister* said that the Committee agreed that instructions should go to our High Commissioner in Malta to invite Dr. Olivier to London for further negotiations on our proposals to reduce our forces in Malta. It should be a precondition of the negotiations that the Maltese discontinued

legislation to repeal their Visiting Forces Act and ceased the present harassment of our forces; they should also agree not to press their argument: that our reduction of forces constituted a breach of the Anglo-Malta Defence Agreement. For our part we should lay emphasis on ways of helping Malta to meet the economic consequences of the rundown: our discussions should include the industrial Commission, the Development Corporation, the dry dock and the free port and it would be an essential part of any agreement that the Maltese Government should nationalise the dockyard. Additionally we should offer to discuss the rephrasing of the rundown within the four year period. The details of our offer should be prepared by a working party of officials under Cabinet Office auspices. Emphasis might be placed on the economic aspects of the negotiations by associating the Minister of Overseas Development with them as well as the Minister of State for Commonwealth Affairs (in the absence of the Commonwealth Secretary on his overseas tour). He would himself be prepared to have an initial and concluding discussion with Dr. Olivier, and for this reason it would be convenient if Dr. Olivier could be invited to London in the week beginning 20th February.

The Committee:—

(1) Invited the Commonwealth Secretary to instruct the High Commissioner in Malta to invite Dr. Olivier to discussions on the United Kingdom reductions, on the lines indicated by the Prime Minister in his summing up.

(2) Took note that the Prime Minister would arrange for a working party of officials to study the details of the proposals to be put forward in these discussions.

230 CAB 148/30, OPD 7(67)2

10 Feb 1967

‘Malta: consequences of a total withdrawal of British forces’: Cabinet Defence and Oversea Policy Committee minutes

(Previous Reference: OPD (67) 5th Meeting)¹

The Committee had before them a note by the Secretaries (OPD(67) 10) to which was attached a report by officials which examined the military, political and economic consequences of the withdrawal of all our forces from Malta.²

*The Parliamentary Under-Secretary of State for Commonwealth Affairs*³ said that the report stemmed from a decision of the Cabinet, when considering the situation that had arisen as a result of the adverse Maltese reaction to the announcement of our plans for a reduction of our forces (CC(67) 4th Conclusions, Minute 1).⁴ It demonstrated clearly how serious would be the consequences, both for Malta and for the United Kingdom, of a total withdrawal of our forces. Malta would suffer a drop in gross national product of 25 per cent if our economic aid continued and possibly of 40 per cent if aid were discontinued. Unemployment would rise to 25 per cent if aid continued and to about 30 per cent if it did not. The added damage which could be caused to Malta by the termination of economic aid might be crucial, and underlined

¹ See 229.

² CAB 148/31, OPD (67)10, ‘The consequences of a withdrawal of all British forces from Malta’: report by officials for the Cabinet Defence and Oversea Policy Committee, 8 Feb 1967.

³ Lord Beswick.

⁴ See 225.

the need for us to avoid committing ourselves publicly at the present stage either to continuation or discontinuation of aid. These economic consequences could lead to very serious political and social instability in the island. For the United Kingdom, although we should save on planned local defence expenditure in Malta (£12.5 million at present reducing to £6 million by 1970–71) total withdrawal would bring substantial economic and financial penalties, notably the loss of valuable stores including large stocks of ammunition; but the military and political consequences, in relation to our military commitments, our relations with our allies and our international standing generally, were yet more serious. The practical obstacles to total withdrawal could be formidable: the Maltese could not be expected to facilitate our withdrawal and they might well hinder it to an extent that would lead to incidents involving bloodshed.

It was therefore greatly in the interests both of Malta and of the United Kingdom to avoid a breach in which we should be obliged to withdraw all our forces. No reply had yet been received from the Prime Minister of Malta (Dr. Borg Olivier) to our message inviting him to come to this country for discussions about our defence rundown. In a statement to Parliament early on Thursday, 9th February, Dr. Olivier had indicated that while our invitation was under consideration, Maltese Ministers took the view that talks with the United Kingdom on the basis of our proposals would serve no useful purpose, and the Malta Government would therefore be making counter proposals regarding the basis on which discussions should take place. There was, however, some reason to think that Dr. Olivier's real position was less extreme than this public statement would suggest. We should, nevertheless, recognise the pressures upon him both from the leader of the Malta Opposition (Mr. Mintoff), who was using the situation in an attempt to unseat Dr. Olivier's government, and from the Malta General Workers Union. Union support was essential to Dr. Olivier if he was to take part in discussions with the United Kingdom Government; fortunately the Union seemed to be taking a more moderate line than Mr. Mintoff.

In discussion the following points were made:—

(a) The basis of our further discussions with Maltese Ministers remained as agreed by the Committee at its previous discussion: we should offer to assist Malta in finding ways of meeting the economic consequences of the rundown, such as the industrial commission, development corporation, dry dock and free port; and we should insist on nationalisation of the Malta Dockyard. If agreement were reached on economic measures of this kind we should also offer some rephrasing of the defence rundown within the present planned four-year period, up to a maximum cost of a little over £3 million. We should in no circumstances move from this position at the present stage; already there was an indication that the Maltese believed that our offer of further discussions was a sign of weakness on our part.

(b) The report by officials could have made more of the large Maltese reserves (equivalent to £250 per head of the population of Malta). We should urge the Maltese to tap this source of wealth for their economic development rather than to seek further subventions from the United Kingdom.

(c) Any threat from Malta to withdraw her sterling balances from the United Kingdom should be robustly resisted. Their withdrawal would not seriously affect the strength of sterling and would bring no advantage to the Maltese, but simply a loss of the interest which they at present received.

(d) In addition to the costs of withdrawal listed in the report by officials we should have to pay compensation to our troops if they were withdrawn at such short notice as to suffer financial loss.

(e) Plans were being finalised to enable us to withdraw our forces, and service families, in an emergency.

(f) We had a good case in the dispute with Malta but it was in danger of going by default publicly, and more should be done through official publicity to remedy this.

The Prime Minister, summing up the discussion, said the report by officials would be a useful background document against which to consider the next step when a reply was received from Dr. Olivier to our invitation to further discussions, as was likely before the resumption of proceedings on their visiting forces legislation on Wednesday, 15th February. It might be necessary to arrange a meeting either of the Committee or of the Cabinet at short notice early in the following week. If talks with Malta Ministers took place the basis of our negotiating position remained as agreed by the Committee at its last meeting.

The Committee:—

(1) Took note of the report by officials on the consequences of total withdrawal of our forces from Malta, attached to OPD(67) 10.

(2) Invited the Parliamentary Under-Secretary of State for Commonwealth Affairs to consider how the public presentation of the British case in the dispute with Malta could be made more effective.

231 CAB 148/30, OPD 13(67)1 17 Feb 1967
'Malta': Cabinet Defence and Oversea Policy Committee minutes,
reporting that Dr Borg Olivier now regarded the defence agreement
as having lapsed

The Commonwealth Secretary said that the Prime Minister of Malta, Dr. Borg Olivier, in discussion the previous day with our High Commissioner in Malta, had said that he regarded the United Kingdom-Malta Defence Agreement as having lapsed as a consequence of the new programme for the reduction of our forces. Our clear understanding, however, of the outcome of the talks was that the Maltese Government reserved their right to reopen negotiations with us only if our estimate of the resulting unemployment proved wrong. Without a Defence Agreement, our troops would remain in Malta only on sufferance and would have no legal status; nor would the Finance Agreement any longer apply. Dr. Olivier had apparently taken this line as a reaction to pressure by the Opposition in Malta. Our High Commissioner had been instructed not to regard Dr. Olivier's statement as representing the considered view of the Maltese Government, but clearly if the Maltese persisted in this view we should have to reconsider our position, since it would not be acceptable to us to retain forces in Malta on this basis.

The Committee:—

Took note of the Commonwealth Secretary's statement.

232 CAB 128/42, CC 9(67)2 23 Feb 1967
‘Malta’: Cabinet conclusions recording the basis on which negotiations would be resumed with Dr Borg Olivier

*The Minister without Portfolio (Mr. Gordon Walker)*¹ said that the previous day it had appeared that we had reached agreement with the Maltese Government on the basis on which negotiations should be held on the rate of reduction of our forces in Malta and the way in which the economic consequences of this reduction could be alleviated. We had offered to suspend action on the reduction of our forces pending the outcome of the negotiations, provided that the Maltese Government for their part agreed not to take further their Bill to amend the Visiting Forces Act and to stop the harassment of our forces. The Maltese Prime Minister had, however, so far declined to stop the harassment of our forces until the negotiations had reached a satisfactory conclusion. The acceptance of such a condition would put us in a position of considerable difficulty and the issue would be further discussed by the Defence and Overseas Policy Committee.² If the Maltese Prime Minister were to maintain too rigid a line in this respect he would forfeit all public sympathy in the United Kingdom.

The Cabinet:—

Took note of the statements made by the Foreign Secretary and the Minister without Portfolio.

¹ Secretary of state for foreign affairs, 1964–1965; minister without portfolio, 1967; secretary of state for education and science, 1967–1968.

² Summing up the discussion in the Defence and Overseas Policy Committee on the conduct of negotiations with Borg Olivier, the prime minister ‘stressed the need to offer the minimum concession in respect of extending the defence run-down into a fifth year’ (CAB 148/30, OPD 8(67)1, minutes of a meeting of the Cabinet Defence and Overseas Policy Committee, 23 Feb 1967).

233 FCO 27/298, no 88 19 May 1967
[Defence agreement]: minute by Mr Bowden to Mr Healey on the approach to be taken with the Malta government over the status of the defence agreement

Since our discussions in March with the Maltese about the rundown of our forces in Malta, which ended in the arrangements recorded in Dr. Borg Olivier’s statement from the Savoy Hotel on 12th March and Patrick Gordon Walker’s statements in the House of Commons on 10th and 13th March,¹ we have run into difficulties with Dr. Borg Olivier over the question whether the Defence Agreement is still in force. The continued operation of the Defence Agreement is important to us for two reasons. The Defence Agreement provides the full legal basis for the continued presence of our forces in Malta. The continuation of British aid to Malta under the Financial Agreement is specifically linked to the continued operation of the Defence Agreement and talks with the Maltese under the Financial Agreement are now overdue.

¹ *H of C Debs*, vol 742, cols 1895–1906, 10 Mar 1967; vol 743, cols 52–9, 13 Mar 1967.

2. The present positions of the two Governments are as follows. In their Aide-Memoire of 27th January, 1967, the Malta Government stated that they considered us to be in fundamental breach of the Defence Agreement and called upon us forthwith to cease making use of the rights, privileges and facilities to which we were entitled under that Agreement. At the same time they introduced into the Malta Parliament a Bill amending the Visiting Forces Act. Although no formal reply has been sent to the Malta Government's Aide-Memoire, we at once publicly denied both in Parliament and to the Press that we were in breach of the Agreement, and a copy of our statement was sent to Dr. Borg Olivier by the British High Commissioner. We also made our attitude clear during our discussions with the Maltese in March and in Patrick Gordon Walker's statement in the House of Commons on 10th March (in the course of which he said that 'all our proposals were dependent upon the British forces in Malta resuming the full exercise of their rights under the Defence Agreement'). Dr. Borg Olivier appeared to accept this in his own statement of 12th March, in the course of which he specifically referred to Patrick Gordon Walker's statement of 10th March and said that 'without withdrawing the objections they have raised, the Malta Government have decided to let the revised British plan as a whole go forward'. Nevertheless, when a few days later we told the Maltese that we were ready to begin talks on the allocation of British aid during the remaining period of the Financial Agreement, and that we were proposing these talks on the basis that the Defence Agreement was still in force, Dr. Borg Olivier replied by denying that the Defence Agreement was still in operation. At the same time he indicated that in practice British forces would continue to enjoy the rights which had been given them under the Defence Agreement, and proceedings on the Bill to amend the Visiting Forces Act were suspended.

3. The Law Officers were consulted. They advised that it would be preferable if Dr. Borg Olivier could be persuaded to agree to some arrangements, by means of an Exchange of Letters or otherwise, which would ensure his acceptance of a legally binding Agreement. Failing that, however, the Law Officers were of opinion that, on the information they had received as to what had happened since Dr. Olivier's purported repudiation of the Defence Agreement on 27th January, and notwithstanding that purported repudiation, the Agreement had always remained legally in force; and we should take our stand on that position.

4. In the light of the Law Officers' advice, we have tried to get Dr. Borg Olivier to agree to an Exchange of Letters in terms acceptable to both Governments. It has proved impossible to find a mutually acceptable formula. These negotiations have been without commitment and have proceeded through informal legal channels so as not to prejudice the fall-back position envisaged in the advice from the Law Officers. If we take them further we might end by impairing the strength of the fall-back position.

5. I have carefully examined whether there are any means of proceeding, other than by adopting the fall-back position, which would be effective but would avoid a clash with the Malta Government. I am satisfied that these do not exist. We therefore have a straight choice whether to have a confrontation with Dr. Borg Olivier over this issue now, or to rest on the fall-back position.

6. The advice of our High Commissioner, which I judge to be sound, is that if we force the issue Dr. Borg Olivier will not give way. We should therefore only be prepared to do so if we are clear that we are ready to face using our ultimate

sanctions, namely the early withdrawal of our forces and a radical review of our aid. At an early stage of this confrontation we could expect the harassment of our forces to be resumed.

7. If we rest on the fall-back position the advice by the Law Officers assures us of sufficient legal cover for retaining our forces in Malta and for making further disbursement of aid to Malta under the Financial Agreement. There are however some political risks. There might be awkward questions in Parliament here or in Malta; but I believe that satisfactory formulae could be used provided that Dr. Borg Olivier does not wish to revert to extreme courses. All the indications are that Dr. Borg Olivier will not wish to upset existing arrangements for the next 18 months or so, and that during that period he will in fact continue to behave as though the Defence Agreement were in force. But it is clear that he stands very firmly on the passage in his Savoy Hotel statement that 'if it becomes evident that the hopes of an adequate expansion of employment are not likely to be realised, the Malta Government must then feel free to ask the British Government to review the position.' We must therefore be prepared for him to re-open the whole package if he and his Trades Unions are not satisfied that, following the Joint Economic Mission's report and consequential action on it, the Maltese economy cannot adequately absorb the effects of the rundown. As, at that point, we could not re-phase our rundown we should have trouble in Malta. We should then be exposed to questions in Parliament about the basis on which we had retained our forces and had continued aid, and, while our position is legally defensible, there could be criticism that we had gone ahead despite the fact that the Malta Government had told us that in their view the Defence Agreement was no longer in force. It would also be easier for Dr. Borg Olivier to claim that there was no legal obstacle to his reverting to harassment of our forces; though of course we could say by the same token that we have no obligation to continue our aid.

8. The question therefore is whether we should ourselves force the issue now or, resting on the fall-back position, leave the onus of creating a crisis on Dr. Borg Olivier if he wishes to do so in some 18 months' time. I can see the following arguments in favour of the former course:—

- (a) We should remove the uncertainties inherent in the position;
- (b) If Dr. Borg Olivier is bluffing (though our High Commissioner does not believe he is), we should call his bluff once and for all;
- (c) We should avoid placing ourselves in a vulnerable position vis-a-vis Parliamentary criticism here.

On the other hand:—

- (i) There are obvious disadvantages in our provoking a crisis likely to attract public criticism when the Joint Mission is just beginning its work and when the Malta Government have taken no overt provocative action but are behaving though not speaking as though the Agreement were currently in force;
- (ii) We have not had time to make the necessary preparations to enable us to withstand harassment and to make a quicker withdrawal of our forces and equipment from Malta than would have been possible last February;
- (iii) It is not certain that Dr. Borg Olivier will make trouble, even in 18 months' time. He has not done so up to now and our High Commissioner believes that he

intends to leave the present arrangements undisturbed at least for 18 months. It would appear to be contrary to his own interests for him to do so before then (when the rundown is not in full operation and the Joint Mission is still at work);

(iv) If Dr. Borg Olivier, for his own reasons, does at any time wish to upset the present arrangements, he has (as recent events proved) the means to do so at any time, and the existence of a formal arrangement would not inhibit him or restrict his practical ability to do so.

(v) Further delay in getting the financial talks under way may be criticised by the Malta Government as eating into the 'breathing space' attained by the delayed rundown.

9. My own view is that, in the circumstances, the right course is to rest on the fall-back position and to leave the onus for upsetting the package arrangements on Dr. Borg Olivier. I would accordingly propose shortly to instruct our High Commissioner in Valletta to invite Maltese officials to come to London to begin talks on the allocation of British aid without any further reference to our attitude to the continued validity of the Defence Agreement.

10. I am sending copies of this minute to the Chancellor of the Exchequer and the Minister of Overseas Development and should be glad to know whether you and they concur in the course of action proposed above. I am also sending copies of this minute to the Attorney General, the Minister without Portfolio and Sir Burke Trend.

234 FCO 27/298, no 106

2 June 1967

[Defence agreement]: minute from Mr Healey to Mr Bowden agreeing that 'it would not be to our advantage to press the issue to a new confrontation with the Malta Government'

Thank you for your minute of 19th May about the Defence Agreement with Malta.¹

2. The present situation is far from satisfactory, not least because we must expect that Dr. Borg Olivier, having stuck to his position that the Defence Agreement is no longer in force, will feel even less inhibited than in January from withdrawing, on some future occasion, facilities enjoyed by the United Kingdom under the Defence Agreement, particularly if the Malta Government is subjected to political pressure to withdraw some right which is locally unpopular, e.g. NAAFI trading. I also have doubts on other grounds whether we can count on this issue not cropping up again with the Maltese sooner than in 18 months' time: frequent discussions take place between British and Maltese officials about the local application of particular provisions of the Defence Agreement and in the field of civil claims it may become necessary for us to content [sic] in the Maltese courts that the Agreement is still in operation. Presumably it will also be difficult to conduct the next round of negotiations on the Financial Agreement and to make further payments under it without some reference by us to the Defence Agreement to which the Maltese might take exception: no doubt you and the Minister of Overseas Development have given due weight to this aspect.

¹ See 233.

3. I agree with you nevertheless that it would not be to our advantage to press the issue to a new confrontation with the Malta Government. Of the arguments you advance in favour of adopting your fall-back position, those in paragraphs 8(i), (iv) and (v) carry the most weight in my view; in particular we should be exposed to public and Parliamentary criticism for not seeking clarification of the Maltese position on the Defence Agreement before Dr. Borg Olivier returned to Malta after the London talks and before we publicly welcomed his unilateral statement at that time. With regard to paragraph 8 (ii) of your minute, on which the Minister without Portfolio has commented, we have not, in fact, wasted time since March. The contingency plans for orderly withdrawal over a six months period drawn up during the harassment have been worked out in detail and are kept under review: stocks of MT fuel, which would be critical if harassment were renewed, have been replenished and increased; the rundown of other stock levels is under way at a pace that is consistent with the political requirement that the withdrawals must be carried out discreetly, and with our continuing commitments in the area.

4. It is obviously a matter of concern to me that Servicemen and their dependents should not suffer any derogation from the legal protection they have previously enjoyed in Malta. My agreement to your recommendations is given in the light of the Law Officers' opinion that, notwithstanding the attitude taken by the Malta Government, the Agreement has always remained legally in force and continues to provide legal cover for the presence of our forces in Malta. I understand that in any case there could be no derogation from the present immunities enjoyed by our forces and their dependents from the processes of the Maltese courts in criminal jurisdiction without amendment of the Visiting Forces Act, which would be an overt act of renewal of harassment by the Malta Government. In practice, the effective working of the arrangements on jurisdiction will depend on the continued co-operation of the Malta police with the British authorities and we shall have to keep a careful watch for any signs that this co-operation may be withdrawn.

5. I am copying this minute to recipients of yours.

235 T 317/929

29 Dec 1967

'Ownership of the Malta dockyard': minute from Mr Thomson to Mr Jenkins

We have almost come to the end of the road with the Malta Government over this difficult problem, which we inherited from our predecessors. I think the time has now come to take a hard, fresh look at a problem which becomes more expensive to us both financially and politically the longer it goes on.

2. It is now 18 months since we first proposed to the Malta Government that the dockyard should be nationalised. During this period we have been continuously pressing the Malta Government; and when Dr. Borg Olivier came here at my invitation in October, it looked as if he was at last preparing to take the plunge and nationalise the dockyard. But by the end of November it became apparent that he was having doubts (paragraph 2 of my minute of 30th November to the Prime Minister). These doubts have been confirmed by his reaction (reported in Valetta telegram No. 950) to the Prime Minister's message of 1st December (my telegram No. 1092 to

Valletta). He now says that he will not initiate any legislative solution to the ownership problem without the agreement of the Maltese Opposition and the General Workers' Union (whether or not this agreement is necessary under the terms of the Maltese constitution). This puts us back to square one, because Mr. Mintoff and his party will not lend their support to a legislative solution on terms that Dr. Borg Olivier can accept.

3. In effect Dr. Borg Olivier is just stringing us along. There are several possible reasons why he judges it in his best interests to let the problem drift: he is afraid to stand up to the Malta Labour Party and the Unions; he no doubt fears that his Government alone will be to blame if, after nationalisation, the dockyard fails to prosper; or he may believe that as long as the British Government is (at least partially) responsible for the current situation in the dockyard, he will be able to insist on a further postponement of the defence rundown; in any event he probably hopes to squeeze yet more financial concessions from us. But whatever the reasons for his inertia, one thing is clear: it is a British interest to solve this problem as a matter of urgency. As long as it remains unsolved, we shall continue to be, as it were, the pig in the middle, with the Malta Government on the one hand trying to exploit the game as much as they can, at our expense, and the Baileys on the other steadily piling up their claims on the British Government year by year.

4. The solution of the problem of the ownership of the dockyard is the biggest contribution we can make to the sound development of the Maltese economy and hence to a smooth rundown of our forces. As you know, we are heading for the critical period of the rundown next summer, if not earlier. I do not believe that we can get through it successfully unless we have solved the dockyard problem first. Moreover, if we allow it to drift, we shall be involved still longer at the heart of Maltese politics. We shall incur very severe criticism from public opinion, both here and in Malta, and from Lord Robens, whose Joint Mission¹ urged both Governments to take steps immediately to settle the problem. Finally, it will cost us an additional £200,000 for every year a solution is postponed.

5. The need for urgent action is reinforced by the deterioration of the situation in the dockyard itself. Not only does the prolonged closure of the Suez Canal make it increasingly difficult for the dockyard to attract customers, but the dockyard's labour problems are becoming acute: they are connected with Mr. Mintoff's determination to do everything in his power to bring down Dr. Borg Olivier's Government. Last month, our High Commissioner at Valletta was told by the Overseas Director of Swan Hunter (the Managing Agents) that if they cannot re-establish good working relations in the Yard, they will probably give six months' notice to the Malta Government of the termination of the Management Agency Agreement in the first few months of 1968. If so, I believe that the Council of Administration may resign as well. As you know, the Chairman of the Council is very worried about the prospects. He has written a tough letter to the Malta Prime Minister, and I have undertaken to see him myself as soon as our reappraisal has been completed.

¹ On 10 March 1967, the minister without portfolio, Patrick Gordon Walker, announced his proposal to appoint a joint mission to make 'urgent recommendations to both Governments about retraining and the creation of new job opportunities' (*H of C Debs*, vol 742, 10 Mar 1967, col 1896). The mission, chaired by Lord Robens, reported later in the year (*Report of the Joint Mission for Malta 18 July 1967* Cmnd 3366, 1967).

6. Simultaneously with all this, the negotiations which the Treasury Solicitors have for some time been conducting with the Baileys' lawyers have reached an impasse, because of the very wide gap between the figure they have been authorised to offer the Baileys and the kind of sum which we believe the Baileys might accept in settlement. The Baileys' lawyers served last month notice of their intention to resume the litigation and have threatened to institute fresh proceedings against us. We have been advised that in court our chances of winning the present action are no more than 60/40.

7. The purpose of the present minute is to seek your urgent authority to settle the problem of the ownership of the dockyard either by nationalisation or by settlement out of court (preferably—and more probably—the latter, which might be cheaper and would be simpler and quicker), at a cash cost to H.M.G. of not more than £3 m., with discretion to agree to the writing-off of all our £8.4 m. loans, if it proves necessary in the course of negotiations with the Malta Government to improve on our existing offer to write them down to £1¼ millions. (You will recall that at its meeting on 23rd February, the Defence and Overseas Policy Committee decided that we might, if necessary, offer to write off the whole of our loans provided that this ensured immediate action by the Malta Government to nationalise and develop the dockyard, but not otherwise. This meeting was of course held in the context of the defence rundown negotiations, which were about to be held in London at that time.) There would of course be no question of our settling out of court with the Baileys without prior satisfactory arrangements with the Malta Government to ensure that H.M.G. were not left holding the shares.

8. I enclose a copy of a memorandum,² prepared by my Department with the help of the Treasury Solicitors, which examines solutions to the problem, and shows how these figures are arrived at. The key paragraphs are 19 onwards, read together with Annex A.³ Since this memorandum was prepared, there has been a fresh development which provides a final argument, if one is needed, for seeking your authority to settle this problem now. On 21st December Mr. C. H. Bailey, who is Joint Managing Director of C. H. Bailey Ltd., informed my Department that a purchaser had been found for the Baileys' shares in Bailey (Malta) Ltd., subject to certain conditions. These conditions are set out in a summary of the proposals which Mr. Bailey handed to us. I enclose a copy.⁴

9. I shall be very surprised if the Malta Government will accept Mr. Bailey's proposals. Mr. Mintoff, without whose support Dr. Borg Olivier is reluctant to proceed, if not Dr. Borg Olivier himself, will almost certainly reject the proposition that outside interests should take over the dockyard. Furthermore, some of the conditions stipulated will almost certainly be unacceptable to the Malta Government, notably, the writing off of the Malta Government's £½ million loan to the dockyard and the financing of all unproductive labour for what amounts to an indefinite period. Dr. Borg Olivier's most likely reaction to the proposals will be to seize on them as yet another excuse for delay.

10. If, by any chance, the Malta Government do agree, I would recommend that we accept the proposals as a basis for a settlement on condition that our cash contribution is limited to £3 million. This figure would include any contribution which we might then be asked to make to the provision of a floating or (more probably) a graving dock.

² Not printed.

³ Not printed.

⁴ Not printed.

11. Given your authority to proceed as in paragraph 7, I propose to make a fresh and urgent approach to Dr. Borg Olivier and to convey to him our fresh proposals on the lines of paragraph 19 of the memorandum. We should enquire what his reaction is to Mr. Bailey's proposals (which have been copied to the Malta Government). I should make it quite clear to him that he must let us have a definite reply within a month. I would also take the opportunity to kill once and for all the suggestion (which stems from Lord Robens' 'trusteeship' proposal of last summer), that the British Government might be prepared to contribute capital aid for the dockyard (e.g. for the construction of a new drydock), unless it fell within the £3 million ceiling which I have proposed.

12. The sum involved is a large one. But there is a great deal at stake. And if we postpone the solution of the problem (or allow the Malta Government to postpone it for us), we may well end by having to pay even more later on, without securing any of the political benefits which are to be gained by a quick decision. Dr. Borg Olivier will be in London during next week and might be prepared to extend his stay if we were ready to speak to him about this.

13. I am sending a copy of this minute with enclosures to the Prime Minister, the Defence Secretary, the Minister of Overseas Development and the Attorney General.

236 FCO 27/332, no 228

1 Feb 1968

'Malta dockyard': letter from Mr Diamond to Mr Thomson on the questions relating to the ownership of the yard and a settlement of the dispute with Baileys

When we discussed your minute of 29th December¹ on 26th January I said that we would let you have the Treasury's views in writing. In the interests of clarity (this is a complex subject) I am setting them out in schematic form.

2. My views on your proposals are as follows:—

(1) Our first priority must be to secure our financial and economic position following devaluation: to this end we are having to reduce our existing commitments and undertakings overseas; this is a new situation in which we cannot afford to meet all the obligations which we might otherwise have wished to meet.

(2) We have in fact no formal—contractual or treaty—obligation to settle the problem of the ownership of the Malta dockyard and still less have we any obligation to undertake new financial commitments to that end.

(3) Under your proposals we would be writing off up to £8.4 million of loan debt and would in addition spend up to £3 million of new money, much of which would go to the Baileys; the Attorney-General has said that from a legal point of view this would be extravagant and unrealistic;² I would add that the money spent would be

¹ See 235.

² FCO 27/331, no 259, 'Ownership of the Malta dockyard': minute from Sir Elwyn Jones (attorney-general) to Thomson, 9 Jan 1968.

extra to what we have already decided we can afford to spend in pursuance of our overseas policies.

(4) The dockyard is essentially a Maltese problem and under your proposals we would be spending money essentially to try to deal with a political problem domestic to Malta.

(5) It is for Malta to solve the dockyard problem and there is nothing to prevent her doing it. One method would be for her to nationalise the dockyard by acquiring the necessary assets; if they did this, then I would be prepared to take the very helpful step of foregoing our share of the compensation for nationalisation. As we are by far the largest creditor, this would in effect mean that we would be providing the whole, or practically the whole, of the compensation monies. This would apply whatever reasonable figure was fixed as the compulsory sale price of the assets in question.

(6) Subject to expert advice another method might be for us by agreement with the Maltese, to sue for repayment of our loans, thus forcing the company into liquidation and for the Malta government to obtain forfeiture of the lease (at no cost) and to acquire from the liquidator such assets as it needed at liquidation price.

Whatever method is adopted, however, I am clear that we should provide no new money and that our contribution should in effect be limited to foregoing such part of the £8.4 million which we have lent to the company as would become due to us from the proceeds of the realisation of the assets.

3. I was confirmed rather than otherwise in the foregoing views by the political assessment which we heard at our meeting. The position as I understand it is as follows:—

(1) Mr. [sic] Borg Olivier cannot nationalise the dockyard without the co-operation of Mr. Mintoff.

(2) Mr. Mintoff's main if not sole pre-occupation is to bring down the present government and to replace Mr. [sic] Borg Olivier as Prime Minister; he regards the dockyard and its present problems (aggravated as they have been by the closure of Suez) as his main instrument to this end.

(3) His conditions for co-operation in nationalisation measures have varied from time to time but at present are reported to reflect an unacceptable proposal, which he wrongly claims was earlier agreed by H.M.G.; under this H.M.G. would inter alia undertake an unquantified commitment to provide additional money to develop the yard.

(4) He is expected in the next few weeks to use strike action in the dockyard (and perhaps elsewhere) in an attempt to overthrow the Borg Olivier government.

(5) Past exchanges apart, the basic political case made for an offer to Malta on the dockyard such as you have in mind is that it is in H.M.G.'s interests to keep Mr. [sic] Borg Olivier in power, because Mr. Mintoff might pursue neutralist policies, leave N.A.T.O. and/or engineer an early withdrawal of our forces.

4. As I see it we have here an inherently unstable situation which it is beyond our power (and certainly beyond the power of our purse) to stabilise. More specifically:

(1) no reasonable solution to the dockyard ownership problem will solve the immediate problems of the yard—no work and an excessive and unruly labour

force; we cannot take the burden of paying a 'dole' to the existing labour force for the indefinite period until new jobs have been found. By the same token it would not safeguard the future of the Borg Olivier government;

(2) because of this Mr. [sic] Borg Olivier, prompted as he is by fear of Mr. Mintoff, is unlikely to accept any reasonable offer from us; confronted by an offer such as you have in mind he would therefore (as he has done in all recent negotiations) prevaricate and ask for more;

(3) a fortiori Mr. Mintoff (if the above assessment of his attitude is right) has no motive for being a party to any reasonable settlement; he will have no wish to share, with a government he wishes to overthrow, the responsibility for the immediate problems of the dockyard; an offer of £3 million in cash much of which would go to the Baileys will do nothing to influence one who is said to be prepared to contemplate expediting the departure of our troops (a Maltese rupture of the Defence Agreement could of course cost Malta the unspent balance—about £30 million—of our £50 million aid offer).

5. If the political assessment of Mr. Mintoff's attitude is wrong and he really does have regard to Malta's true interests then he and Mr. Borg Olivier would surely be prepared to proceed on the basis in (5) of paragraph 2 above. If this were not acceptable to the Maltese then I think we could conclude that no reasonable offer would be acceptable. At the same time we would have been as generous as (or perhaps more generous than) our present economic and financial circumstances warrant.

6. I am sending copies of this letter and enclosure to the recipients of yours.

237 FCO 27/332, no 304

12 Feb 1968

'Malta dockyard': minute (reply) by Mr Thomson to Mr Diamond

Thank you for your letter of 1st February¹ commenting on my minute of 29th December.²

2. I am grateful to you for setting out the considered Treasury views in writing. As we agreed at our meeting, there is a basic divergence of view between us that can only be resolved by putting the issues before our colleagues. I am arranging to do so. Meantime I think that discussion on this question in the Defence and Oversea Policy Committee³ will be simplified if I attempt to clarify our position on some of the points made by you in your letter (and also by the Attorney-General in his minute of 9th January, to which you refer).

3. In general the proposals in your letter would be totally unacceptable to the Maltese; and indeed they are bound to represent them as in some aspects falling short of what we have already offered. The sum so far authorised for an out of court settlement is equally unacceptable to the Baileys.

4. It is true that the Attorney-General in his minute of 9th January said that the sum of £3 million was 'from a purely legal point of view an extravagant and unrealistic figure' for a settlement of the litigation with the Baileys. I do not of

¹ See 236.

² See 235.

³ See 238.

course seek to dispute the Attorney's legal judgement, but the Attorney recognised that he was not concerned with the non-legal aspects of this problem. I put forward the sum of £3 million as a political price it would in the long run be economical for us to pay to remove this obstacle in the way of the present Government of Malta making progress with its plans and to enable our rundown to proceed smoothly. Our attempts to reach a settlement with the Baileys at a figure of £¼ million have made no progress in two years; and I do not read the Attorney-General's comments as necessarily applying to the cost of settling the matter by *nationalisation*. Any proposal for a settlement on terms that would be justifiable on legal grounds alone is almost certain to fail.

5. The problem is not as easy for the Malta Government to solve as you imply in paragraph 2(5) of your letter. Apart from the problem of securing the support of the Opposition and the political difficulties inherent in passing expropriatory legislation, the Malta Government will have to find a considerable sum in cash (up to about £2 million) in order to pay for the cost of the operation and also to render the dockyard free of incumbrances. In foregoing our share of the compensation for nationalisation, we should not, as I see it, be providing any of this cash; indeed you state specifically that we should provide no new money. Moreover we should be asking the Malta Government to provide this money in order to solve a problem for which we must assume prime responsibility: we put the Baileys in during the days of direct rule, and the heritage of their mismanagement had not been cleared up at the time of independence five years later.

6. I cannot agree with your conclusion, in paragraph 4(1), that no reasonable solution to the dockyard ownership problem will solve the immediate problems of the yard. Once the ownership problem is resolved and the dockyard put on a permanent basis, the Malta Government, in conjunction with the new management of the dockyard, will be in a far better position to introduce normal commercial discipline over the labour force. Our proposals do not, of course, involve the payment of a 'dole' to the labour force but are designed to help the Malta Government to resolve the ownership problem for which we are partly responsible. Although there is no certainty that a solution of the ownership problem will safeguard the future of Dr. Borg Olivier's Government, we can be sure that it would be the greatest single factor in ensuring an orderly rundown of our forces and in keeping Malta stable and Westward-looking.

7. The idea in paragraph 2(6) of your letter—that we should sue for repayment of our loans—is attractive at first sight. But, in the Maltese view (and it is Maltese law which would apply), this would involve the closing of the dockyard, a consequence which is understandably unacceptable to the Malta Government. Nevertheless the Treasury Solicitors have been asked to look at this possibility once again.

8. There is one other matter which the Attorney-General has raised in paragraph 6 of his minute, where he suggests that the figure of £200,000 (being the estimated additional cost for every year a solution is postponed) is based on claims which are not sustainable against the United Kingdom Government. This is undeniable: but the proposals for nationalisation contained in the memorandum which accompanied my original minute to the Chancellor of the Exchequer include a recommendation that we should assume full liability for all claims which the Baileys can prove against Bailey (Malta) Limited (this recommendation is in line with the proposals we put to the Malta Government in July 1966). Similarly, if there were to be an out of court

settlement instead of nationalisation, we should assume that the Malta Government would not accept a transfer of the shares which we would have acquired from the Baileys in such a settlement unless all the Baileys' claims had been disposed of. In practice, therefore, the cost of postponing a solution should be related to the rising amount of the Baileys' claim.

9. I am sending copies of this minute to the same recipients as before.

238 CAB 148/35, OPD 3(68)3

14 Feb 1968

'Malta': Cabinet Defence and Oversea Policy Committee minutes on possible ways of solving the problem of ownership of the dockyard

(Previous Reference: OPD(67) 8th Meeting, Item 1).

The Committee considered a memorandum by the Secretary of State for Commonwealth Affairs (OPD (68) 12)¹ on the ownership of the Malta dockyard and its implications for British policy towards Malta.

The Commonwealth Secretary said that he had been unable to agree with the Chief Secretary, Treasury on the financial offer which might be made to the Government of Malta in an attempt to solve the problem of the ownership of the Malta dockyard.² The dockyard, Malta's largest industrial employer of labour, was faced with closure, partly as a result of the uncertainties about its ownership. Although Baileys had been dispossessed, they remained the legal owners of the dockyard and the legal proceedings between them and the British Government were still in being. An early solution could only be achieved by means of an out of court settlement with Baileys or by Maltese legislation to nationalise the dockyard which would require the support of the Opposition in the Maltese Parliament. While we had no interest in giving any assistance to Baileys, we had a major interest in resolving the problems of the dockyard. Failure to solve the ownership problem would put us on a collision course with the Maltese Government with severe consequences for our interests in Malta. The crisis thus created might end either with the replacement of the pro-Western Government of Dr. Borg Olivier by a neutralist Government under Mr. Mintoff or by the continuation in power of Dr. Borg Olivier but pursuing a policy only slightly less hostile to Britain than that of Mr. Mintoff. British forces might have to leave Malta in disorder and our defence facilities be permanently lost. It might not even be possible to retain facilities for the North Atlantic Treaty Organisation (NATO). Such developments would bring severe criticism from public opinion in this country, from the Maltese themselves and from our NATO allies, with some economic damage to our interests. He recommended therefore that he should be given authority to settle the problem of the ownership of the dockyard either on the basis of nationalisation or by settlement with Baileys out of court, at a cost of not more than £3 million, with discretion to agree to the writing off of our loans of £8.4

¹ CAB 148/36, OPD(68)12, 'The dockyard crisis and its implications for British policy towards Malta': memorandum by Thomson, 12 Feb 1968.

² See 237.

million in respect of the dockyard if it proved necessary in negotiation with the Malta Government to improve on our existing offer to write them down to £1¼ million. There would be no question of our settling out of court with Baileys without prior satisfactory arrangements with the Malta Government to ensure that the British Government were not left holding the shares of Bailey (Malta) Limited.

If, however, the Committee were not prepared to accept these proposals, he suggested three alternatives, each of which would involve committing about £1.5 million in addition to writing off the loans. The alternatives were: to provide up to £1.5 million towards the cost of nationalisation, leaving the Malta Government to find up to £1 million themselves; or to provide £0.5 million towards paying off the bank overdraft of Bailey (Malta) Limited and to give the Malta Government an indemnity against claims by Baileys which might cost up to £1 million; or to increase to £1.5 million our present offer to Baileys of £725,000 for an out of court settlement, subject to agreeing with the Malta Government a satisfactory arrangement for the shares.

The Chief Secretary, Treasury, said that, since the previous negotiations on the ownership of the dockyard, not only had devaluation led us to re-examine critically our overseas commitments but the closure of the Suez Canal had very greatly reduced the available work for the dockyard. Additional dockyard facilities were now available in the Western Mediterranean, so that if the Suez Canal were re-opened there would be much greater competition for the available work. At the height of its activity the Malta dockyard was incurring losses of around £¼-£½ million a year; at best therefore, even after the re-opening of the Suez Canal, losses of this order could be expected to continue.

It was still open to the Malta Government to nationalise the assets of the company controlling the dockyard at no cost to themselves or to us in new money. The Commonwealth Secretary's proposals would involve most of the new money being given to Baileys whose mismanagement of the dockyard was notorious and whose integrity had been challenged by the auditors. The British Government were the main creditors of the dockyard company for over £8 million of which over £2 million was fully secured. We could forgo payment for this secured loan in order to facilitate the transfer of the assets of the dockyard company to the Maltese Government on nationalisation at no cost to them. An alternative, and perhaps better, method of settling the matter was offered by the lease held by the dockyard company. The lease had been granted by the British Admiralty in favour of Bailey (Malta) Limited while the freehold had been transferred by the Admiralty to the Malta Government. The lease provided that if the company went into liquidation the freeholder could claim forfeiture of the lease and would be entitled to possess the ground. If therefore we were to take normal commercial action as the principal creditor of the company and sue for repayment of our loans, we should be putting the company into liquidation, the lease would be forfeit and the Malta Government would be entitled to possession of the land at no cost. The Malta Government could then acquire the assets of the company, i.e. the dockyard, from the liquidator at liquidation price; the liquidator would pay us as the secured creditor and we could return the payment to the Malta Government. Preliminary discussion with the Deputy Crown Advocate-General of Malta, Mr. Mizzi, seemed to confirm that in the event of liquidation the lease would be forfeit under Maltese law in the same way as under British law. Finally, Baileys could be left to pursue their claim against us in the courts if they saw fit.

In discussion doubts were expressed about the feasibility under Maltese law of the course suggested by the Chief Secretary, Treasury. It was not clear whether Maltese and British law coincided on this question; under Maltese law such a procedure might involve the closure of the dockyard for a considerable period, unless the Maltese constitution was amended. Such an amendment would require a two-thirds majority in the Maltese Parliament and therefore the support of the Maltese Opposition led by Mr. Mintoff; thus the same difficulties would be raised as with the proposed nationalisation of the dockyard.

The point was also made that a solution to the dockyard problem was becoming increasingly urgent. There might be advantage in sending to Malta a person of standing who could give the bulk of his time to seeking a solution to the linked legal, political and economic problems of the dockyard. At this time an enforced withdrawal of British troops from Malta would be highly damaging to us. While a full assessment of the strategic value of Malta would have to await the further defence studies and the outcome of the examination being carried out by NATO, we should keep open the possibility of retaining facilities in Malta, perhaps on a somewhat larger scale than was envisaged under the current rundown plan. This would not however affect the rundown of civil employees of the Services in Malta in the current year since it was inconceivable that the present number of local employees would be required. The main factor governing our studies of the value of Malta to us lay in our general relationship with NATO and the degree of emphasis to be given to the Mediterranean as compared with the central or northern sectors of NATO.

The Prime Minister, summing up the discussion, said that urgent study should now be given to the legal aspects of the suggestions for solving the ownership of the dockyard which had been put forward by the Chief Secretary, Treasury. In the light of the legal advice, a meeting of the Ministers concerned under the chairmanship of the Lord Privy Seal should seek to reach agreement on a basis for settling the problem of the dockyard or, failing agreement, to report on the alternative courses open and the arguments for and against each.

The Committee:—

(1) Invited the Attorney-General, in consultation with the Commonwealth Secretary and the Chief Secretary, Treasury, to examine the legal aspects of the suggestions by the Chief Secretary for solving the problem of ownership of the Malta Dockyard.

(2) Invited the Lord Privy Seal, in consultation with the Foreign Secretary, the Defence Secretary, the Commonwealth Secretary, the Chief Secretary, Treasury, and the Attorney-General, to examine, in the light of (1) above, and report on the problem on the basis set out by the Prime Minister in his summing up of their discussion.³

³ A meeting was held on 27 February to discuss the problem of the ownership of the dockyard in the light of legal advice on the suggestion made by Diamond for taking bankruptcy proceedings against Bailey (Malta) Limited. During this meeting, Sir Arthur Grattan-Bellow (assistant legal adviser, Commonwealth Office) gave the opinion that it would be possible to make the company bankrupt and transfer the assets of the dockyard to the Malta Government without closing the dockyard in the meantime. Summing up the discussion, the lord privy seal, Lord Shackleton, noted that the meeting agreed with the proposals for solving the problem of ownership of the dockyard set out by Grattan-Bellow (CAB 130/378, MISC 200, 1(68), minutes of meeting, 27 Feb 1968).

239 CAB 128/43, CC 16(68)2

29 Feb 1968

'Malta': Cabinet conclusions on the internal security situation stemming from the possible closure of the dockyard

The Commonwealth Secretary said that a serious situation was developing in Malta. The financial situation of the dockyard was critical and it was faced with the possibility of closure in 10 days' time. The consequent unemployment would create a potentially dangerous internal security situation. The leader of the Malta Labour Party, Mr. Mintoff, was planning to use his influence with the Malta General Workers' Union as a means of bringing about the downfall of the Government of Dr. Borg Olivier. The crisis over the dockyard had been brewing for some time; and it was unfortunate that it should come to a head just at the time when the first discharge notices under the redundancy scheme for the Services' rundown in Malta (which would not in themselves have serious repercussions) were due to be issued. His advice from the High Commissioner was that in view of their divided loyalties neither the Police nor the Malta Land Force could be relied on in a crisis. It was doubtful how Dr. Borg Olivier would react to disorders, *i.e.*, whether he would resign or appeal for assistance by British forces in restoring order. Under an exchange of letters of September 1964 we were obliged to consider a request from the Malta Government for assistance in the event of a threat to internal security, but not necessarily to meet it. Nevertheless the High Commissioner and the Heads of the Services in Malta considered that it might be in our interest to give assistance and had recommended that contingency planning should be undertaken. The only hope of avoiding a crisis was to keep the dockyard open; and the Lord Privy Seal, who had been examining this problem with a small group of Ministers, was ready, subject to the agreement of the Treasury, to make recommendations to this end. Meanwhile he hoped that it would be possible for him at once to invite the Prime Minister of Malta to come to London for urgent discussions, with a view to reaching a solution of the dockyard problem and avoiding a very serious internal security situation.

*The Lord Privy Seal*¹ said he would be making urgent recommendations on the way we should proceed to seek a solution to the problem of the ownership of the dockyard.

In discussion the Cabinet were informed that contingency plans were being made for military intervention if necessary and for the evacuation of British subjects. Doubt was expressed whether, even if we were asked to do so, we should be wise to intervene militarily in order, in effect, to defend the Government of Malta against the Malta Opposition, especially since we had no commitment to do so. On the other hand, it was pointed out that if the present Malta Government were to fall and be replaced by a Government under Mr. Mintoff, Malta, with its strategic position in the Mediterranean, might become neutralist or perhaps worse; this would also entail the end of our Defence Agreement with Malta and the loss of the important defence facilities at present enjoyed by the North Atlantic Treaty Organisation.

¹ Lord Shackleton.

The Prime Minister, summing up the discussion, said that there was a clear risk that a critical situation might arise in Malta over the week-end; and arrangements should be made whereby he and the Ministers immediately concerned could be kept in close touch with the situation. There was general agreement that the arrangements proposed by the Lord Privy Seal's group for keeping the dockyard open should be adopted subject to the agreement of the Chancellor of the Exchequer to their financial implications.

The Cabinet:—

Took note with approval of the statement by the Commonwealth Secretary and of the Prime Minister's summing up of their discussion.

240 CAB 128/43, CC 25(68)1

2 Apr 1968

'Malta': Cabinet conclusions on the decision of the Malta government to nationalise the dockyard

The Lord Privy Seal informed the Cabinet that his negotiations with the Malta Government about the future of the dockyard had resulted in complete agreement on terms satisfactory to us. For the first time the Malta Government had put forward proposals of their own and we had been in a position to impose conditions. The Malta Government proposed to introduce early legislation to nationalise the dockyard under Section 38 of the Malta Constitution. It had been accepted that, while we would provide no new money for the next six financial years, the Malta Government would be permitted to draw £3 million, of the £31 million outstanding under the financial agreement, to develop and diversify the dockyard and to meet the net cost of nationalising the shares and the assets of Bailey (Malta) Limited after allowing for the surrender of their and our receipts as creditors. There would be a limit of £100,000 on disbursements for these purposes in the current financial year. It was also agreed that we would provide £3 million of additional development aid in 1974–76, by which time we should probably have to provide additional aid in any event. The Malta Government had accepted that the implementation of our undertakings would fully discharge all obligations of any kind that the British Government had hitherto incurred towards the Malta Government in relation to the dockyard. Finally, it had been agreed that 1st April, 1968, should be the cut-off date for the valuation of the company's liquid assets and for our indemnity of 1963 to the Malta Government.

There remained a possibility that C. H. Bailey Limited would bring an action against us, but we were less vulnerable under the new agreement than under the previous proposals and, even if the Malta Government were unable to secure the passage of legislation, we should be in an unassailable public position.

The Prime Minister expressed the Cabinet's congratulations on the successful conclusion of the negotiations conducted by the Lord Privy Seal.

The Cabinet:—

Took note of the statements by the Foreign Secretary and the Lord Privy Seal.

241 FCO 41/400, no 35

28 Feb 1969

‘Malta’: letter from E Broadbent¹ to D V Bendall² arguing that NATO should assume the main responsibility for Malta

We have read with interest the exchange of views about NATO and Malta flowing from Sir Bernard Burrows³ talks with Signor Brosio⁴ on the 4th and 8th February (UKDEL NATO 67 and 75, FCO 59 to UKDEL NATO and Valletta 66 and 67). The guidance in FCO 59 rightly splits the question into its short and long-term considerations, and it is the latter I should like to take up in this letter.

2. We need to start from the question of Malta’s strategic value. From a purely national point of view Malta is very convenient rather than indispensable. The really important long-term argument for keeping Malta firmly anchored on the side of the west is much more a NATO than a purely British one, namely that Malta in Soviet hands or under Soviet influence would significantly increase the threat to the security of the NATO nations in the Mediterranean, by giving the Soviets important strategic advantages which they do not at present possess. NATO’s Appreciation of the Strategic Situation in the Mediterranean with Particular Reference to the Security of Malta (PO/68/259 (Revised)) concludes that:

‘The deep interest of the members of NATO in ensuring the security of Malta, as expressed in the Council Resolution of 13th October 1965, constitutes Malta’s most reliable safeguard against external aggression.’

The anomaly is that under the terms of the Malta defence agreement of 1964, we alone have a treaty obligation for the Defence of Malta.

3. The fact is that with the reduction of the British presence in the Mediterranean on the one hand, and the increasing NATO pre-occupation with Soviet activity in the Mediterranean on the other, the balance of interest as between NATO and ourselves is undergoing a major shift. It seems to us that our aim should be to get this change reflected in an equivalent shift from us to NATO of acknowledged responsibility for the defence of Malta and for the financial implications of keeping Malta on the side of the West to which we would of course make an appropriate contribution. Re-negotiation of the Malta defence and financial agreements would be likely to be a very expensive business and we should not in 1974 want to be in the position that we are in effect now in of having to pay single handed the price for keeping Malta on the NATO side.

4. For these reasons it seems to us that we should now be directing our policy towards getting acceptance of the view that NATO should assume the main responsibility for Malta. Membership of NATO by Malta, the arguments for which are at least as strong as those for Iceland’s membership, would be the best way of achieving this and of binding Malta to the West. While we would need to consider carefully where we would stand over any purely national requirements, we see no major problem here as our use of facilities will be almost entirely for NATO purposes.

¹ Private secretary to the secretary of state for defence.

² Assistant under-secretary of state, FCO.

³ Permanent British representative to the North Atlantic Council, 1966–1970.

⁴ Manlio Brosio, secretary general, NATO.

5. I should be grateful if you would consider this proposal with a view to inviting Bernard Burrows to start making use of every opportunity to prepare the way for a specific proposal in due course, which could advantageously be before 1974, for Malta membership of NATO. I should in any case be grateful to have urgently your first reactions, because the call by Brosio on the Defence Secretary on 6th March gives an admirable opportunity for him to float the idea of Malta membership of NATO.

242 CAB 148/92, OPD(69)14

14 Mar 1969

'Malta: agreement on financial assistance': memorandum by Mr Stewart. Attachment

The problem before us is set out in the attached paper,¹ which has been agreed at official level by the Foreign and Commonwealth Office, Treasury, Ministry of Defence and Ministry of Overseas Development. This memorandum is therefore confined to suggesting the answers, as I see them, to the three questions posed in paragraph 12:—

- (a) Should we improve our offer to the Maltese of last January and if so, by how much?
- (b) Will Dr. Borg Olivier be prepared to see the current deadlock converted into a confrontation?
- (c) If there is a confrontation, which Government has more to lose?

2. Taking question (b) first, the answer is, yes. It would be wholly out of character for Dr. Borg Olivier to adopt a position on this issue that might expose him to attack from Mr. Mintoff. He sees this problem, like everything else, solely in terms of his own political survival. In his latest telegram (No. 99 of 10 March—copy attached) the British High Commissioner in Valletta has reported that Dr. Borg Olivier believes that he could never get away with the 50:50 formula which we offered him two months ago.²

3. To answer question (c) our defence and political interests have to be weighed against the £23 million which Malta is due to receive under this agreement during the next five years. However we may assess this, Dr. Borg Olivier (like Mr. Mintoff) is absolutely convinced of the strategic and political value of Malta. Although their ideas may be inflated, the fact remains that the importance of United Kingdom defence and political interests in Malta has increased in proportion to the growth of the Soviet threat in the Mediterranean over the past two years and is likely to increase still further as our defence effort is concentrated in Europe. Dr. Borg Olivier knows this as well as we do. My judgment is therefore that he would be prepared to set the £23 million at risk.

4. It is important to consider this problem against the background of the Anglo-Maltese relationship over the last two years. With great difficulty we succeeded in surmounting the Rundown crisis of 1967 and the Dockyard crisis of 1968. The problem we are now considering is the last major obstacle to the smooth

¹ Not printed.

² See 243.

development of Anglo-Maltese relations during the remaining years of the Rundown and of the Defence Agreement. This is not the moment to dig our toes in. On the contrary, it is in our interests to do everything in our power to keep our relations with the Maltese in the lowest possible key at least until after their elections, which must be held not later than April, 1971. If we can do this and thus help to ensure Dr. Borg Olivier's return to power, we shall have a good prospect of completing the Services' Rundown without friction and of negotiating (if possible in conjunction with our NATO allies) on an amicable basis whatever defence arrangements we and the Alliance may need in Malta after the expiry of the Defence Agreement in September, 1974.

5. I believe that it would be rash to ignore the consistent advice of the British High Commissioner in Valletta, which is that we should offer Dr. Borg Olivier 75% grant, excluding the £4 million already allocated for historic buildings and the dockyard, and that he would accept this. This will be expensive, but any alternative arrangements that we might be able to make to replace those that we already have in Malta could well turn out to be more expensive in the end.

Attachment to 242: telegram no 99 from Sir G Troy, 10 Mar 1969

Valletta telegram No. 99 of 10 March 1969.

Your telegram No. 53.

Financial Agreement.

At Dr. Borg Olivier's request I have had a talk with him about the present 'impasse'. He was very downcast. Political pressure was increasing, on both sides of Parliament, and he was certain that the whole nation was behind him in the stand he had taken. He could never get away with what we had offered. He was trying to cooperate with us over the rundown despite misgivings. A row with us now over aid would obviously be bad for investment and tourism. He felt that we realised his reluctance to damage the Maltese economy by renewed confrontation with us and were just sitting back waiting for him to give in when present aid ran out. He had been patient but was reaching explosion point.

2. My impression was that he still had no clear idea what he would do if it came to a showdown over aid. He mentioned the possibility of demanding rental for the real estate we occupied or of 'taking back' particularly valuable property.

3. I assured him British Ministers were actively considering aid question and were emphatically not just sitting back. I warned him of dangers of creating new problems over defence agreement. If it were made awkward or expensive for the British Services to remain and be operational, it might be difficult for us even to stick to the present rundown timetable.

4. He said he was fully aware of this. He saw himself in a cleft stick and felt strongly that we were treating him unfairly. Why was Lee Kuan Yew given £50 million for the rundown in Singapore, for example, whereas Malta got nothing for the rundown here? Surely Malta's legitimate claim to British assistance had become greater since 1964 and not less. As to the argument that Malta's economy was now booming, in contrast with Britain's, we had done our best to persuade and help Malta to expand her economy quickly to offset the rundown, and now we were proposing to penalise her for beginning to be successful.

5. I will not repeat the other points he made, all of them familiar. He has clearly not made up his mind what to do next, but I am sure he cannot afford to wait much longer. He will feel compelled by local politics to make a gesture soon and this cannot fail to be embarrassing to us. If we leave it to him to take the initiative, he is bound to repeat his demand for 100 per cent grant and thereafter to be stuck with it. I still think that, in order to forestall this, we should offer him 75 per cent grant, not counting monuments and dockyard, and that he would accept.

243 CAB 148/91, OPD 4(69)3

18 Mar 1969

'Malta: agreement on financial assistance': Cabinet Defence and Oversea Policy Committee minutes

The Committee had before them a note by the Foreign and Commonwealth Secretary (OPD(69) 14)¹ proposing that for the five-year period beginning 1st April 1969 75 per cent of the aid we were committed to provide to the Malta Government should be in the form of a grant, with the remaining 25 per cent as a loan.

The Foreign and Commonwealth Secretary said that the case for improving on the 50:50 offer which we had made in January was purely political. Dr. Borg Olivier had argued that it was electorally impossible for him to accept a 50:50 offer, and the High Commissioner's advice was that he would accept 75:25. The argument for making such an offer was that the trouble which Dr. Borg Olivier could create for us if he chose not to co-operate would be far more costly than would a 75:25 offer.

The following points were made in discussion:—

(a) There was no economic case for such generous terms. Malta was relatively prosperous, with much larger reserves per head of population than our own. The case for providing aid was essentially military and political.

(b) After taking account of a 100 per cent grant for dockyards and historic buildings, the effective proportion of grant to loan during the quinquennium beginning 1st April 1969 if the Foreign and Commonwealth Secretary's proposal was accepted, would be 80:20, as against the 75:25 ratio negotiated for the period 1964–1969.

(c) The Maltese were receiving large sums from the West, in the form of private investment, and any major dispute with this country would tend to reduce the flow of investment. Thus Dr. Borg Olivier had every interest in reaching a settlement and in not carrying out his often expressed threat of seeking closer relations with the Soviet Union. On the other hand, it could not be assumed that he would always act logically.

(d) Previous experience in negotiating with the Maltese suggested that no concession would ever be regarded as final. It would be inviting trouble if at this stage we offered such a signal improvement in the terms which, as recently as January, Ministers had represented as being a considered offer.

(e) If a further concession ultimately became necessary it would be desirable to link it with concessions on the Maltese side to ensure that the aid was used for the

¹ See 242.

purpose for which it was provided and that the provisions of the 1964 Defence Agreement were honoured in full at least until 1974.

In further discussion there was general agreement that, in the absence of firm evidence that the Maltese Government would be prepared to endanger their relationship with us for the sake of a relatively marginal improvement in an already healthy financial position, we should stand firm on the 50:50 offer made in January.

The Prime Minister, summing up, said that the majority of the Committee were not persuaded that it would be right to offer any further concession at this stage. Negotiations with the Maltese Government should therefore proceed on the basis of our previous 50:50 offer. It would however be open to the Foreign and Commonwealth Secretary and the Secretary of State for Defence to raise the matter with the Committee again if it became clear that in the absence of a better offer the Malta Government were prepared to take steps which would damage our own interests sufficiently to warrant a further concession on our part.

The Committee:—

Took note, with approval, of the Prime Minister's summing up of their discussion.

244 CAB 148/92, OPD(69)21 15 Apr 1969
**'Malta: agreement on financial assistance': memorandum by
Mr Stewart for Cabinet Defence and Oversea Policy Committee**

At the meeting of the Defence and Oversea Policy Committee on 18 March,¹ the Prime Minister directed that this question might be raised again with the Committee if it became clear that, in the absence of an offer better than 50:50, the Malta Government were prepared to take steps that would damage our own interests sufficiently to warrant a further concession on our part.

2. Following the meeting I instructed the British High Commissioner at Valletta to inform Dr. Borg Olivier that after the most careful study of Maltese economic needs and in the light of United Kingdom economic circumstances, Her Majesty's Government had been unable to go beyond the terms of the offer made by the Minister of Overseas Development when he saw the Malta Prime Minister in London on 16 January. Her Majesty's Government were convinced that this offer, which represented a major concession, was a fair one. Sir Geofroy Tory was also instructed to do all in his power to bring Dr. Borg Olivier down to brass tacks and to persuade him both that Mr. Prentice's² offer was a substantial concession and that we were not prepared to go further. He was to say that the Malta Government's request for 100% grant was inconsistent with Article 5(b) of the Financial Agreement of 1964, which made clear that there was to be a division between grants and loans in the second quinquennium of the Agreement. We had no wish to revise the Financial Agreement, nor could there be any question of revising the Defence Agreement.

¹ See 243.

² Reginald Prentice, minister of overseas development.

3. The High Commissioner carried out these instructions on 24 March. The Malta Prime Minister reserved his reply until he had been able to consult his colleagues, but remarked that there was clearly a growing feeling on both sides in the Malta Parliament that, even at some sacrifice, it might be better for Malta not to be used as a base at all.

4. The Malta Government's reply was delivered to the High Commissioner on 1 April in the form of an aide mémoire, a copy of which is attached. Annex 1.³ This refuses the Minister of Overseas Development's offer; requests revision of the Defence and Finance Agreements 'in the light of the changes that have taken place since 1964'; and suggests that since it is essential to reach agreement rapidly, arrangements be made immediately for an early start of negotiations between the two Governments. The aide mémoire concludes by saying that in the meantime, and subject to the outcome of the proposed negotiations, the Malta Government will make available defence facilities to the Services in Malta under the 'current arrangements' as from 1 April, in consideration of payments made 'on the basis of £5.8 million per annum'. (Although this is not expressly stated, this figure appears to have been chosen because it is the maximum sum for expenditure in the financial year 1969/70 proposed by officials to the Maltese during the talks in Valletta last December).

5. The British High Commissioner and the Heads of the Services in Malta have now telegraphed their assessment of the harassing measures that the Malta Government are likely to take against the Services in Malta if we continue to stand pat on our present offer, and of the likely consequences of such measures. In their view, unless we are prepared to make a substantially better offer than 50:50 (including the £4 million for the Dockyard and historic buildings), we must expect the Malta Government to initiate a series of measures designed to harass the Services on the island. These measures are described in the attached extract from the relevant telegram from Malta to the Ministry of Defence. Annex 2. To these measures Sir G. Tory has added the probability that the Malta Government would tacitly approve industrial action directed against sensitive Service targets (the power station is an example) and the possibility that Dr. Borg Olivier might publicly demand the vacation of certain properties still in the Services' possession.

6. The Services could no doubt survive the first impact of harassing measures of this kind. Moreover, Dr. Borg Olivier would do what he could to keep the argument within bounds. But once the issue becomes public he is sure to present it as a national emergency. Each political party in Malta will then be exposed to the temptation to outbid the other in patriotic fervour, with incalculable results. These results could ultimately lead to a worsening of the strategic balance in the Mediterranean.

7. There are three courses of action open to us:—

(a) We can accept the Maltese proposal to renegotiate the Defence and Financial Agreements on the basis suggested in the aide mémoire. This would cost us £29 million over 5 years (£5.8 million a year). I think this course can be ruled out. Not only would it mean that the very favourable provisions of the Defence Agreement would be put in jeopardy, but we should also be paying a higher price than we do at present under the Financial Agreement.

³ Annexes not printed.

(b) We can refuse to renegotiate the Defence and Financial Agreements and stand pat on our offer of 16 January (even though it has been refused three times), in the hope that when it comes to the point, Dr. Borg Olivier will after all prefer not to cut off his nose to spite his face. But is it possible for him in terms of internal politics to accept worse terms during the second than the first five years of the Agreement? And are we, for the sake of £630,000 a year over 25 years, prepared to risk, at best, a souring of the relationship of the Services in Malta with the Maltese authorities, on which they depend for their effectiveness as much as on the letter of the Defence Agreement? Or are we prepared, at worst, to run the risk that the harassment of the Services will escalate into a major confrontation? The final outcome would be unpredictable, but at the very best it would mean that we could no longer hope to reach agreement with the Malta Government, who would have Maltese public opinion solidly behind them. And how easy would we find it to explain to British public opinion (or for that matter to our NATO allies) what was at issue between the two Governments?

(c) We can reply to the Malta Government that we are under no legal obligation to accede to their request for revision of the Agreements and are not prepared to negotiate on the basis suggested in their aide mémoire. We are nevertheless ready to make one more attempt to reach agreement in accordance with Article 5(b) of the Financial Agreement.

8. If we decide in favour of course (c), I would hope that it would still be possible to secure agreement for a proportion of 75% grant: 25% loan (excluding the £4 million), which our High Commissioner in Valletta believes Dr. Borg Olivier would settle for and defend in his Cabinet and Parliament. But we should recognise that it may no longer be easy to reach a quick settlement on these terms and that our negotiator will need some discretion if he is to succeed in what will be a very difficult negotiation. In particular he will need both advance authority to go to his fall-back position when he judges best in the course of negotiation and some latitude concerning the way in which we exercise control over the way in which our aid is spent. It is hard to judge how much our control procedures have contributed to our difficulties with the Malta Government, but the Maltese can point to the fact that there is nothing in the text of the Financial Agreement to support our claim to exercise such control.

245 CAB 148/92, OPD(69)22

15 Apr 1969

‘Malta: agreement on financial assistance’: memorandum by
Mr Healey for Cabinet Defence and Oversea Policy Committee

In my view we cannot accept the proposal of the Prime Minister of Malta for a revision of the Defence and Financial Agreements. We should be most unlikely to obtain as favourable terms for the use of our facilities in Malta as we enjoy under the present Defence Agreement, and almost certainly worse financial terms than those now obtaining.

2. At the same time, we must ensure that we can continue to use our facilities in Malta freely and effectively. As the Foreign and Commonwealth Secretary has

pointed out (1),¹ the Services in Malta depend as much on good relations with the Maltese authorities as on the actual terms of the Defence Agreement.

3. As the Foreign and Commonwealth Secretary implies, it is politically impossible for Dr Borg Olivier to accept less favourable terms for the second quinquennium of the Defence Agreement than he obtained for the first. That is the case for the formula 75% grant 25% loan (excluding the £4 M already allocated). We must expect him to fight this issue regardless of the economic merits of the case and despite the best interests of the Maltese in the longer term. From our point of view, a quarrel with the Maltese at this time and over this issue would shake the confidence of our NATO partners and of our other friends in the Mediterranean in our political wisdom and cast doubt on our resolution to continue to exert our influence in the Mediterranean theatre.

4. For all these reasons we should, I suggest, resume negotiations, and not stand pat on our 50:50 offer. If we want the Maltese to stick to the 1964 Defence Agreement, which is favourable to us, we must make a determined effort to conclude the discussions within the ambit of the Finance Agreement, even if the latter has to be on terms favourable to the Maltese. If we fail we shall, I believe, have trouble in Malta which may eventually cost us a great deal more; and if the situation were to get out of hand we should risk our entire military position in Malta.

¹ See 244.

246 CAB 148/92, OPD(69)23

25 Apr 1969

'Malta: agreement on financial assistance': Cabinet Defence and Oversea Policy Committee minutes

The Committee considered memoranda by the Foreign and Commonwealth Secretary and the Defence Secretary (OPD(69) 21 and 22)¹ which argued that in respect of aid which we were committed to provide to the Malta Government we should be prepared to go beyond the 50:50 division as between grant and loan to a formula of 75 per cent grant, 25 per cent loan.

*The Chairman*² said that when the question was last discussed by Ministers (OPD(69) 4th Meeting, Minute 3)³ it had been agreed that it might be raised again if it became clear that in the absence of an offer better than 50:50 the Malta Government were prepared to take steps that would damage British interest sufficiently to warrant a further concession on our part. That this situation had now arisen was clear from the aide memoire received from the Malta Government which, in the light of our reiteration of the 50:50 offer, requested a revision of the 1964 Defence and Financial Agreements. An examination had been made of harassment measures that the Malta Government might take against the Services in Malta if we continued to stand on our present offer and of the likely consequences of such measures. The Malta Government could put us in a very difficult position. Moreover the problem was not one for the United Kingdom alone but was of concern to all our

¹ See 244 and 245.

² Michael Stewart.

³ See 243.

NATO allies. The Secretary-General of NATO had said that if Malta became available to the Soviet Union this would represent a major setback for NATO. We could expect little support from either public opinion in this country or from our NATO allies if we were to get into a major confrontation with the Malta Government. It was recommended therefore that we should make one more attempt to reach agreement with them on the basis of a 75:25 formula (excluding the £4 million grant already agreed in respect of dockyards and historic buildings), though this would naturally not be our immediate offer but rather a final position for our negotiators.

The Defence Secretary said that if we had to replace installations in Malta, in particular the Luqa airfield which was important for maritime reconnaissance, very considerable expense might be incurred, though this was difficult to quantify. Secondly, while it was impossible to foresee whether the Soviet Union might obtain a foothold in Malta as a result of our refusal to increase the 50:50 offer, it was clear that the risk existed and that we should be blamed by our allies for creating that risk. For these and other reasons already deployed in the Defence and Overseas Policy Committee he agreed that our negotiators must have a further degree of flexibility, up to a limit of 75:25.

The Chief Secretary, Treasury, said that the present behaviour of the Malta Government was typical of their negotiating methods. We had had experience of them in the past and while we might have made certain concessions, we had learned that firmness paid. All Ministers were agreed that more generous aid could not be justified on economic or financial grounds—for example, the Malta gross national product had grown considerably beyond the expectations of only a few years ago. The defence argument equally was unconvincing and we should not allow ourselves to be blackmailed. Our original offer had been 25:75 and we had raised this to 50:50. If we made a further concession the Malta Government would merely ask for more. It would be wrong to go beyond 50:50 and we need have no anxiety as to the consequences of such a refusal.

In discussion, the following points were made in favour of reaffirming the decision not to go beyond a 50:50 offer:—

- (a) The Malta Government were on weak legal grounds in claiming that the present situation justified them in proposing a revision of the 1964 Defence Agreement.
- (b) When our 50:50 offer was first put forward in January it was intended not as a further stage in the negotiations, which we had begun with a 25:75 proposal, but as a final offer.
- (c) The Maltese had a great deal to lose from a breakdown in negotiations. They depended on us for defence and their economy enjoyed great benefits from us in the shape of stationing costs, aid and commercial investment. It could not readily be assumed that they would act so rashly as to jeopardise all this.

On the other hand, it was urged, in favour of the Foreign and Commonwealth Secretary's proposals that, whatever logic and the Malta Government's material interest dictated, the local advice was that there was a real danger they would seek to harass our forces in the island if negotiations broke down. This was also the view of some of those who had been personally engaged in earlier negotiations with the Maltese. Facilities in Malta played an important part in our contingency plans for meeting treaty obligations to Libya. We were selling very large quantities of

equipment to Libya and any break with Malta might adversely affect our present favourable commercial position in Libya. As for the suggestion that the Maltese Government's tactics amounted to blackmail, it had to be remembered that Dr. Borg Olivier's domestic position was difficult and that it could not be assumed that negotiations with the alternative of a Government headed by Mr. Mintoff would be any more satisfactory from our viewpoint.

In further discussion, it became clear that, although a majority of Ministers were in favour of the proposals put forward by the Foreign and Commonwealth Secretary, the contrary view, strongly held, was that the issues raised by the offer of a further concession to Maltese intransigence were so important as to require reference to the Cabinet.

The Foreign and Commonwealth Secretary, summing up the discussion, said that the majority of the Committee were in favour of his proposals but, in view of the strong reservations which dissenting Ministers had entered, it would not be possible for the meeting to reach a decision. He would report the situation to the Prime Minister and seek the latter's decision on how the matter should be resolved. Continuing, the Foreign and Commonwealth Secretary said that he would be seeing Dr. Borg Olivier when the latter visited London on 6th May, and it would be necessary for the Government's attitude to the Maltese aid-memoire [sic] to be clear by that date. The matter was therefore urgent.

The Committee:—

Took note, with approval, of the Foreign and Commonwealth Secretary's summing up of their discussion and invited him to minute the Prime Minister on the lines he proposed.

247 CAB 128/44, CC 20(69)4

1 May 1969

'Malta: financial assistance': Cabinet conclusions agreeing that HMG should 'stand firm on the offer of a 50:50 ratio of grant to loan

The Cabinet considered the question of the terms of financial assistance to the Malta Government during the second of the five-year periods of aid provided for in the 1964 Financial Agreement. Previous Ministerial consideration of the problem was recorded in memoranda circulated to the Defence and Oversea Policy Committee (OPD (69) 21, 22 and 23)¹ which had now also been circulated to the Cabinet.

The Foreign and Commonwealth Secretary said that under the Agreement concluded in 1964 by the previous Administration, we had agreed that the Malta Government should be given financial assistance over a 10-year period. It had been agreed that for the first five-year period, which had ended on 31st March, 1969, this assistance should be in the ratio of 75 per cent grant: 25 per cent loan. The ratio for the second five-year period was left for later discussion. In January of this year

¹ See 244, 245, 246.

Ministers had decided to offer assistance on the basis of a 50:50 ratio of grant to loan. The Maltese had rejected this offer but, following further consideration by the Defence and Oversea Policy Committee in March, it had been decided to reaffirm it. The Committee had directed, however, that the matter could be raised again if it became clear that, in the absence of an offer better than 50:50, the Malta Government were prepared to take steps that would damage our own interests sufficiently to warrant a further concession on our part. The Malta Government had duly been informed that we were not prepared to improve on our January offer, and had replied in an *aide-mémoire* dated 1st April refusing the offer and requesting revision of the 1964 Defence and Financial Agreements. The Maltese Government's reply had been considered at a meeting of Ministers under his chairmanship on 25th April, held at the Prime Minister's direction. The majority of those present had been of the view that we should offer to reopen financial negotiations and should be prepared in the last resort to improve our earlier offer up to a 75:25 ratio of grant to loan, but others thought that the issues raised by a further concession to the Maltese were such as to require reference to the Cabinet.

The Foreign and Commonwealth Secretary said that the considerations which weighed with him in advocating an offer to continue negotiations were the potentially high cost, in both economic and political terms, of the harassment which the Malta Government would be likely to engage in if we refused to negotiate further. He accepted that there was no economic case for aid on the scale which the Malta Government were seeking.

The Chief Secretary, Treasury, said that both the Chancellor and he were strongly of the opinion that we should not go beyond the 50:50 offer. It was common ground that there was no economic case for any assistance, since Malta's economy was booming and its reserves were proportionately far higher than our own. To surrender to what amounted to blackmail would only store up trouble for ourselves in the future. He suspected that, in the last resort, the Maltese threats would prove to be largely empty.

In discussion it was argued, on the one hand, that previous experience had shown that the Maltese were prepared to engage in harassing measures which were costly and unpleasant for us, even though they themselves suffered in the process. It was also argued that the potential costs of a breakdown in Malta—both costs in the island and the cost of providing facilities elsewhere—greatly exceeded the costs of making even the full concession of a 75:25 grant to loan ratio. As against this it was pointed out that it would be wrong to surrender to threats; that the material interest of the Maltese was heavily weighted in favour of reaching some accommodation with us; and that it was unlikely that they would act so irrationally as to cause us to leave the island.

The Foreign and Commonwealth Secretary, summing up the discussion, said that the view of the Cabinet, on balance, was that we should stand firm on the offer of a 50:50 ratio of grant to loan which we had made in January and reiterated in March. He would arrange for the Maltese Government to be informed accordingly.

The Cabinet:—

Took note, with approval, of the Foreign and Commonwealth Secretary's summing up of their discussion.

248 FCO 9/1252, no 14

11 Feb 1970

'Mintoff's defence policy': inward telegram no 55 from Sir G Tory to FCO speculating on Mintoff's attitude towards both British defence facilities and NATO

Seconde's letter to Brown of 3 Feb.

Mintoff's defence policy.

There has been no change in our estimate. Second memorandum was intended as elaboration of first in light of developments in thinking in Washington which I detected in conversation with American Ambassador. I have been over ground again with Pritzlaff¹ who personally agrees with me that the chances of NATO and US doing a deal with Mintoff in order to retain defence facilities are remote.

2. My assessment has consistently been that if Mintoff came to power this would be likely to bring about within at most a year of his victory at election withdrawal of both NATO and British national forces from Malta. Mintoff may be genuine in his assurances to British Ministers and others that he would seek an accommodation with Brit Govt which would allow it to retain defence facilities in Malta for a period of years. He (and many nationalists) would like to see the back of the British Services in Malta, but recognises the contribution they still make to the economy. He has made no secret of his intention to exact a high price both financially and politically for our retention of defence facilities. I cannot of course tell from here what price the Brit Govt of the day would be prepared to pay but I have assumed that a higher price than we are paying to Dr Borg Olivier would be unacceptable to the British Govt who would be getting substantially less in return.

3. The present close link between Malta and NATO involving the presence here of a NATO HQ and the use for NATO purposes of Malta's harbours and airfields is another matter. Mintoff has never varied his public or private hostility to NATO, or ceased to proclaim his objective of the neutralisation of Malta. He is an opportunist rather than a doctrinaire Marxist but he has certain fixations one of them being his attitude to NATO. I cannot foretell what financial inducements the Americans might hold out to Mintoff in order to induce him to soften his opposition to the use of defence facilities in Malta by NATO but I cannot conceive of a deal between Mintoff and the Americans or NATO in realistic terms.

5. [Sic] The retention of British forces in Malta for some time after an MLP victory would in itself represent to some extent a tilting of the neutralisation of Malta in the direction of the West even though the suppression of any overt link between these forces and NATO would be part of the political price we should have to pay. Such a British military presence would, while it lasted, at least ensure that Soviet penetration stopped short at the political commercial and cultural levels.

6. Mintoff has set out to create good impression on British Govt whom he wishes to persuade that an MLP Govt would not be much worse than Nationalist Govt for British defence interests. This is tactical since he counts on our letting Dr Borg Olivier sink. Only after MLP election victory shall we see Mintoff in his true colours.

¹ John Pritzlaff, US ambassador, Malta.

249 CAB 129/149, C(70)43**10 Mar 1970**

‘Malta: agreement on financial assistance’: joint Cabinet memorandum by Mr Stewart and Mr Healey arguing that HMG should be prepared to offer up to seventy-five per cent grant and twenty-five per cent loan

Background

When the question of financial aid to Malta was discussed in Cabinet on 1st May, 1969 (CC(69) 20th Conclusions),¹ it was decided that we should stand firm on the offer, originally made in January, 1969, of a division of the remaining £23 million due to Malta for the second five years of the Financial Agreement in the ratio of 50 per cent grant:50 per cent loan. This decision was taken in the belief that, if we made it quite clear that we were not prepared to make further concessions, the Malta Government would reluctantly accept these terms. Our proposals were formulated in an aide memoire of 8th May, 1969 (Annex).² Dr. Borg Olivier refused to accept them and has not altered his position since. Meanwhile no aid funds have flowed to Malta since 31st March, 1969.

2. We have in the meantime explored the possibility of establishing interim arrangements for one or two years, within the framework of the 50:50 basis over the whole five years, which might tide Dr. Borg Olivier over until his general election (which has to be held at latest by mid 1971), leaving for the time being the question of the ultimate settlement under the 1964 Aid Agreement. Lord Robens, Chairman of the Joint Steering Committee for Malta, also put forward similar proposals designed to allow cash to flow for approved development projects in advance of a settlement of the dispute. Here again Dr. Borg Olivier has not been prepared to accept any proposals for an interim settlement except on a basis that would give him nearly all the money he wanted in the form of grant during the first two years. These initiatives have consequently come to nothing and there appears no future in pursuing them.

3. We are thus left in the position that after more than a year Dr. Borg Olivier has not accepted the 50:50 offer put to him in January, 1969 and reaffirmed by the Cabinet in May, and proposals for interim arrangements have brought us no nearer a resolution of the aid negotiations.

Prospects for agreement

4. There are not now, any more than when the Cabinet considered the question in May, 1969, good economic grounds for making aid available on more generous terms than 50 per cent grant:50 per cent loan. But the crux of the matter is political, not economic. It is politically impossible for Dr. Borg Olivier to accept less favourable terms for the second five years of the Financial Agreement than applied for the first (i.e. 75 per cent grant:25 per cent loan). Dr. Borg Olivier told the Foreign and Commonwealth Secretary as much in London on 15th May, 1969; on 23rd September he stated in the Malta Parliament that ‘the British offer is not an adequate basis for the second five years of the Financial Agreement’, and in a statement to

¹ See 247.

² Not printed.

Parliament on 11th February this year he said that his Government 'would not be cowed by the suspension of British aid'. This bears out the view of our High Commissioner in Valletta that Dr. Borg Olivier would prefer to defy us and borrow the money he needs locally rather than capitulate.

Strategic and political importance of Malta

5. As our purely national requirements in Malta have declined (the only remaining major operation in support of a national obligation which we might have mounted from Malta was under our 1953 Treaty commitment to Libya, which of course no longer applies), the abiding interest in the Island is primarily a NATO one. The importance of this, however, is increasing. The expanding Russian naval presence in the Mediterranean, together with the actual and potential use by the Russian navy and air force of facilities in Egypt and Algeria to support and consolidate that presence, has been a matter of great concern to us and to NATO for some time. This concern has recently been further increased by the revolution in Libya which has made it very much more difficult than before to prevent that country from coming under hostile influence, with the result that most of the North African coastline is potentially hostile. We need to consolidate all the Mediterranean footholds where the West at present still has an advantage over the Soviet Union.

6. NATO will thus have both a positive and a negative interest in Malta in the future. The positive interest is to preserve the use of defence facilities in the Inland which will be of increasing importance as a means of countering the Russian military presence. These facilities include, on a very tenuous basis of agreement between NATO and Malta, the NATO naval headquarters for the Mediterranean, our base, communications and radar facilities used by NATO (use of the radar facility in particular is a valuable extension southwards of the NATO air warning system); above all there are the facilities available to us under the Defence Agreement which will be used primarily by maritime reconnaissance, air defence and strike aircraft deployed in support of NATO Mediterranean naval forces. The NATO interest has newly been brought out again in a recent report to the NATO Commander in Chief for the Southern Region. The report's first conclusion is that:—

'The location of Malta in its dominant position in the central Mediterranean is a powerful influence on the security of the lines of communication throughout that sea. The availability of its facilities could influence the security of the southern flank of NATO and have an impact on allied naval operations in the Mediterranean'.

Studies in the Ministry of Defence have shown that these facilities cannot easily or cheaply be reprovided elsewhere (in Sicily or Southern Italy, for example). Nor, for reasons of politics and geography, can existing facilities in Cyprus or Gibraltar substitute for those in Malta.

7. The negative interest is even more important: it is to deny Malta to the Russians and to keep the Island firmly linked with the West. It would be militarily a very serious matter if the Russians were enabled to establish or to use bases in Malta; and politically it would be a resounding blow to NATO's and our own prestige if Malta, which has for so long been so closely linked with the West, were to turn neutralist. It would seriously undermine the confidence of the Mediterranean members of the Alliance, who are in any case not the most robust. If Malta were

subsequently lured into the Soviet camp, the effects would, of course, be still more serious.

Political considerations

8. It is therefore most important that, by the time our Defence and Finance Agreements with Malta expire in 1974, a much closer association should have been established between Malta and NATO, and that our own responsibilities in the Island should have been transferred to the Alliance. We are considering separately how best to achieve this; but it is already clear that the key will be the manner in which our own relationship with Malta is allowed to develop over the next three or four years. This in turn depends on our attitude to the question of aid. Already the Secretary General of NATO has several times expressed his concern that no solution has been found to the disagreement between Her Majesty's Government and the Malta Government.

9. The matter is becoming increasingly urgent, as the Malta Government have borrowed heavily from the Central Bank to finance current development and are due to repay the loans by 31st March; the 1970–71 budget is due to be introduced in early April; and Mr. Mintoff is taking advantage of the Malta Government's difficulties. For domestic political reasons in Malta, therefore, a settlement becomes no easier as time passes. Unless a settlement is quickly reached on terms acceptable without loss of face to Dr. Borg Olivier, the position of the Malta Government will be much more difficult and the prospects of retaliatory action more likely. If the financial aid dispute remains unresolved, there are real risks of a serious souring of our relations with the Maltese, of their deciding to forgo our aid altogether and of their ceasing to provide facilities under the Defence Agreement.

10. Mr. Mintoff has repeatedly declared his refusal to co-operate with NATO. Under a Government led by him, the best we could expect would be to retain the use of our facilities in Malta only on a national basis (with the consequent loss of any prospect of shifting the financial burden or sharing it with our Allies), and then probably only to a restricted extent and at a high price. Thus on present form, our longer term objective of associating Malta more closely with NATO will stand a much better chance of being realised if Dr. Borg Olivier continues as Prime Minister. This in turn would be more likely if he were to emerge without dishonour from the aid negotiations, which have become a key election issue. If we can reach a settlement over aid and follow this up by persuading Dr. Borg Olivier to move in the direction of a closer association between Malta and NATO, Mr. Mintoff, if he wins the election, might find it difficult to repudiate these engagements. In any case, we should continue to control the disbursement of funds; thus, in the event of a refusal to implement the present Defence Agreement, which lasts until 1974, we should be entitled to curtail or suspend aid, since the operation of the Aid Agreement depends upon the continued implementation of the Defence Agreement.

11. By coming to terms with Dr. Borg Olivier now over the Aid Agreement there would be no question of our acting in a partisan way. The Opposition in Malta is even more vociferous than the Government in proclaiming that a settlement is overdue, and public opinion is united with both Government and Opposition in believing that United Kingdom aid is in part a return for the continued use of military facilities. Feelings are beginning to run high. If we do not reach what can be represented in Malta as a fair settlement, this will work directly against our defence interests. It will

provide a grievance which, whoever becomes Prime Minister, would at the best be an embarrassment to him and at worst give him a stick to beat us with. Playing for time will not help us to get better terms; on the contrary, now that this is becoming a public electoral issue, we can expect the Maltese attitude in all matters to harden and their thoughts to turn to retaliation rather than compromise.

12. These are risks which we ought not to take. We would certainly find it difficult to explain to public opinion in this country, and to our NATO Allies, why we were prepared to jeopardise the military facilities in Malta and the whole of Malta's long term relationship with the West, for the sake of what would be seen as a comparatively small sum of money, (in practice £5.75 million over a period of five years).

Conclusions

13. We therefore consider that we should now seek to reach a final accommodation with Dr. Borg Olivier. In our view this means that we should be prepared to offer up to 75 per cent grant:25 per cent loan overall, although we should naturally try to secure better terms.

14. It should also be our aim during the course of negotiations to reach favourable understandings with Dr. Borg Olivier about the detailed arrangements for the continued use of the airfield at Luqa (due for review), the question of payment for the transfer of equipment (to the value of about £300,000) to the Malta Land Force, and a closer association of Malta with NATO.

Recommendation

15. In our view the importance of Malta and the risks attendant on a failure of the financial aid negotiations justify our being prepared to offer up to 75 per cent grant:25 per cent loan overall, if necessary, to secure a satisfactory conclusion to the negotiations, and we invite our colleagues' agreement to proceed on that basis.

250 CAB 128/45, CC 12(70)5

12 Mar 1970

'Malta: agreement on financial assistance': Cabinet conclusions narrowly adhering to decision not to go beyond an aid offer on the basis of fifty per cent grant and fifty per cent loan

The Cabinet considered a memorandum by the Foreign and Commonwealth Secretary and the Defence Secretary (C (70) 43)¹ proposing that we should offer to reopen negotiations on the terms of our aid to Malta covering the five-year period from 1st April, 1969, and should be prepared to provide up to 75 per cent in the form of a grant.

The Foreign and Commonwealth Secretary said that in 1964 it had been agreed that aid over the five-year period ending 31st March, 1969, should be in the form of 75 per cent grant:25 per cent loan. The appropriate percentages over the next five-year period were left for later discussions. We were committed to making available £23 million of aid during this period and the Cabinet had previously agreed that 50

¹ See 249.

per cent should be in the form of a grant. The maximum cost of the concession he now advocated was, therefore, that 25 per cent of £23 million, or £5.75 million, would be available as a grant over the five-year period ending on 31st March, 1974. Since our offer of a 50 per cent grant had been made, negotiations had been at a standstill; and it would be highly undesirable for the deadlock to remain unresolved over the election period in Malta. The question would become an election issue; and, whatever view was taken about the outcome of the elections or about the possible effect of the aid dispute on its outcome, we would be worse off than if we had reached agreement beforehand. The political and military stakes were high. A breach with Malta might not only cause difficulties for us; it would dismay our North Atlantic Treaty Organisation (NATO) allies and might eventually lead to a situation in which the base was not merely denied to NATO but was made available to the Soviet Union. Such developments would provoke strong criticism within NATO of our handling of the problem and would finally frustrate our long-term aim of associating Malta more closely with NATO.

The Defence Secretary said that there were two main reasons for departing from the decision which the Cabinet had made in May 1969. First, the hope that the Maltese Prime Minister, Dr. Borg Olivier, would accept the 50 per cent offer had proved unfounded; and his position was bound to harden as elections approached. Secondly, the *coup* in Libya, although it had eliminated a national commitment which required the use of Malta, now opened up the prospect of a situation in which Soviet influence could be dominant in all the countries on the southern shores of the Mediterranean, with obvious consequences not only for the Mediterranean members of the Alliance but also for Israel. This danger had sharpened NATO's fears for the future in Malta. If Mr. Mintoff won at the next elections—and he would certainly make good use of the absence of an aid agreement with us against Dr. Olivier—he would, at best, demand a high price for our continued presence; and at worst might break with NATO completely, with the gravest strategic consequences to NATO's position.

In discussion it was argued, in favour of the proposals in the paper, that the consequences of harassment of our forces in Malta, which—though it had not so far materialised—was still a real possibility, would be such as to outweigh, in cost alone, the value of the concession now proposed. We also enjoyed a very large favourable trade balance with Malta which a dispute could endanger. The right course, therefore, was to reopen negotiations, making minimum concessions in the first instance, but empowering our negotiators to go up to the full 75:25 ratio if agreement could not otherwise be obtained. Against these arguments it was suggested that the changes which had occurred since May 1969 were not such as to warrant a reversal of the Cabinet's considered reaffirmation of the 50 per cent offer. The Malta economy was prospering; and to make a further concession now would savour of weakness, leaving us the more likely to be subjected to further pressures. Even if we agreed improved terms with Dr. Olivier's Government, we might still find ourselves faced with a victorious Mr. Mintoff after the elections, in which case we should have thrown away a good negotiating card in what might be regarded as an unsuccessful attempt to influence the elections in favour of his opponent.

The Prime Minister, summing up the discussion, said that by a narrow majority the Cabinet was in favour of adhering to the decision made in May 1969 not to go beyond an offer of aid on the basis of 50 per cent grant:50 per cent loan. The decision

was, however, finely balanced; and the Foreign and Commonwealth Secretary and the Defence Secretary should feel free to reopen the question if there was any material change in the political or military situation.

The Cabinet:—

Took note, with approval, of the Prime Minister's summing up of their discussion.

251 T 317/1818, no 154B

18 Apr 1970

'Malta: dispute on financial aid': letter from Sir D Watson to Mr Stewart

I have been in Malta for 10 days. I have called on all the Ministers and had two business talks with the Prime Minister, which I have reported separately. I have also talked with other leading members of the community and all my diplomatic colleagues resident in Malta. I have not yet been able to get alongside Mr. Mintoff, although I have a feeler out to him.

2. In accordance with my instructions I have informed the Prime Minister of the British Government's decision that they are unable to go beyond the 50–50 grant-loan offer previously made. I have said that our offer of interim aid-flow arrangements within those limits remains open, and I have explored both with officials and with the Prime Minister himself the possibility of temporarily bridging the gap between the two sides on that basis in a way that might be presentationally acceptable to both.

3. I have brought a fresh and I hope a hard eye to this problem. I cannot yet offer a firm assessment of what may now happen, but I can say with complete certainty that there is no prospect of the present Prime Minister and Government of Malta accepting, either finally or *ad interim*, our present terms. What may have begun as traditional Levantine bargaining has now hardened not only into considerations of face (and I fear that the Maltese lacks the Chinese capacity to keep his face sufficiently detached from his horse-trading) but also into an ineradicable conviction that Britain's motives are only to be interpreted politically and must mean, if not a determination to assist the Malta Labour Party into power at the next election, at least the virtual abandonment of all interest in Malta. This impression is by no means confined to members and supporters of the present Government. Any argument that our attitude is based on considerations related to the respective economic positions of Britain and Malta is reduced to absurdity in Maltese eyes by the Chancellor of the Exchequer's Budget statement and the monthly message from the Chancellor on the economic situation which I was this week asked to deliver to the Prime Minister, as Minister of Finance.

4. I cannot be sure what the Prime Minister may now do. He will certainly have a good hard go at us in his own Budget statement, somewhere probably between 22 and 28 April: he cannot do less politically and electorally. I would doubt at the moment whether he would embark on actual mayhem against our Service establishments or positively deny us facilities (and it is questionable whether at the present time, even if he wished to do this, he could again secure a united front with

Mintoff and the trade unions as he did in 1967): but he is likely to make things as awkward as he can for us, by being as slow and disobliging as he knows how administratively. Otherwise I reckon he will play things along until his election (which, as he suggested in conversation with me, he may now decide to advance, though I would judge it to be more in his character to wait if he could for a British general election preceding his own), in the hope that he will be returned in a much stronger position to deal with us and in the knowledge that, if not, we shall be left to deal with a much more difficult alternative.

5. In short, there is no hope if we sit tight in our present posture of any Maltese Government coming to us cap in hand. Rather, in so far as the aid dispute becomes an electoral issue, we shall find Mintoff belabouring Borg Olivier for failing to deal effectively with British obstinacy and niggardliness and Borg Olivier claiming credit for standing out staunchly against it. If Borg Olivier wins we shall be bound to treat with him if the objectives of British policy in Malta are to be secured. If Mintoff wins we can be sure he will seek a higher price from us for those objectives (if indeed they would be attainable under his régime, though I would wish to reserve judgment on that question until, as I hope, I have been able to size him up personally); and we can also be sure that he will turn all Borg Olivier's present arguments against us in seeking to exact his price. Whichever party comes in, by standing where we are we shall have queered the pitch against our long-term interests in Malta.

6. If I may somewhat quaintly say so as a newcomer to this problem, we are all tired of the perpetual involvement in Maltese methods of selling carpets to Britain; we must seek so far as we can to escape from that and get on to a different relationship. It is not easy to bring the Maltese, after centuries of dependence on an external power, to real and realistic independence. But if we are to hope to do so, I would suggest that we need to concentrate now on the kind of situation which we would wish to see and might hope to achieve after 1974, when the present Defence and Financial Agreements will have expired. If we are to negotiate a new and more satisfactory relationship at that stage, we must meantime work ourselves into the right negotiating posture. We shall need to be able to claim as the firm starting position that, by a successful combination of Maltese effort and British financial aid resulting in the achievement, through the collaborative Anglo-Maltese activities of the Joint Steering Committee, of the objectives set by the Joint Mission for Malta, we have seen Malta in 10 years effectively over the hump of transition from a colonial territory dependent on British bases to a sovereign State standing on its own economic feet.

7. The continuation of the present dispute over the detailed application of the aid funds which we are committed to make available to Malta can only progressively diminish, in both political and practical terms, our ability to advance such a claim. And, to the same extent, the achievement of our objectives in Malta will be jeopardised. These were indicated to me, during my briefing in London, as follows:—

- (a) To keep Malta within the Western sphere of influence.
- (b) To secure the use of our aid funds in such a way that Malta becomes economically self-sufficient by the end of the Financial Agreement in 1974.
- (c) To effect a gradual transfer to NATO of our defence responsibilities for Malta, while continuing in the meantime to maintain unfettered use of our defence facilities as long as we require them.

(d) To preserve and expand, if possible, our commercial interests.

8. I have already indicated how objective (b) is put in doubt by our present policy. Objective (c) is difficult in any event in the light of the political and practical snags within NATO. It will be the more difficult to achieve with a Labour rather than a Nationalist Government in Malta, but in either case I cannot see it possibly being achieved if political relationships between the British and Malta Governments are seriously soured for other reasons. Similarly it is on the maintenance of Anglo-Maltese trust and friendship that the achievement of objective (a) really depends; without this the adherence of a Nationalist Government to NATO would be open to doubt, and the possibility of holding a Labour Government in Malta to any extent on the Western side of the line would be made immeasurably more difficult. In short, keeping any Maltese Government orientated towards Europe and involved with NATO depends primarily on the influence which Britain can bring to bear. If we appear to throw away that influence on insufficient grounds, we shall be blamed by our European allies and by the United States. My Italian colleague here surmised (and thought we might be right) that we were trying by our present toughness to teach the Maltese a lesson for the future; but he was sure we would have to give way in the end, if we were not to forfeit our influence and put the whole European interest in Malta at risk.

9. Objective (d) cannot help but be directly linked with our financial and political relationship with the Malta Government. Our export trade to Malta totalling £26 million in 1969, though comparatively small, is remarkable for a country of this size and is not to be sneezed at in terms of the accumulation of our export total. It is still developable: but political friction arising from our attitude on aid could well lead to an unfavourable atmosphere in which this trade would dwindle. We already have indications, actual or potential, of this tendency. The Japanese have gained a contract against us for a desalination plant in Gozo, worth about £407,000; and Weir Westgarth have recently indicated to us their fear that political attitudes in Malta arising from the present dispute may just turn the scales against them and in favour of Westinghouse in their bid for the contract for two distillers in Malta worth £3 million.

10. In sum, my conclusion is that our priorities are wrong and that we are putting much too much at risk here for too narrow an immediate objective. It is my view that the sooner this is rectified the better, even though this may give the appearance, in the position in which we now find ourselves, of giving way to Maltese blackmail or favouring the present Prime Minister and governing party in the forthcoming elections. These are not the things that matter: what matters is getting Malta where we want it for the future in British and European interests. We can, I reckon, sit this out on our present policy, if we wish, until the election here; but I can see no point and certainly no advantage in doing so. If Borg Olivier gets in we shall have to give way to a Government which is both soured and politically strengthened against us. If Mintoff gets in, we shall in effect be facing immediately in the latter part of 1970 or early 1971 the equivalent of the negotiation of the post-1974 position to which I have referred in paragraph 6 above. Even though he may be prepared for a British military presence to continue here for some years for purely economic reasons he will seek immediate renegotiation of both Agreements and we shall not be in the negotiating posture suggested in that paragraph.

11. I therefore very much hope, Sir, that in the light of my arguments in this despatch, you may feel able to reconsider with your colleagues the decision which was taken shortly before my departure from London, and authorise me to reopen negotiations with the Malta Government on a basis which may be expected to lead to a final settlement.

252 CAB 128/45, CC 19(70)2 30 Apr 1970
‘Malta’: Cabinet conclusions reporting that the Malta government had defaulted on the servicing of loans

The Foreign and Commonwealth Secretary said that, following our refusal to modify our offer of aid covering the five years from 1 April, 1969, on the basis of 50 per cent loan and 50 per cent grant, the Maltese Government had defaulted on the servicing of the loans which we had made to them. The United Kingdom High Commissioner had protested. The Maltese Prime Minister Dr. Borg Olivier, had not laid undue stress on the dispute with the United Kingdom over aid in his Budget speech: and it was possible that discussions might be resumed. But the situation was unsatisfactory; and it might prove necessary for him to invite the Cabinet to reconsider the earlier decision on aid.

The Cabinet:—

Took note of the statements by the Foreign and Commonwealth Secretary.

253 CAB 148/101, DOP(70)2 29 June 1970
‘Malta: agreement on financial assistance’: joint memorandum by Sir A Douglas-Home and Lord Carrington for Cabinet Defence and Oversea Policy Committee. *Attachment*

The problem before us is set out in the attached paper by officials of the Foreign and Commonwealth Office and Ministry of Defence. This Memorandum is therefore confined to suggesting our course of action.

2. For nearly 18 months the British and Malta Governments have been in dispute over the terms on which we should provide the outstanding amount of £23 million aid due to the Malta Government during the second five year period of the 1964 Agreement on Financial Assistance. The previous Administration considered that in the light of normal aid criteria and Malta’s economic position there was no case for improving our offer. But in our view the issue is not whether Malta has a deserving economic case for this money, but the consequences to British interests if the dispute is allowed to continue. In short, are we prepared to pay up to £6.75 million over a five-year period in order to protect our own and NATO defence and political interests in Malta?

3. For the past 18 months Dr. Borg Olivier has made clear that it is politically impossible for him to accept the terms of the present offer. We have succeeded in

surmounting two crises in Malta in recent years: over the accelerated rundown of our forces in 1967 and over the nationalisation of the dockyard in 1968. The problem we are now considering is the last major obstacle threatening the development of Anglo/Maltese relations during the remaining four years of the Defence Agreement. Dr. Borg Olivier will be expecting us to come to a reasonable settlement with him, particularly in view of our criticism of the previous Administration's policy in the House of Commons on 27 April (Hansard Col. 881).¹ If we can at reasonable cost restore the traditional warm relations between our two Governments, we shall have a good prospect of completing the Services rundown without friction, and of paving the way for satisfactory defence arrangements to meet NATO's continuing requirements in Malta after the expiry of the Defence Agreement. NATO is already concerned about the effect which the dispute is having on Western defence interests.

4. Much will depend on the outcome of the next general election in Malta, which must be held not later than June, 1971. At present it is not easy to forecast whether Dr. Borg Olivier or Mr. Mintoff has the better chance of being elected: a settlement of the aid dispute, which has already become a political issue in Malta, would clearly help Dr. Borg Olivier's prospects. If the dispute is not settled before the election which must be held by mid-June, 1971 and if Dr. Borg Olivier is returned to power, we should have to negotiate with a Government which would be embittered against us and politically strengthened. If Mr. Mintoff is elected, he might be prepared to accept a British military presence for some years but probably only at a higher price and on restrictive terms. He is implacably opposed to NATO, and has made clear that he would not be prepared to extend facilities to NATO forces. As recently as 21 May, he said in a broadcast that when he came to power another defence agreement would have to be made.

Conclusion

5. Unless we are prepared to accept further deterioration in our relations with Malta, with all the political and strategic consequences and the effect on public opinion at home and our defence and trade interests that this would have, we must reach an early settlement of the aid dispute. We believe that our objective should be to help Malta to free herself from dependence on foreign aid by the time the Defence and Financial Aid Agreements expire. While we cannot guarantee that a settlement of the aid dispute will secure our longer term interests in Malta, it should serve to protect our interests at least until 1974 and improve the prospects for a satisfactory association between NATO and Malta.

6. We therefore recommend that negotiations should be reopened with the Malta Government without delay on a basis which we hope will lead to a settlement of the dispute. In practice, this would mean that we should be prepared to settle for aid in the second five years of the Agreement to be divided in the same ratio of 75% grant 25% loan as obtained during the first five years: in calculating this ratio the £4 million already allocated as grant aid (see paragraph 1 of the paper by officials) should be excluded. These would be our outside negotiating limits and our negotiators would naturally be instructed to work for more favourable terms.

¹ *H of C Debs*, vol 800, cols 881–90, 27 Apr 1970.

Attachment to 253: 'Malta: financial agreement': paper by the FCO and MoD*Events leading to the breakdown of negotiations*

The Agreement on Financial Assistance with Malta was signed at Independence in 1964 at the same time as the Agreement on Mutual Defence and Assistance. It provided for £51 million to be furnished as aid to the Malta Government by March 1974. In the first five years of the Agreement, up to 31 March 1969, £28 million was disbursed in the proportion of 75% grant to 25% loan. Of the £23 million remaining for the second five years it has already been agreed that £4 million should be grant monies, consisting of £1 million for the restoration of historic monuments, and £3 million for the development of the Malta Dockyard. (See Annex).²

2. Negotiations on this question opened at official level in Valletta in December, 1968; and our opening offer of a 25% grant and 75% loan division of the £23 million (the grant element including the £4 million for historic monuments and the dockyard) was rejected by the Maltese, whose opening bid was for 100% grant. Our offer was improved in January 1969 to 50% grant:50% loan, again including the £4 million. Dr. Borg Olivier turned down this offer and, in an Aide Memoire dated 1 April 1969, requested revision of both the Defence and Finance Agreements in the light of changes that had taken place since 1964, and suggested that arrangements be made for an early start on negotiations between the two Governments. The Aide Memoire concluded by saying that the Malta Government would make available defence facilities to the Services in Malta in consideration of grant payments made 'on the basis of £5.8 million per annum'. Dr. Borg Olivier has never since pressed either of these points.

3. On 8 May 1969 we sent an Aide Memoire to the Malta Government making it clear that we considered our offer fair and generous and that we were not prepared to make further concessions. The Aide Memoire rejected the Maltese demands for a revision of the two agreements and for payment of rent for defence facilities. There have been no written exchanges since that time. Dr. Borg Olivier has continued to refuse to consider anything less than the 75% grant/25% loan division that obtained in the first five years; and to demand that the £4 million be excluded from the reckoning. He had also intimated that he is only interested in the grant element, since he can raise loans at less than the Exchequer Rate in Malta.

4. Under the terms of the Financial Assistance Agreement, the distribution between grant and loan of payments made during the second five years have to be settled between the two governments before such payments can be made. Thus since 31 March, 1969, no aid has been made available to Malta under the Agreement. In July 1969 we proposed to Dr. Borg Olivier interim arrangements to enable funds to flow within the limits of our 50:50 offer (this would have amounted to some £2.9 million a year in grant and £2.9 million in loan). But this proposal and further proposals for interim arrangements later made by Lord Robens, Chairman of the Joint Steering Committee for Malta, proved unacceptable to Dr. Borg Olivier, who has preferred to finance his own development rather than to be seen to be accepting terms which weaken his negotiating position and expose him to opposition criticism. Meanwhile, he has continued to meet Malta's obligations under the Defence Agreement.

5. Since our decision to stand firm on the terms of our 50:50 offer was last repeated to the Malta Government by our new High Commissioner early in April, it

² Not printed.

has become clear beyond reasonable doubt that there is no prospect of this offer being accepted by the Maltese. The Minister for Overseas Development, made a statement in the House on 27 April that the Maltese had been told we could not go beyond our 50 : 50 offer and that discussions were continuing. Meanwhile, Dr. Borg Olivier declared that he considered the negotiations under the Agreement to be terminated.

Financial and commercial repercussions of the present impasse

6. The Malta Government has withheld all payments due this year on loans (£600,000) on the grounds that they were owed money by the United Kingdom under the Aid Agreement. We have protested at this default, which has not yet become public; but the Ministry of Overseas Development, as the Department responsible to Parliament for the public accounting of aid funds, would consider it improper not to refer to it the next time a statement about the aid question is made in Parliament. The debts would of course have to be met before we could consider any resumption of aid.

7. This default, which has only occurred because of the aid dispute could affect certain other aspects of U.K. relations with Malta: for example, whether we should continue our quarterly payments amounting to £400,000 a year out of ODM votes to the Malta Government to compensate them for customs loss on the duty-free import of NAAFI goods for our Services in Malta; and whether we should approve the transfer without charge of military equipment valued at about £250,000 now in the possession of the Royal Malta Artillery (at present a unit of the British Army) when it becomes the responsibility of the Malta Government on 1 October. If we took a favourable decision on these, in spite of the Maltese defaults, we could be open to criticism; but if we retaliate, we should risk Maltese action against the British Services in Malta, with the possibility of escalation.

8. It is also now apparent that the Malta Government are deliberately making life administratively awkward for us, and they have made threats against our commerce. (Our exports to Malta last year amounted to £24 million or 45% of her imports.) The British firm, Weir Westgarth, have tendered for desalination plants to the value of over £3 million, but have been told by the Malta Government that this contract, for which the validity of bids has recently been extended to the end of July, will not go to the United Kingdom unless the aid dispute is settled. The contract is important because it could lead to several others in the Mediterranean.

Strategic and defence considerations

9. In a recent assessment the Chiefs of Staff emphasised the increasing importance to NATO of the defence facilities in Malta and stressed the need to deny the use of Malta to the Russians. They drew attention to the fact that our purely national defence interests in Malta—as opposed to our interests as a NATO member—were declining; and hoped that it would be possible to achieve a transition to greater NATO involvement in Malta by the time our Defence Agreement expired in 1974. They accordingly suggested that we should encourage NATO interest with a view to bringing Malta into full membership of the North Atlantic Alliance or, failing that, to negotiating an agreement between NATO and the Malta Government for the long-term use of the Island's defence facilities. The abiding interest in the Island is therefore primarily a NATO one and the importance of this has increased as a result of expanding Russian presence in the Mediterranean.

10. NATO has both a positive and a negative interest in Malta in the future. The positive interest is to preserve the use of defence facilities in the Island which will be of increasing importance as a means of countering the Russian military presence. These facilities include, on the basis of a tenuous agreement between NATO and Malta, the NATO naval headquarters for the Mediterranean, the communications and radar facilities used by NATO (the radar facility in particular is a valuable extension southwards of the NATO air warning system); above all there are the base facilities available to us under the Defence Agreement which will be used primarily by maritime reconnaissance, air defence and strike aircraft deployed in support of NATO Mediterranean naval forces.

11. The negative interest is even more important: it is to deny Malta to the Russians and to keep the Island firmly linked with the West. Militarily it would be a serious matter if the Russians were enabled to establish or to use bases in Malta.

Political considerations

12. It is therefore important that, by the time our Defence and Finance Agreements with Malta expire in 1974, a much closer association should have been established between Malta and NATO, and that our present defence and financial responsibilities towards the Island should have been shifted to the Alliance. The manner in which our own relationship with Malta is allowed to develop during the remaining life of the Agreements will be crucial to achieving this association. This in turn is affected by our attitude to the question of aid.

13. So far as NATO is concerned, the Secretary General of NATO has already expressed his concern several times that no solution has been found to the disagreement between Her Majesty's Government and the Malta Government. At the recent NATO Council of Ministers Meeting in Rome both Mr. Rogers³ and Signor Moro⁴ told Mr. Stewart that they were worried about the effect of the aid dispute on the future of Malta in the light of the growing Soviet influence in the Mediterranean. It would be a blow to Western prestige if Malta were to turn neutralist, and even more so if she developed pro-Soviet leanings. In such an eventuality, our NATO Allies would blame us.

14. Whether or not Dr. Borg Olivier concludes a satisfactory agreement with Her Majesty's Government will be an important factor in the Maltese Elections which must be held before June 1971. The respective attitudes of Dr. Borg Olivier and Mr. Mintoff towards NATO are therefore relevant. Providing a settlement can be reached in the aid dispute there is a reasonable chance that Dr. Borg Olivier will continue the present alignment with NATO and the West. After 1974, when the Defence and Financial Aid Agreements expire, this attitude could be expected to continue so long as the economic benefits Malta received from NATO were substantial and she could be brought more closely than at present into NATO consultations.

15. Mr. Mintoff, on the other hand, would probably tolerate the continued presence of British Forces only for a transitional period until the Maltese economy was strong enough to dispense with the British Services. His official policy is neutralism and he has a deep antipathy for NATO. In the longer run, he would wish to free Maltese soil from foreign bases and foreign forces, and for the time that he

³ William P Rogers, US secretary of State, 1969–1973.

⁴ Aldo Moro, Italian foreign minister.

was prepared to allow British Forces to stay he would demand a high price in political and economic terms. We could also expect him on assuming office to seek the revision of the Defence and Financial Agreements.

16. Both Parliamentary and public opinion in Malta is bitter at what is regarded as British injustice in their attitude towards aid to Malta. Against this background the Russians have recently been making efforts to extend their influence on the Island: the Russian Ambassador in London visited Malta at very short notice at the end of May to discuss ways of increasing trade, tourism and cultural contacts between the two countries; and the Russians have recently created a heavily subsidised Malta/USSR Friendship Association. The Russian Chamber of Commerce has confirmed that it will participate in the Malta Trade Fair in July this year for the first time, while this will be the first time there has been no official British participation.

17. Under the normal criteria for development aid, Malta would not qualify for aid. Although the economy is delicately balanced and showing signs of inflationary weakness, it is still flourishing; Malta's reserves per capita are among the highest in the world; private investment funds are flowing freely into the Island, largely from this country; the adverse effect on the Maltese economy of the discharge by the British Services of Maltese employees has so far not been serious, partly as a result of the extra £10m. of defence expenditure agreed during 1967 rundown negotiations; and our decision to retain certain RAF aircraft in Malta and to increase our naval presence in the Mediterranean will contribute to defence expenditure in Malta up to an extra £9m. over the 5 years covered by the rundown.

Aid considerations

18. On the other hand, the Maltese contend that the monies disbursed under the Financial Agreement are not developmental aid in the usual sense of the term, but rent for the defence facilities and extensive properties which we own (until 1974) in Malta, and for our unrestricted right to make war from Malta. At the same time they maintain that the rundown of British forces in Malta has obliged them to develop their economy in a way that was not foreseen at the time of the signature of the 1964 Agreement. They therefore contend that they need as much grant aid in 1969/74 as they had in 1964/69 if they are to maintain their development plans and to avoid an intolerable burden of debt servicing.

19. We attach at Annex¹ a summary of the amounts involved in the financial aid dispute with Malta. The difference between our present offer of 50:50 and the maximum we consider would lead to a settlement is £6.75m. over the five year period.

¹ Not printed.

254 PREM 15/525

30 June 1970

'Malta: agreement on financial assistance': minute from Sir B Trend to Mr Heath

The joint memorandum by the Foreign and Commonwealth and Defence Secretaries¹ presents a strong case, in terms of our foreign and defence policy requirements, for

¹ See 253.

overcoming the present impasse with Malta over the aid and loan components of the second (£23 million) tranche of the 1964 10-year assistance programme. The ‘outside’ terms of settlement now proposed by the two Secretaries of State are virtually those which the Maltese Government had hitherto demanded without success. In essence the argument in the memorandum is that, at a cost of making available £6.75 million in the form of a grant rather than a loan between now and 31 March 1974 (the five-year period mentioned in paragraph 2 of the paper runs from 1 April 1969), we could, with fair confidence, expect to secure continuing co-operation from Malta; whereas persistence in our present posture—although perfectly defensible, judged by economic and aid criteria alone—will damage both Anglo-Maltese relations and, more importantly, NATO interests. The Secretary-General of NATO and our United States and Italian partners have all expressed anxiety about the continuance of the present dispute. Some Ministers may argue that there is no economic case for such generosity to Malta, which at present enjoys a booming economy very largely financed from this country. This entirely valid contention, however, looks less compelling when set against the realities of Maltese politics. No conceivable Maltese Government is likely to be prepared to settle on less favourable terms; and, if Dr. Borg Olivier were succeeded by Mr. Mintoff at the next election (due within a year), we should probably be faced with a more intransigent Maltese attitude.

2. It is just possible—although unlikely—that in the course of negotiations with the Maltese it might be possible to reach a settlement on slightly less costly terms than the ‘outside’ limit proposed by the two Secretaries of State. For example, our negotiators might try to get a true 75:25 split of the £23 million at issue by including in the 75 per cent grant element the £4 million already allocated in the form of a grant to the Malta dockyard and to historical monuments. This would be slightly cheaper than the proposal in the present paper, which seeks authority to pay as grant the £4 million mentioned above *plus* 75 per cent of the remaining £19 million of the £23 million, i.e. about 80 per cent of the total. But there are dangers in spoiling the ship for a ha’porth of tar.

3. If it is possible to get out of this impasse with the Maltese by a settlement within the limits of the present proposals, it will remain very important to try thereafter to achieve a closer association between NATO and Malta, so that the future costs of preserving Maltese co-operation do not fall exclusively on us. What proposals have the Foreign and Defence Secretaries for this purpose?

255 CAB 148/101, DOP 1(70)2

1 July 1970

‘Malta: agreement on financial assistance’: Cabinet Defence and Oversea Policy Committee minutes

The Committee considered a memorandum by the Foreign and Commonwealth Secretary and the Defence Secretary (DOP(70) 2)¹ recommending the reopening of negotiations with the Malta Government on the terms on which economic aid should be made available to that Government in respect of the five-year period beginning on 1 April 1969.

¹ See 253.

The Foreign and Commonwealth Secretary said that the Agreement on Financial Assistance with the Malta Government was concluded in 1964 at the same time as the Agreement on Defence. It provided that aid totalling £51 million should be furnished over a ten-year period and that during the first five years of the Agreement the proportion of grant to loan should be 75:25. £28 million had been so disbursed up to 31 March 1969. Of the remaining £23 million, due to be disbursed in the five years beginning 1 April 1969, the previous Administration had made a grant of £4 million to cover dockyard development and the restoration of historic monuments. They had also proposed that the ratio of grants to loans during this second five-year period should be 50:50, including the £4 million grant already referred to. This offer had been rejected by the Maltese. The present paper proposed that we should reopen negotiations and that our negotiators should be empowered to settle within a limit of a 75:25 ratio of grants to loans, but excluding from the apportionment the £4 million grant already allocated. The case for such a generous settlement was primarily political and strategic. The North Atlantic Treaty Organisation (NATO) was itself much concerned about the potential dangers to the Alliance's military position in the Mediterranean if the present disagreement resulted in any loss of facilities in Malta or if, even worse, the Russians were to become established there. There was also the complication that failure to reach agreement could not but weaken Dr Borg Olivier's chances in the forthcoming Malta elections, and the prospect of having to deal with a Government headed by Mr Mintoff was uninviting. If a settlement were negotiated on the lines advocated in the paper it would be important over the next few years to work towards achieving a closer association between Malta and NATO, so that future costs of ensuring Maltese co-operation did not fall exclusively on this country.

In discussion, it was pointed out that even if we were to grant assistance on the terms proposed there could be no guarantee that the expenditure would achieve our aim of safeguarding our own and NATO interests in Malta. A Government headed by Mr Mintoff might still be returned in 1971, and could well create further difficulties for us. There was general agreement, however, that the balance of advantage lay in reopening negotiations and in being prepared to offer terms more favourable to the Maltese than those which had previously been put forward.

The following additional points were made in discussion:—

- a. The terms proposed in the paper, ie that at the worst we should be prepared to offer the £4 million already allocated plus 75 per cent of the remainder of the £23 million in the form of a grant were more generous than what had been accepted for the first quinquennium of the 1964 Agreement. In that period the proportion of grants to loans had been 75:25 overall whereas to do as was now suggested could amount to an 80:20 overall division. There was a case for adhering strictly to the 75:25 ratio.
- b. Dr Olivier had indicated that he was not interested in taking up the loan element of the aid on the terms currently on offer, since he considered that he would obtain more favourable interest rates elsewhere. It might be that a cheaper settlement could be obtained either by abandoning the loan element or by making our concessions in the form of more advantageous loan terms rather than increasing, to the full extent envisaged, the level of aid provided in the form of grant.

c. There would be political advantages in reaching a settlement fairly quickly. A quick settlement, moreover, would improve the prospects of the British firm tendering for a large desalination plant for installation in Malta. A favourable decision by Malta would in turn improve the firm's prospects of obtaining a similar contract in Saudi Arabia.

d. Recent Russian efforts to extend their influence, including participation by the Russian Chamber of Commerce in the Malta Trade Fair, were significant.

The Prime Minister, summing up the discussion, said that the Committee were in favour of reopening negotiations at an early date with the Malta Government on the broad lines advocated in the paper except that the negotiating limit should be a grant:loan ratio of 75:25 overall, as had been agreed in 1964 for the first quinquennium. Before negotiations were reopened, however, the Chancellor of the Exchequer should arrange for his officials to work out, in concert with those of the other Departments concerned, a number of alternative propositions on the lines indicated in the Committee's discussion within the overall cost limit which the Committee had approved. At the same time, the Foreign and Commonwealth Secretary should examine, on a contingency basis, the implications of a victory by Mr Mintoff's party in the forthcoming Malta elections. It would also be important to ensure that, during the time which we hoped this additional expenditure would buy for us, NATO became more directly associated with Malta so that we were not in future required to shoulder alone the financial burden of ensuring her continued co-operation. The Defence Secretary should examine possible initiatives and should report back to the Committee in due course. It was also important that our economic position in Malta should be preserved. The President of the Board of Trade should examine the circumstances in which, despite participation by the Russian Chamber of Commerce, there was to be no British official participation in the Malta Trade Fair and should circulate a report to him and to the other Ministers concerned.

The Committee:—

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Invited the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Defence Secretary and the President of the Board of Trade to proceed accordingly.

256 FCO 9/1235, no 12

11 July 1970

[Defence]: letter from Sir D Watson to R L Secondé¹ on the consequences of a Mintoff electoral victory

I reported in my letter of 23 April to David Bendall² on my first meeting with Mintoff. I have just had another round with him, and enclose a note of our talk.³ On

¹ Head, Southern European department, FCO.

² FCO 9/1235, no 4, letter from Sir D Watson to D V Bendall (241, note 2), 23 Apr 1970.

³ Not printed.

re-reading it, I must put in the caveat that it gives the impression of far firmer shape in the conversation than there actually was. It jumped all over the place, and my interventions led to long expositions of this, that or the other line of thought. I was deliberately brisk and indeed at times provocative: he raised his voice occasionally but did not lose his temper, and seemed to enjoy the argument. The significant thing was that on no occasion did he stop to weigh anything I said: he simply countered immediately with something out of his own armoury. I say again that I do not think he is absolutely impermeable to influence; but it will be the hardest thing in the world to get him really to take a point that does not sort with what he himself believes.

2. It is difficult to formulate firm impressions of the man and his policies, because he is essentially (though not always deliberately) elusive. His approach to foreign affairs is intensely parochial and naive. His ideal world would include a Britain which was not tied to NATO or the American alliance but was pursuing the same dreams of a Mediterranean community and a 'big' united Europe (as opposed to the 'little Europe' of the West) as he indulges in. Once launched on this topic, he appeared convinced that this was where Britain's real interest lay and remained quite impervious to practicalities.

3. If he came to power, and were faced with a choice between a break with Britain or giving ground on the NATO issue, I am not at all sure how he might go. In a typical Maltese way, he wants to continue milking Britain—but also I think that on one level of his mind at least there is something in British friendship which he values for itself. He may also be swayed by the thought that a break with Britain would cut right across the grain of Maltese public opinion. But he is pathological about the Americans; and I also now have a very positive sense that his Maltese phobia of continued dependence upon and subservience to a great power does not apply with anything like the same strength to the Russians as it does to the Americans. Whether this is because he thinks the Russians are less to be feared, or because he would positively like to see them around would hardly matter in the upshot. I do not think he is a Communist: but psychologically he does not appear to feel uncomfortable with the Russians, and probably believes that Malta could maintain her own identity in any association with them in the same way as he seems to think the Arab states have managed to do (and to go that way would also help to bring Malta closer to the latter).

4. In short, I would not entirely rule out the possibility of some fudging deal with Mintoff over NATO use of British bases in Malta: but the process of knocking away his confused preconceptions and rubbing his nose in reality would be awful. I reckon that at the best we should have to be content with much less than what we wanted, and to pay a very high price for it.

5. You will see in the last paragraph of the enclosed note that Mintoff wants to call on some of our Ministers when next he is in London. I avoided any commitment over this, but he is obviously keen, and we shall have to decide what to do. I would recommend that Ministers should see him, as Leader of the Opposition here; and with a Conservative Government in Britain this is of course not so politically tricky from the Maltese angle as it used to be when Mintoff tried to make contact with Labour Ministers. Perhaps we could have a word about this when I am home next week.

257 CAB 148/101, DOP(70)14 30 July 1970
‘Malta: implications of a victory by the Malta Labour Party at the next elections’: memorandum by Sir A Douglas-Home for Cabinet Defence and Oversea Policy Committee

At their meeting on 1 July,¹ the Defence and Oversea Policy Committee asked me to ‘examine, on a contingency basis, the implications of a victory by Mr. Mintoff’s party in the Malta elections’, which must be held not later than the middle of 1971.

2. I propose to consider these under three main headings: political, military and commercial.

Political

3. The Malta Labour Party is dominated by Mr. Mintoff, the most forceful politician on the island. A man of complex character, shrewd but impulsive, he has led his Party with despotic authority since 1949. His period as Prime Minister of the Colonial Government from 1955–58 ended with the suspension of the Constitution. He has no doubt matured since those days, but the vagaries of his personality would inevitably make him a difficult partner to do business with.

4. An ardent doctrinaire socialism is the basis of his present policy in the Malta Labour Party. His ideas on foreign policy are grandiose and unrealistic. His basic outlook is neutralist and although he has recently singled out the American Government as ‘the enemy of the Malta Labour Party’, he has said he would try to seek guarantees of Malta’s integrity from both the Americans and the Russians. He has not suggested that Malta should give any *quid pro quo* for such guarantees. He would certainly permit the establishment of a resident Soviet mission in Malta.

5. Mr. Mintoff has long pursued a pro-Arab policy in the Mediterranean and this has derived added impetus from the coup d’etat in Libya, Malta’s closest African neighbour. He has long-standing contacts with President Nasser, and a Government under him would no doubt try to strengthen its ties with the revolutionary Arab Governments at the expense of those with the West, although the latter’s attitude to the Maltese communities in their countries might complicate this for him.

6. Historically, Malta’s culture derives largely from the West, and the Roman Catholic Church remains strong there. In practice, therefore, Mr. Mintoff would have to move circumspectly in trying to reorientate Maltese policy in the way he would like without antagonising large sections of the population, including numbers of his own supporters.

Military

7. Mr. Mintoff has made clear that he would be prepared to allow British forces to stay in Malta—at a price—for as long as they are necessary to support the economy and provide employment, but that he would not permit Maltese facilities to be used—as they are at present—by other NATO powers. He would seek to renegotiate the Defence and Financial Assistance Agreements, which expire in 1974, in order to ensure that we paid a higher price in return for Maltese defence facilities, and he

¹ See 255.

would curb our present unfettered right to use these facilities in any way we wish without consulting the Malta Government.

8. One of Mr. Mintoff's first actions on taking power would probably be to insist that NATO withdraw their Headquarters (COMNAVSOUTH) from Malta. Even before the expiry of the Defence Agreement (1974), he could be expected to oppose any overt NATO use of the facilities on the island for specifically NATO purposes, though perhaps he might wink at continued and discreet use of the bases for NATO purposes by the British forces only. (Dr. Borg Olivier too has recently been showing a distaste for the wide NATO use of British defence facilities, but he is not ideologically antagonistic to the organisation as is Mr. Mintoff.)

Commercial

9. It is likely that Mr. Mintoff would seek to curb the virtual monopoly position of several British concerns on the island (e.g. Rediffusion; B.E.A./Malta Airlines, and possibly, Cable and Wireless). He would seek to diversify Malta's trade and to strengthen trade links with his neighbours on the North African littoral, partly at the expense of our own.

Conclusion

10. The present attitude and declared policies of Mr. Mintoff indicate that a victory by him at the next Maltese elections would make it difficult, if not impossible, to continue a fruitful defence relationship between Malta and NATO. Any defence relationship with the United Kingdom would probably be more restrictive and costly than at present. The realities of power, his desire to remain Prime Minister and the sympathies of his own supporters would perhaps restrict his freedom of action to sever the Western Defence connexion. But his political convictions and wilfulness would at the best make the future uncertain and at the worst could result in a neutral Malta being gradually sucked into the Soviet sphere of influence.

258 PREM 15/525, PM/70/94

3 Sept 1970

'Malta: financial assistance agreement negotiations': minute by

Sir A Douglas-Home to Mr Heath

You commented on 7 August that, in the light of the views expressed by our colleagues on the Defence and Oversea Policy Committee, the right course was to go ahead at once with the 70:30 offer and, if necessary, for Ministers then to decide quickly on the question of the further £1 million grant as soon as I could report on the result of the 70:30 offer. The Defence Secretary and the Ministers of Technology and Overseas Development have already agreed in principle with the recommendation in my minute of 29 July. In his minute of 3 August, however, the Chancellor of the Exchequer suggested that we should see the terms of Dr. Borg Olivier's response to our 70:30 offer before taking any further decision.

2. The Maltese response has now been received: the 70:30 offer has not been accepted. Dr. Borg Olivier is holding out stubbornly for the 75:25 on which he believes his election chances depend. His only concession has been to suggest an interim 75:25 formula for the three years ending 1972, leaving the proportion in the

last two years to be decided after the Malta elections. We turned down this suggestion which would only have prolonged the uncertainty over aid negotiations and have started new arguments about the sums to be disbursed over the proposed three and two year periods.

3. I think the time has now come for us to move to the final stage and to settle for 75:25. At the same time we should give notice to Dr. Borg Olivier that we are making this offer purely in order to meet his political presentational needs. Consequently, he must accept that we shall have to adopt new and less flexible attitudes in the settlement of certain subsidiary matters. These include, for example, arrangements for the phasing of aid payments (Dr. Borg Olivier expects far more than we can offer this year); and the cancellation or substantial modification of the present arrangement under which Her Majesty's Government reimburse the Malta Government with the equivalent of Customs and Excise Duty on certain dutiable items imported by the Services, i.e. 'the Gin Bill' which over the next three financial years is likely to total approximately £1 million—equivalent to the difference between the 70:30 and 75:25 formulae. There are also matters still outstanding in dealings between our Service Departments and the Malta Government. It is of course assumed that no aid payments will be made until the servicing of past debts is resumed.

4. I am aware of the desirability of obtaining from Dr. Borg Olivier some assurance, however general and informal, that if he is returned at the next elections, he will do his best to ensure that the present relationship with NATO is developed fruitfully. Our High Commissioner's view is that it would be tricky and could even be counter-productive to ask for such an assurance now and in the context of aid negotiations. He asked that it should be left to his discretion to introduce the matter, perhaps obliquely, depending on how negotiations proceed. I propose to instruct him to do his utmost to get us satisfaction on this point.

5. My recommendation is, therefore, that we should now accept the necessity to move to a 75:25 formula and leave it to our officials and the High Commissioner to get the best bargain they can from the Malta Government on the general lines indicated above. In doing so, the High Commissioner should make clear that this is our final offer. I further recommend that the High Commissioner is instructed to press on with these negotiations and to try to conclude them as rapidly as possible.

6. I am sending copies of this minute to members of the Defence and Overseas Policy Committee, the Minister of Overseas Development and to Sir Burke Trend.

259 PREM 15/525

4 Sept 1970

[Financial assistance]: letter from J A N Graham¹ to C W Roberts²

The Foreign and Commonwealth Secretary yesterday minuted the Prime Minister about the Financial Assistance Agreement with Malta (his minute PM/70/94).³ He has asked me to add that he is very anxious to conclude the immediate agreement on the level of aid quickly and in any case before the Party Conference. He recognises that it

¹ Principal private secretary to the secretary of state for foreign and Commonwealth affairs.

² Private secretary (parliamentary affairs) to the prime minister.

³ See 258.

is important that we should be firm with the Maltese over the subsidiary matters referred to in paragraph 3 of his minute, but, with the exception of the phasing of payments which clearly must be covered before the main negotiation can be concluded, he hopes that the negotiations on the subsidiary matters will not hold up an announcement on the main issue.

In short, the Foreign and Commonwealth Secretary thinks that, once agreement has been reached on the broad lines of phasing, we should be prepared to announce that agreement in principle has been reached on a 75:25 formula.⁴ The details of the agreement and, if necessary, negotiations on the Gin Bill⁵ and other subsidiary matters could be left for officials to deal with subsequently.

I am copying this letter to the Private Secretaries to the other members of the Defence and Overseas Policy Committee, the Minister of Overseas Development and the Secretary to the Cabinet.

⁴ In a note at the head of the letter dated 6 Sept, Edward Heath commented: 'Agreed: and at the end of the bargain Borg Olivier should be told that not another penny will he get out of the British people. I shall in any case tell him so myself at the Singapore Conference.'

⁵ See 258, para 3.

260 PREM 15/525 9 Sept 1970 **'Malta: financial assistance agreement negotiations': minute by Mr Barber to Mr Heath**

The Foreign and Commonwealth Secretary sent me a copy of his minute to you of 4th September.¹ I have also seen your comment reported in your Private Secretary's letter of 7th September.²

2. I do not question the decision to go now to a 75:25 split between grant and aid. It is nevertheless very disappointing to see that the Maltese have successfully beaten us back all along the line without making a single worthwhile concession. Our 70:30 offer was more than generous and I think we should get Maltese agreement to making concessions which are of real value to us before becoming committed to our final offer.³ (In this respect I am glad to see that there is no question of our making any aid payments until the Maltese have resumed the servicing of past debts.)

3. While I sympathise with the Foreign and Commonwealth Secretary's desire to reach an early agreement, I am worried lest by following the line suggested in his Private Secretary's letter of 4th September,⁴ we shall have given up any leverage we may have had with the Maltese and find that we are unable to obtain any concessions from them. I think, therefore, that the High Commissioner should not be empowered to reach agreement on the 75:25 formula unless Dr. Borg Olivier makes it clear that he is prepared to give us a reasonable private assurance about his future attitude to NATO and concede a reduction of at least half the payments due under the

¹ Barber presumably means Douglas-Home's minute to Heath dated 3 Sept (see 258).

² See 259, note 4.

³ At the head of the minute, Heath remarked: 'Agreed—I sympathise.'

⁴ See 259.

‘Gin Bill’⁵ arrangements (although clearly we should try very hard to get the whole agreement cancelled). I would have thought that there was a reasonably good chance of Dr. Olivier making these concessions because, unlike the arrangements for financial assistance, they need not be publicised before his Election!

4. I am sending copies of this minute to the other members of the Defence and Overseas Policy Committee, the Minister of Overseas Development and to Sir Burke Trend.

⁵ See 258, para 3.

261 PREM 15/525, PM/70/107 21 Sept 1970 **‘Malta: financial assistance agreement negotiations’: minute by Sir A Douglas-Home to Mr Heath**

Since my Minute PM/70/94 of 3 September,¹ the High Commissioner in Malta has had two interviews with the Maltese Prime Minister and is due to have a third on 19 September. It has already been made clear to us that the Maltese believe that we shall give way all along the line if they wait long enough. They are reluctant to make any concession to us on the ‘Gin Bill’, but negotiations on this question along the lines suggested by the Minister of Overseas Development in his Minute to you of 9 September only began on 18 September.

2. For months we have been fighting a rearguard action with the Maltese, giving away one point after another with the utmost reluctance, and losing goodwill in the process. I am most anxious to get a settlement before the end of this month and to do this I think we should give discretion to the High Commissioner, preferably not later than Tuesday, 22 September, to conclude a comprehensive settlement on the best terms he can get. We have done our best for the Treasury, but we have not been able in practice to meet their wishes, and if we are not to alienate the Maltese we must bring matters to a conclusion. The Chief Whip and the Lord President will, I think, confirm that there is strong feeling about the matter in the Conservative Party in the House. We shall of course continue to press for a satisfactory assurance about Malta’s future association with NATO.

3. As regards the future, we must distinguish between United Kingdom aid to Malta and NATO requirements in Malta. I believe that the Maltese Government accept that there will be no new aid when the Financial Assistance Agreement comes to an end in 1974.² But they are conscious of the importance to NATO of Malta, given the growing strength of the Soviet fleet in the Mediterranean, and the Maltese Government will no doubt expect NATO to pay handsomely for any facilities Malta may provide. We can, as occasion arises, tell the Maltese what we think about their refusal to make any concessions to us during the negotiations on the Financial Assistance Agreement; but we should not at present adopt a categorically negative

¹ See 258.

² Heath noted in the margin against this passage: ‘They should be told this clearly and so should the Party in the House.’

attitude towards possible United Kingdom contributions to any defence facilities that may be provided by Malta on the recommendation of NATO.³

4. The Maltese claim that as a result of the suspension of aid during the current negotiations, they have been forced to borrow money in order to keep their current projects going, and they think that Her Majesty's Government should pay this interest. If you and my other colleagues to whom I am copying this Minute agree, I think we should say that no money is available over and above that provided for in the Financial Assistance Agreement.⁴

5. I am sending a copy of this Minute to the members of the Defence and Overseas Policy Committee, the Chief Whip, the Minister of Overseas Development and Sir Burke Trend.

³ At this point Heath commented: 'We should set our face against it.'

⁴ Not a penny', confirmed Heath in the marginal.

262 CAB 128/47, CM 25(70)2

1 Oct 1970

'Malta: financial aid arrangements': Cabinet conclusions

*The Chancellor of the Duchy of Lancaster*¹ said that agreement had now been reached with the Maltese Government on the division of the balance of aid still available to Malta under the 1964 Agreement, during the period of five years ending on 31 March, 1974. 75 per cent of the balance would be made available by way of gift and 25 per cent by way of loan. The subsidiary arrangements still remained to be worked out in detail: but we should also be making a contribution in respect of the capital development of the dockyard and the restoration of historic buildings.

The Prime Minister, summing up a brief discussion, said that the present situation in regard to aid to Malta was unsatisfactory and could not be allowed to continue indefinitely. Although we must discharge our existing obligations, we must be on our guard against assuming any additional commitments. Since the defence facilities provided by Malta were now primarily of interest to the North Atlantic Treaty Organisation (NATO), it would be logical that NATO should assume financial responsibility for them.

The Cabinet:—

Took note of the Prime Minister's summing up of their discussion.

¹ Geoffrey Rippon.

263 CAB 148/116, DOP(71)39

5 July 1971

'Malta': memorandum by Sir A Douglas-Home and Lord Carrington for Cabinet Defence and Oversea Policy Committee on Mr Mintoff's request for a revision of the defence and financial agreements

[By a majority of just one, Mintoff's MLP had been returned to office in the June general election. He followed up his request for the immediate despatch of a high-level British representative to discuss the revision of the defence and finance agreements, with an oral

message to the British high commissioner on 23 June demanding a reply by 7pm on the following day. His tone was described by the FCO as ‘peremptory’ (FCO 9/1417, no 5, telegram no 506 from the FCO to Bonn, 25 June 1971.)]

1. Mr Mintoff wants our 1964 Defence and Financial Assistance Agreements fused into a single agreement, in which aid is replaced by compensation for facilities granted. These facilities would be ‘strictly defined’, their use would be ‘limited exclusively to Britain’ and the activities of our forces would be ‘determined accordingly’. As well as paying rent, we would have to give undertakings on the level of our military expenditure and employment of civil labour. The annual rent would be substantially higher than the current £5 million of our aid. Mr Mintoff wants his principal relationship to be with Britain. Although he does not like NATO, there are signs that he would like a deal with us to be followed by separate smaller deals with some other NATO members (not Italy or the USA).

2. Our present defence facilities in Malta are primarily of value in the NATO context and are not indispensable. Some we could do without altogether. Others could, at a cost, be replaced elsewhere (as could the NATO Headquarters in Malta). But we join with NATO in having a strong strategic and political interest in denying Malta to the Russians.

3. Mr Mintoff disclaims any intention of admitting the Russians, but it would be better to secure this position through a deal with him if we could. Under our present Agreement (the validity of which is contested by Mr Mintoff’s Government) we have a veto over the use of Malta’s facilities by other powers. We might not be able to retain this, but the very presence of British units would help to keep the Russians away. In theory, an internationally recognised status of neutrality would be an alternative (though uncertain) way of denying Malta to the Russians. The difficulties about this are, first, that such a development would reinforce Soviet propaganda against the retention of foreign bases, and in favour of the withdrawal of small states from military blocs, and, second, that besides losing our facilities, we should be presumably expected by Mr Mintoff to help make good the financial loss to Malta’s economy. We should lose a base and be subsidising neutrality.

4. A different approach to maintaining our interests in Malta would be to play Mr Mintoff for a fall. A new defence deal, maintaining the British connexion but squeezing more money out of us, is politically crucial for him. In the right circumstances, a breach with Britain could bring him down. But the blame for the breach must be seen to be squarely on Mr Mintoff. Otherwise, the Maltese would rally to him and against us. We must therefore be seen to be reasonable in our dealings with him. Our allies will also expect this and we have to carry them with us.

5. Mr Mintoff expects us to send a Minister to negotiate with him. The issues are not clear enough yet for us to see whether a basis for negotiation exists and clarification is only likely to be obtained at a political level. The offer of an exploratory Ministerial visit would make it hard for him to claim that we were not taking Malta’s case seriously.

6. We therefore recommend that—

i. We should probe Mr Mintoff further to see whether there is a basis for negotiation.

- ii. We should be prepared to send a Minister to Malta for this purpose in about two weeks;¹ and our High Commissioner should convey this offer as soon as possible to Mr Mintoff.
 - iii. In order not to provoke Mr Mintoff, in all our public statements the word 'exploratory' should be avoided. We should say that the Minister is going to Malta for discussions.
 - iv. We should consult our NATO Allies in the terms of the draft instructions at Annex A.²
7. At Annex B is a note on our military facilities in Malta.

¹ See 264 and 265.

² Annexes not printed.

264 CAB 130/527, GEN 52, 1(71) 14 July 1971
'Malta': minutes of a meeting held at 10 Downing Street on the advantages and disadvantages of the defence secretary travelling to Malta for discussions with Mr Mintoff

[The meeting was attended by Heath, Douglas-Home, Barber, Carrington, Trend, Sir Philip Adams (deputy secretary, Cabinet Office), and P J Hudson (under-secretary, Cabinet Office).]

The Foreign and Commonwealth Secretary referred to the latest message to the Prime Minister from the Prime Minister of Malta, Mr Mintoff, and to the High Commissioner's comments on it (Valetta telegrams to the Foreign and Commonwealth Office nos 465 and 466) and circulated a draft reply.

In discussion it was agreed that we should continue to demonstrate by our actions that we were being entirely reasonable; we regarded the Financial and Defence Agreements with Malta as still in force and binding upon us, although we were prepared to consider a Maltese request for their amendment as soon as Mr Mintoff [sic] made clear what changes he wished to see made. So far the only indications of his thinking we had were that he would like the two Agreements to be replaced by a single document; that we should pay more money in return for the military facilities we enjoyed and that there should be no North Atlantic Treaty Organisation (NATO) presence on the islands. It was recognised that both in our own national interests and in those of NATO we ought to try if we could to avoid a breach in our relations with Malta. In view of the Island's limited importance to us we could not accept any arrangement with Mr Mintoff's Government which would require us to contribute substantially more to Malta's income than we were doing at present; we should be justified in seeking the agreement of NATO to bear the cost of arrangements in excess of our present level of payments. If the Defence Secretary were to go to Malta that day without Mr Mintoff having been given an undertaking that he was empowered to conclude a new agreement there would be a risk that Mr Mintoff would refuse to receive him; but to give such an undertaking was out of the question and it should be made clear to Mr Mintoff that Her Majesty's Government were not prepared either to accept an ultimatum or to depart from normal practice, which would require the Defence Secretary to report to his colleagues so that the Cabinet

might take the decision whether or not to accept the terms of any proposed agreement.

As to the timing of the visit of the Defence Secretary, there might be some advantage in waiting a few days to indicate that we were not prepared to negotiate under pressure of time and to allow the opportunity for Mr Mintoff to confirm that he would receive him. On the other hand, to postpone the visit would be to prolong the sense of crisis and it would be preferable to send the Defence Secretary to Malta at once, even at the risk that he would not be received, thereby placing clearly on Mr Mintoff the onus of refusing to negotiate. In the event that Mr Mintoff refused to receive the Defence Secretary we should at once publish in full the messages exchanged between the Prime Minister and Mr Mintoff; meanwhile the Press should be told of the circumstances in which the Defence Secretary would be going to Malta.

The Prime Minister, summing up the discussion, said that the Meeting agreed that the Defence Secretary should leave for Malta that afternoon, as provisionally planned; that the draft message to Mr Mintoff should confirm this arrangement and be amended to indicate that the purpose of his mission would be to ascertain whether it was possible to negotiate fresh arrangements of a kind which he could recommend to Her Majesty's Government. In the event that Mr Mintoff refused to see the Defence Secretary on this basis, copies of the messages exchanged, with appropriate explanations, should at once be released by the Defence Secretary at a Press Conference in Malta; parallel action would be taken here. Meanwhile, a Press statement should be released, together with guidance, explaining the background and purpose of the Defence Secretary's journey.

The Meeting:—

1. Took note with approval of the Prime Minister's summing up of their discussion.
2. Invited the Defence Secretary to be guided by the views expressed in discussion in his exchanges with Mr Mintoff.
3. Invited the Defence Secretary, in consultation with the Foreign and Commonwealth Secretary, to arrange for the preparation of appropriate material for use with the Press as necessary.

265 CAB 130/527, GEN 52, 2(71) 14 July 1971
'Malta': minutes of a meeting held at 10 Downing Street on action to be taken in the light of Mr Mintoff's cancellation of his meeting with Lord Carrington

[The meeting was attended by Heath, Douglas-Home, Barber, Carrington, William Whitelaw (lord president of the council), Trend, Sir Philip Adams, and P J Hudson.]

The Prime Minister said that, following the decision which Ministers had taken earlier that day (GEN 52(71) 1st Meeting)¹ that the Defence Secretary should leave for Malta that afternoon, and that a further message should be despatched to Mr Mintoff explaining the basis on which Lord Carrington would be conducting

¹ See 264.

negotiations, a reply had been received from Mr Mintoff indicating that he would refuse to see Lord Carrington. The Defence Secretary's party, which by this time had embarked in their aircraft, but had not taken off, had therefore returned from London Airport. A brief Press statement had been issued announcing the change of plan. During the morning the Malta Government had also delivered a message to the Secretary General of the North Atlantic Treaty Organisation (NATO) in Brussels saying that in view of British unwillingness to engage in negotiations Malta was terminating the present 'arrangements in regard to NATO headquarters, establishments, forces and installations in Malta'. The message did not, however, rule out future bilateral arrangements with individual members of NATO. Ministers had now to consider 4 matters: the terms of any further communication to Mr Mintoff, the form of a public statement explaining the cancellation of the Defence Secretary's journey, the lines of the answers to be given to Parliamentary questions on the negotiations, and the instructions to be given to our permanent representative on the North Atlantic Council.

In discussion, consideration was given to making an attempt to clarify the situation by means of a direct telephone conversation between the Prime Minister and Mr Mintoff, but it was agreed that the dangers of misrepresentation of its content by Mr Mintoff ruled out this course of action. On balance, it seemed better to send a further message reiterating the Defence Secretary's willingness to visit Malta to negotiate in a spirit of goodwill and repeating the alternative suggestion of a visit to London by Mr Mintoff or a Maltese representative. A message on these lines would have the advantage of making the reasonableness of our attitude clear to all. It might also serve to postpone any Anglo-Maltese break until after the North Atlantic Council had had time to consider its attitude. On the question of a public statement on the visit, it was agreed that we should take the line that we had been having difficulties on agreeing the basis of a Ministerial visit, and that a last-minute message from Mr Mintoff raised further questions which caused Lord Carrington to postpone his departure. It was recognised that Mr Mintoff would no doubt simultaneously release his own version of the reasons for the cancelled visit and that the inevitable conflict between the 2 accounts would certainly attract public attention. It would be preferable to release a statement, together with some unattributable Press guidance, and accept this conflict, rather than to publish all the correspondence and thus reduce still further the prospects of a negotiated outcome satisfactory to NATO and ourselves.

It was difficult, without knowing the precise line which Mr Mintoff would take on the cancelled visit, to determine the form of answers to Parliamentary questions on the following day. Preliminary thought should, however, be given to the 2 main possibilities, ie, that Mr Mintoff's statement would be such that we should have abandoned any attempt to open negotiations, and that some hope of a successful negotiation still remained.

On the NATO aspect, it was noted that the Maltese message to NATO had been despatched in advance of the receipt by Mr Mintoff of the Prime Minister's message which had been agreed by Ministers at their meeting earlier in the day. It was also significant that the Maltese were not calling in terms for the withdrawal of all NATO forces and installations. It was important to ensure that NATO's reply in no way encouraged Mr Mintoff's present intransigence, and our permanent representative at the North Atlantic Council should be instructed accordingly. He should be

authorised to draw on the texts of the messages exchanged with Mr Mintoff to indicate to the Council how irrational Mr Mintoff's behaviour had been and that we, for our part, remained ready to negotiate either in Malta or in London.

The Prime Minister, summing up the discussion, said that a further message should be sent to Mr Mintoff on the lines agreed in discussion. The Foreign and Commonwealth Office should issue a statement explaining the reasons for the cancellation of the Defence Secretary's visit, together with appropriate Press guidance. Preliminary thought should be given to the terms of Parliamentary answers for the following day, and instructions to our permanent representative on the North Atlantic Council should be despatched that evening, on the lines indicated in discussion.

The Meeting:—

Took note, with approval, of the Prime Minister's summing up of their discussion.

266 CAB 128/49, CM 38(71)4

15 July 1971

'Malta': Cabinet conclusions on Mr Mintoff's wish to renegotiate the defence and financial agreements

The Foreign and Commonwealth Secretary said that the new Prime Minister of Malta, Mr. Mintoff, had informed us that he wished to replace the 1964 Defence and Financial Agreements and had asked that a British Minister should go to Malta for the negotiation of a new agreement, to be concluded by the end of July. Mr. Mintoff's replies to messages from the Prime Minister, designed to establish a satisfactory basis for negotiations in preparation for a Ministerial visit to Malta, had been churlish and increasingly abrupt;¹ and it had become necessary to suspend preparations for the visit at the last moment. By contrast, our own position throughout the exchanges had remained moderate and reasonable. He would seek to demonstrate this in reply to a Private Notice Question in the House of Commons that afternoon² by reference to the text of the Prime Minister's latest exchanges with Mr. Mintoff.

In discussion it was agreed that we should continue to demonstrate that we were prepared to adopt a reasonable attitude towards a possible renegotiation of the 1964 Agreements, provided that Mr. Mintoff was correspondingly co-operative. From the defence point of view, however, the facilities in Malta which we enjoyed were not vital to us; and their significance lay rather in their value to the North Atlantic Treaty

¹ In a message to Mintoff, Heath had asserted: 'I am bound to tell you, with the frankness with which I hope one Commonwealth Prime Minister may address another, that we have been considerably surprised—to put it no more strongly—that you have found it necessary to adopt so hasty and abrupt an approach to matters which are of considerable concern to both our Governments. I do not recall having received such peremptory messages from another Head of Government; and I should be doing less than justice to the feeling which they have provoked within my Government if I did not make it clear to you that we regard it as impossible to do business on this basis' (PREM 15/521, no 7, prime minister's personal message, serial no T 157/71: message from Heath to Mintoff, 7 July 1971).

² *H of C Debs*, vol 821, cols 734–7, 15 July 1971. For the Opposition, Denis Healey 'congratulated the right hon. Gentleman on the Government's calm in this rather turbulent situation' (col. 735).

Organisation (NATO), particularly in so far as the Agreements enabled us to deny the use of the islands to the Soviet Government. If the latter could establish themselves in Malta, they would greatly increase their military strength in the Western Mediterranean. Nevertheless, there might be advantage in our letting it be known publicly, at the appropriate stage, that we had no wish to keep our Forces in Malta if this did not accord with the wishes of the Malta Government.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that the Foreign and Commonwealth Secretary should make a Parliamentary statement on the lines which he proposed. Publication of the full sequence of his own exchanges with Mr. Mintoff should be withheld for the time being; but, if Mr. Mintoff's reply to the latest message was negative, it would be necessary to consider what further action should be taken to demonstrate publicly the obduracy of his attitude.

The Cabinet:—

Took note, with approval, of the Prime Minister's summing up of their discussion.

267 CAB 128/49, CM 40(71)4

22 July 1971

'Malta': Cabinet conclusions on Mr Mintoff's terms for a continued British military presence on the island¹

The Secretary of State for Defence said that his discussions in Malta with Mr. Mintoff, the Prime Minister of Malta, on 19 and 20 July had enabled us to ascertain the latter's terms for a continued British military presence in the island. Mr. Mintoff had sought to stipulate that we should henceforward make an annual payment of £30 million for exclusive rights, which would nevertheless be more narrowly defined than the facilities which we enjoyed at present. Alternatively, we could pay Malta £20 million annually under an arrangement which, though not confining the use of the island's facilities to United Kingdom forces, would exclude their military use by forces of the Warsaw Pact. Mr. Mintoff had been told that the British Government would consider these proposals and would need to discuss them in confidence with our NATO allies; but he had been given clearly to understand that they were likely to prove unacceptable. In fact the prospects of agreement were slender. It was important that in dealing with Mr. Mintoff, whose behaviour was irrational and unpredictable, we should seek to retain the full support of our NATO allies. In the circumstances it might be expedient to withdraw from Malta forthwith the advance party of the Royal Marine Commando Group, together with any dependants of members of the infantry battalion (which had originally been planned to be relieved by the Commando Group during the summer) who wished to return now to the United Kingdom, since this might serve to warn the Maltese public of the situation which they would face if Mr. Mintoff pressed his excessive demands to the point at which we should have no alternative to removing our presence from the island completely.

¹ Previous reference: see 266

In discussion, it was noted that our present aid commitment to Malta under the 1964 Financial Agreement amounted only to £5 million in the current financial year (about half of which had already been paid), £4 million in 1972–73 and £3 million in 1973–74. Mr. Mintoff was therefore seeking a wholly disproportionate increase in Malta's total receipts from the United Kingdom, while offering us only reduced facilities. The co-ordination of our actions with those of the rest of NATO was very important. In particular, the recent activities of the Federal German Government in making equipment available to Malta had probably been unhelpful in reinforcing Mr. Mintoff's intransigence. Nevertheless, we had a reasonably strong bargaining position, especially if we were able to act with NATO's full support.

The Prime Minister, summing up the discussion, said that Mr. Mintoff's terms were clearly exorbitant. The situation would be examined in detail by the Defence and Overseas Policy Committee on the following day.²

The Cabinet:—

Took note, with approval, of the Prime Minister's summing up of their discussion.

² See 268.

268 CAB 148/115, DOP 16(71)2 23 July 1971 **'Malta': Cabinet Defence and Overseas Policy Committee minutes, on a possible NATO contribution to maintaining military facilities in Malta and denying them to Warsaw Pact countries**

Previous Reference: DOP(71) 15th Meeting.

The Committee considered a minute by the Secretary of State for Defence dated 21 July reporting on his recent discussions with the Prime Minister of Malta, Mr Mintoff. They also had before them a report by officials (DOP(71) 48)¹ on possible means of bringing pressure to bear on the Maltese Government.

The Defence Secretary said that Mr Mintoff had sought an annual payment of £30 million for exclusive defence arrangements, or £20 million for defence arrangements which left him free to permit countries other than those belonging to the Warsaw Pact to use facilities on the island. Mr Mintoff had been given no encouragement to believe that a settlement on terms of this sort was possible, but understood that we would now need to consult our North Atlantic Treaty Organisation (NATO) allies. The immediate requirement was to decide on the manner of our approach to NATO. For this purpose it would be necessary to indicate what we ourselves would be prepared to contribute. In determining the level of any offer 2 complications had to be taken into account. First, although our total aid liability to Malta under the Financial Agreement and under a supplementary agreement negotiated in 1968 amounted to only £12.6 million between now and March 1976 the present Malta Government, and much of public opinion, regarded the baseline for the purpose of negotiations as being an aid programme of £5 million a year, representing the

¹ CAB 148/116, DOP(71)48, 'Means of bringing pressure to bear on the Maltese government': memorandum by the official working group, 22 July 1971.

average level of aid under the 1964 Financial Agreement. Secondly, Mr Mintoff was adamant that he required future payments to be categorised not as aid but as some form of rental or lease payment. Funds could not simply be switched from aid to rentals, from whichever Vote they were disbursed, because we had given public commitments on the total level of our aid payments. Unless a way could be found round this difficulty the sums already earmarked for Malta would have to continue to be allotted to aid in some form, and any rental payment to Mr Mintoff would have to be 'new' money. On balance he favoured suggesting to NATO that Mr Mintoff should be offered an annual payment of about £6½ million a year, of which the United Kingdom would be prepared to contribute its appropriate percentage share, ie about 20 per cent, under standard NATO Military Budget arrangements. Since it would be unlikely that we would obtain early NATO agreement to any such offer it would be necessary to send an interim reply to Mr Mintoff indicating that we were discussing the Maltese proposals with our allies.

In discussion, it was agreed that the essential need now was to determine what price NATO would pay for the primary purpose of keeping the Warsaw Pact forces out of Malta and maintaining for ourselves some use, which might be more restricted than at present, of facilities in the island. It appeared inescapable [sic] that if the payments to Malta were in future to be regarded as compensation rather than aid the money would have to be found from outside the aid budget. Reprovision of the essential facilities we at present enjoyed might cost as much as £25 million, including terminal payments to Maltese employees, airfield costs, and relocation of head-quarters and fuelling facilities, and in this situation it would not be unreasonable to pay a sum of the order of £1½ million a year from outside aid funds to avoid this expense, towards which we should inevitably be the major contributors. A proposal to NATO on the lines envisaged by the Defence Secretary thus seemed defensible although there was a strong possibility that several countries would refuse to contribute to the £6½ million total. If the NATO response was inadequate we would be free to adopt harsher tactics with Mr Mintoff since NATO would in effect have refused to regard as dangerous the possibility of the use by Warsaw Pact powers of the island's facilities. If an agreement with Mr Mintoff was eventually reached an important component of it, from the Maltese viewpoint, would be the employment afforded and the currency earned by reason of the presence of British forces in the island. It would not be right, therefore, to accept any criticisms on the lines that an offer in the region of £1½ million represented an inadequate British contribution to the solution of the problem.

In further discussion, the Defence Secretary said that in the present state of relations with the Malta Government he did not consider we should proceed with the replacement of the Devon and Dorset Battalion by the Royal Marine Commando Group. He therefore proposed to withdraw the Royal Marine advance party, and to inform the Devon and Dorsets that they could expect to remain in Malta until about mid-October, but to give their dependants the option of returning to this country forthwith. In parallel he proposed to allow planning for total withdrawal, an operation which if carried out with optimum efficiency would take 6 months, to proceed. It would do no harm if news of some of these measures became widely known in Malta.

The Prime Minister, summing up the discussion, said that the Committee agreed that we should propose to NATO that we should negotiate with Mr Mintoff with the

aim of producing a settlement under which, in return for an annual payment of £6½ million, the island's military facilities should be denied to the Warsaw Pact powers while on the NATO side the main facilities we at present enjoyed should continue to be available. The proposal would be on the basis that all NATO countries should contribute towards the total of £6½ million in the proportion of their standard Military Budget contributions. Our share would be in the region of £1½ million. In response to any criticism that this was less than we were paying now we could point to the very large contribution—about £13 million a year—which the local expenditure of our forces would continue to make to the island's economy, and to the fact that Mr Mintoff's refusal to receive any payment in the form of aid meant that the total aid obligation we had undertaken internationally would in future have to be met by some means other than by payments to Malta. The reduction in aid payments to Malta would thus not be an offset to our offer of about £1½ million a year. Officials should prepare a draft brief for our Ambassador to NATO on these lines, which the Committee could if necessary consider very early during the coming week. If this approach to NATO yielded unsatisfactory results it would be necessary for the Committee to consider our next move with Mr Mintoff eg whether it should take the form of an offer for the use of the airfield by our reconnaissance aircraft on a basis which excluded the Warsaw Pact powers, or whether we should simply tell him that we had concluded that an agreement was not possible on the basis he proposed. Our initial response, however, might have to be simply to tell Mr. Mintoff that we were discussing his proposals with our allies. Meanwhile, the Committee agreed that the movements of troops and of dependants advocated by the Defence Secretary should be authorised.

The Committee:—

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Instructed officials to prepare, for circulation to the Committee, a draft brief for our Ambassador in NATO accordingly.
3. Invited the Defence Secretary to proceed with withdrawals of troops and dependants as indicated in the Prime Minister's summing up.

269 CAB 128/49, CM 47(71)2 21 Sept 1971
'Malta': Cabinet conclusions on Mr Heath's meetings with Mr Mintoff on financial assistance and the terms for a continuing British military presence

The Prime Minister said that Mr. Mintoff, the Prime Minister of Malta, had suggested at the end of the preceding week that he should visit London for further discussion of the issues outstanding between the Government of Malta and ourselves. It had seemed right to accede to this proposal; and Mr. Mintoff's general demeanour at Chequers on 17 and 18 September¹ had been relatively restrained. He had explained that he did not wish Malta to be used by either Soviet or United States forces but that

¹ See 270.

his Government needed financial assistance and would accept a continuing British presence in the Island on appropriate terms. We for our part had explained that the offers already made to Malta on behalf of the North Atlantic Treaty Organisation (NATO) represented, so far as the British Government were concerned, the limit of the price which we were prepared to pay; and we had held out little hope that Mr. Mintoff would in the event find himself able to negotiate large additional amounts of economic aid from our other NATO partners. In an effort to enable him to withdraw without too much embarrassment from the exposed position in which his extravagant claims for financial support had involved him we had offered an interim arrangement, covering a six-month period, during which all restrictions on our Forces would be removed, payments would be made to Malta at the rate proposed in the current NATO offer and negotiations on a longer term arrangement to replace the existing Defence and Financial Agreements would take place. Mr. Mintoff had agreed to this proposal; and, subject to its acceptance by the North Atlantic Council, the necessary detailed negotiations with the Government of Malta would begin during the following week. Mr. Mintoff had indicated that, despite his wish to exclude a Soviet or United States presence from the Island, he would be willing to allow courtesy visits by United States naval forces, providing that, if so, he must be free to allow corresponding Soviet visits. There was a certain logic in this attitude; and it would be necessary to ascertain the reactions of the United States Government to the proposal. During his return journey to Malta Mr. Mintoff had visited Bonn for discussions with Herr Brandt, the Federal German Chancellor, whom we had advised of the outcome of the meeting at Chequers. Herr Brandt had accordingly given Mr. Mintoff no grounds for hoping that he could play one NATO ally off against the other. In general, our relations with the new Maltese Government now seemed to be developing on a more stable and realistic basis; and, although there would no doubt be further arguments with Mr. Mintoff, we could be more hopeful that a major crisis would be averted.

The Cabinet:—

Took note, with approval, of the statement by the Prime Minister.

270 PREM 15/524

23 Sept 1971

[Defence agreement]: note by P J S Moon¹ of a meeting between Mr Heath and Lord Carrington, and Mr Mintoff on 18 Sept. *Annex*

The talks continued the discussion of the previous evening.² *Mr. Mintoff* said that the only suggestion which had been put forward was that Malta should try to get more assistance from the United States. Non-Alignment was, however, an essential part of the Malta Government's policy. Anything else would be misunderstood by the Arabs. He repeated, therefore, that while he was ready to have U.S. naval courtesy visits to Malta, he could not go further than this. It would in that event also be necessary for the Malta Government to allow similar visits by Russian ships. There would have to

¹ Private secretary (overseas affairs) to Heath.

² See PREM 15/524, note of a meeting between Heath, Lord Carrington, and Mintoff at Chequers, 17 Sept 1971, by P J S Moon, 19 Sept 1971.

be a balance between the two, however unequal. Sixth Fleet visits could be regular, Soviet naval visits very occasional. The Russians were definitely interested in such visits. After all they took place all over the world. If this was unattractive to NATO he suggested that it would be possible to have an arrangement whereby the Russians were not admitted to sensitive areas. He was in any event under pressure from the Russians to accept a resident Embassy. (He implied that he intended to do so).

He emphasised he did not really want Russian naval visits at all. NATO had agreed promptly to move their H.Q. to Naples. He knew the Russians tended to be harder to dislodge once they were in.

Referring again to Libyan assistance, Mr. Mintoff said that in any agreement for facilities it would have to be made clear that they could not be used against the Arabs. (It was pointed out to him that while this was unobjectionable in itself, it would be necessary to be careful to avoid any implication that the facilities were directed against others. The Israelis would be particularly sensitive).

Mr. Mintoff confirmed that he wanted development assistance and that any impression given to the contrary was inaccurate. He believed the Italian Government were good for £1 million per annum at least and the Germans for £2 or £3 million per annum. But the Italians were bedevilled by domestic politics at present and the Germans were likely to await a move by the Italians before going up themselves. So far the Germans had been talking of the 2 million deutschmarks they had offered to the last Malta Government some time ago. This was derisory. Quite apart from Government efforts, Malta was also keen on enlightened foreign capital investment on a partnership basis.

The Prime Minister said that he understood the Malta Government's position to be that they wanted to disengage from the big powers; that they did not want to have to provide defence facilities at all; but because of economic necessity, they were ready to do so for a period of 7 years.

The Prime Minister said that he must make clear that Britain could not increase the offer made of £5¼ m. and he saw no prospect of the overall NATO cash offer, which now stood at £9½ m. plus (including the British offer of £5¼ m.) being increased. A further difficulty was that the next aid payment under the existing agreement between Britain and Malta fell due shortly and there would be strong opposition to its being paid while restrictions were being imposed on the British forces and the Malta Government was continuing to deny the validity of the agreement.

The Prime Minister suggested that the only possibility lay in the bilateral talks on which Mr. Mintoff was embarking with other NATO countries about development assistance. Meanwhile, however, Malta was not getting the benefit of what was already on offer under the latest NATO package. Was not there a case for an interim arrangement?

After *Mr. Mintoff* had indicated his readiness to consider such an arrangement the proposal set out in the annex to this record was worked out, subject to the agreement of all the NATO countries, which was to be sought at a NATO meeting to be held on Monday 20 September. In agreeing to this, Mr. Mintoff added that he could not believe that Mr. Heath's comments on the British contribution and the basic NATO package constituted the British Government's last word on these.

At the close of the meeting, *Lord Carrington* referred to indications of an increasingly surly attitude on the part of Maltese towards the British services in Malta. He thought that the tone of the Malta press had some responsibility for this and asked that Mr. Mintoff should do what he could to tone down the press. *Mr. Mintoff* questioned whether

there really was any deterioration in relations. He denied having any say with the press, but agreed to use his good offices to the extent that he could.

Annex: memorandum of understanding

The aim would be to reach agreement in principle on the financial aspects of a new defence arrangement within a period of three months; and to negotiate a complete detailed agreement within a period of six months.

The Government of Malta would enter into bilateral discussions with those members of the North Atlantic Alliance who indicate their readiness in principle to negotiate bilateral economic support agreements. (To the extent appropriate the British Government would use their good offices to that end.) The Government of Malta attach particular importance to any such bilateral agreements being quantified on an annual basis as soon as possible.

The Government of Malta and the British Government would enter immediately into detailed discussions of the modalities of a new defence arrangement. These discussions would take place primarily in Valletta at the official level. Ministers would participate as necessary from time to time.

Pending the introduction of a new agreement, there would be no restrictions placed on British forces in Malta and the previous arrangements would be restored.

The British Government would arrange to pay to the Malta Government as soon as practical arrangements could be made, 50 per cent of the annual level of payments offered in the latest package. Payment would be for a six month period with effect from 30 September next. The precise sum to be paid with effect from 30 September would be decided in consultation with NATO. There would be no further payment by the British Government under present arrangements.

No publicity should be given to the details of the above until such time as NATO have had the opportunity to consider these proposals. Meanwhile the publicity line should be that the talks at Chequers took place in a very cordial atmosphere; that there was some useful clarification of the position of both sides; that progress was made and that the British Government will now be consulting their Allies in the North Atlantic Council again as soon as possible, after which there will be further contact with the Malta Government.

271 PREM 15/1071, no 24

8 Jan 1972

[Military withdrawal from Malta]: message no T9/72 from Mr Nixon¹ to Mr Heath expressing concern about British withdrawal and advocating an increase in the UK-NATO offer

Message to the Prime Minister from the President

I greatly appreciate your sending Sir Thomas Brimelow² for discussions with our people on the Malta problem. Under Secretary Johnson has kept me informed about

¹ Richard Nixon, US president, 1969–1974.

² Under-secretary, FCO.

his two days of very helpful conversations with Sir Thomas, but I regret that they were not able to reach agreement on the next steps in this very troublesome matter of such importance to both of us.

I understand they both agreed that the virtually certain result of the present course will be the total withdrawal of your forces from Malta, accompanied by harassment and possible even some bloodshed after January 15. Such an outcome would preclude all possibility of any agreement with Malta. I understand that there was also agreement that the eventual outcome could well be a Soviet military presence in Malta. This would not only be politically disquieting to an important flank of NATO, but would greatly reduce the capabilities of the 6th Fleet and other NATO forces in the Mediterranean. The costs of seeking to offset this would be far greater than anything Mintoff is demanding.

Thus, while I fully understand and share your aversion to yielding to Mintoff's blackmail tactics, I feel strongly that we must find some way of maintaining the British presence and at least buying some more time. Our people see no way of doing this except by bringing about some increase in the UK-NATO offer, supplemented by bilateral offers, to both of which we are willing to contribute.

I would thus hope that in the deliberations, which I understand your government will be having over this weekend in preparation for the crucial North Atlantic Council meeting on Tuesday, you will be able to go along with a proposition such as was put to Sir Thomas. I am convinced that this would be in the best interests of the Alliance.

272 PREM 15/1071, no 27 11 Jan 1972
 'Malta': note by R Armstrong¹ of a discussion at Chequers on 9 Jan
 assessing the advantages and disadvantages of reaching a defence
 agreement with Mr Mintoff

[The meeting was attended by Heath, Douglas-Home, Carrington, Trend, Armstrong, Sir Denis Greenhill (permanent under-secretary of state, FCO), Sir Peter Hill-Norton (Chief of the Defence Staff), Charles Wigg (under-secretary, southern department, FCO)]

The *Prime Minister* summed up developments to date. Sir Thomas Brimelow² had returned from the United States with proposals for an increased package of financial assistance to Malta. Mr. Mintoff probably knew that this was in the wind. He himself had sent a message the previous day to Mr. Mintoff about withdrawal. Mr. Mintoff's reply met many of the points which he had made, though it made two unacceptable points in return. Archbishop Gonzi was expected to call on the Prime Minister and the Foreign and Commonwealth Secretary at Chequers on the afternoon of 10 January. The Italian Ambassador had just called to deliver a message from Signor Colombo.³ The Italian Government was ready to pay an additional £750,000. The Ambassador had suggested that any new offer should be given to Archbishop Gonzi, so that he could claim credit in Malta and split Maltese public opinion. The Prime Minister had received a message from President Nixon.⁴ The withdrawal of families from Malta was going according to plan.

¹ Principal private secretary to Heath.

² See 271, note 2.

³ Emilio Colombo, Italian prime minister.

⁴ See 271.

In discussion of the strategic significance of Malta, it was recognised that we might be looking at the matter rather differently from the United States who might be considering it primarily in terms of a confrontation in the Middle East. It seemed unlikely that a Russian presence in Malta could make a significant military difference to the balance of power in the Mediterranean, at any rate in the short term, though the availability of intelligence and surveillance facilities at Malta could be of some value to the Russians. But there was general agreement that, if the Soviets went into Malta, it would be a considerable political setback for the Western partnership.

It was suggested that the fundamental question for decision was whether we would go for an agreement with Mr. Mintoff, if we thought we could get it. The answer to that question would affect the tactics to be followed. The Secretaries of State were both inclined to go for an agreement; the Prime Minister doubted whether it was worth it. He wondered whether the time had come for a completely fresh approach, under which we might say to the Alliance that we were moving out of Malta, and that, if they wanted to ensure Maltese neutrality, they would have to buy it for themselves. This approach did not appeal to the Secretaries of State, who thought that such an approach would be a triumph for Mr. Mintoff and would prefer to take the risk of going ahead with a new defence agreement. We were on quite good ground in standing on the existing proposed defence agreement, which provided Malta with £9½ m. a year, with additional contributions in the form of bilateral aid. There was a risk that, if Mr. Mintoff received a higher offer, he would simply try to bid it up further and the Alliance would give in to the pressure; but it had been difficult to screw the allies up to the present point and it would be unlikely that they would screw themselves up to providing any more. But it was important that we should persuade the Alliance to agree that no more money should be given to Mr. Mintoff until a defence agreement satisfactory to us was reached.

The Chief of the Defence Staff pointed out that, if we were staying in Malta in the new circumstances, the presence we should require would be considerably less than that which we had kept hereto. We should not strictly require any soldiers, though we might keep a battalion in Malta. We should keep a squadron each of the Canberras and Nimrods. We should require the use of Grand Harbour and of the dockyard. We should require radar and surveillance stations. On the basis that forces in Malta would not have their families with them, both direct and indirect expenditure in Malta by the British forces would be greatly reduced. This would clearly make it more difficult to get a defence agreement that would be acceptable to Mr. Mintoff, who would try to get us to guarantee existing levels of expenditure. If we went forward with the Alliance proposals for a higher offer, there was a danger that the Alliance would subject us to pressure to keep up our own disbursements on the island.

After discussion it was agreed that the position needed to be explained very clearly to NATO. That having been done, it was just worth exploring the possibility of reaching an agreement, which would allow sharing by other NATO powers, but would exclude the Warsaw Pact Powers from Malta, and would be based on the present financial package, supplemented by bilateral payments to bring the total up to £13 m. or whatever the Alliance might agree to provide. It should be a condition that no more money should be provided until an agreement satisfactory to us had been reached.

It was agreed that Dr. Luns⁵ and Sir Edward Peck⁶ should be invited to come over for a meeting with the Prime Minister and the Secretaries of State the following day. It was also agreed that, in the light of Mr. Mintoff's latest reply to the Prime Minister, it would not be possible in present circumstances to send any reinforcements to Malta.

The meeting approved instructions to our representative in NATO and a further message from the Prime Minister to Mr. Mintoff, and gave instructions for the preparation of a message from the Prime Minister to President Nixon.

⁵ Sir Joseph Luns, Secretary-General, NATO.

⁶ Permanent British representative to North Atlantic Council.

273 CAB 148/121, DOP 3(72)3 25 Jan 1972 **'Malta': Cabinet Defence and Oversea Policy Committee minutes, reporting fresh demands from Mr Mintoff regarding NATO's use of military facilities**

Previous Reference: DOP (72) 2nd Meeting

The Secretary of State for Defence, reporting on his discussions in Rome on 20 and 21 January with the Prime Minister of Malta, Mr Mintoff, the Foreign Minister of Italy, Signor Moro, and a representative of the North Atlantic Treaty Organisation (NATO), informed the Committee that the negotiations had been adjourned with many points still outstanding. Mr Mintoff had demanded an immediate single payment from NATO of £10½ million over and above the basic annual payment of £14 million upon which agreement had seemed possible. The North Atlantic Council was meeting to consider whether this additional sum could be provided. He felt that there was a serious risk of a further erosion of NATO's negotiating position which would in turn make it more difficult for him to maintain a stand on the outstanding items of bilateral concern to Britain and Malta. The chief of these were:—

- i. The employment of locally entered civilians, on which he did not believe that any government could meet Mr Mintoff's demand for an undertaking that there would be no discharges.
- ii. The pay of locally entered uniformed personnel, where he thought it entirely reasonable to maintain the position that for service in Malta a fair 'military salary' by Maltese standards should be paid, while for service elsewhere allowances should be granted to make total emoluments comparable to those of British personnel.
- iii. The use of Luqa airfield, in respect of which a satisfactory formula could probably be worked out.
- iv. The review of the properties occupied for British defence purposes, where we could not accept Mr Mintoff's demand that we should pay for the reprovisioning of facilities which he wished us to give up.

If agreement on financial terms was reached between the Maltese Government and NATO, our NATO allies would probably press us to reach an accommodation on these points. Meanwhile the United Kingdom Permanent Representative to NATO would impress upon the North Atlantic Council the dangers of giving way to Mr Mintoff's

demands in respect of either the amount or the timing of a cash payment; it might, however, be reasonable to make a cash advance after a defence agreement had been satisfactorily concluded, and after the Malta Government's need for immediate monetary assistance had been impartially investigated. It was important, for the purpose of negotiation, that there should be no slackening in the momentum of the withdrawal of British forces; within a few days, however, the point would be reached at which it would be difficult to avoid the dismantling and removal of facilities whose reprovision would involve considerable time and expense.

In a brief discussion general agreement was expressed with the points made by the Defence Secretary. It was considered doubtful whether NATO would maintain a firm stand against Mr Mintoff's demands. Few of our allies were much concerned to secure the use of defence facilities in Malta (although Mr Mintoff had seemed prepared to agree to special arrangements for the forces of the major contributors to any NATO financial scheme), but most of them were anxious that Warsaw Pact forces should be excluded; their military assessment of the disadvantages of permitting access to Malta for Warsaw Pact forces coincided with that of the Chiefs of Staff. In order to ensure that Mr Mintoff's negotiating tactics were fully understood, it might be desirable to give publicity to information regarding the monetary reserves available to the Maltese Government.

The Prime Minister, summing up the discussion, said that the Committee would wish to congratulate the Secretary of State for Defence and his supporting team upon the patience that they had shown in the negotiations so far. The Committee was in agreement that the Secretary of State should maintain his position on the outstanding points of principle in the bilateral negotiations, and that the withdrawal of British forces should not be modified in any way which could be interpreted as a sign that we might be abandoning our negotiating position. We should hope that NATO would not make any further substantial concessions to the Maltese Government; if this hope proved unfounded, however, it would be for consideration whether we should invite the Alliance to take over the task of negotiating with the Maltese Government, with the aim of securing a defence agreement satisfactory to NATO for the provision of defence facilities for NATO forces. We should make clear that for our part we could not go beyond the financial offers already made.

The Committee:—

Took note, with approval, of the Prime Minister's summing up of their discussion.

274 CAB 148/121, DOP 8(72)2 28 Mar 1972
'Malta': Cabinet Defence and Oversea Policy Committee minutes, reporting confidential arrangements made as part of the new defence agreement

Previous Reference: DOP(72) 3rd Meeting, Item 3.¹

The Defence Secretary said that the Defence Agreement which had been negotiated with the Maltese Prime Minister, Mr Mintoff, and which was to be

¹ See 273.

published on 29 March, concealed the fact that a number of confidential arrangements had also been made. Some difficulty might be caused by speculation based on ignorance of these arrangements, particularly those in which the Malta Government had agreed not to accept visits from warships of states adhering to the Warsaw Pact or to grant permanent facilities to the forces of Third Parties without our agreement. Equally, we might be embarrassed if these arrangements were indiscreetly revealed by the Maltese Government. He added that the withdrawal of our forces was now virtually complete and that it was his intention that the new build-up should proceed gradually and to suit our own convenience; it would probably not be complete until the end of the year. Preliminary indications were that the physical withdrawal of our forces had cost something of the order of £3 million; he hoped that reoccupation with reduced quantities of equipment would cost rather less. It was relevant to recall that if we had failed to conclude a new Defence Agreement we should have been liable to pay out some £8 million in terminal grants.

The Prime Minister, summing up a brief discussion, said that the Committee noted that the Commander, British Forces Malta, would be coming to London after Easter to participate in the planning for the return of our forces to Malta; a note for Ministers should be prepared setting out the proposed movements. It was recognised that the financial arrangements made with our allies were not wholly satisfactory; and experience indicated that there were risks that some of them might default. The Secretary General of the North Atlantic Treaty Organisation (NATO), Dr Luns, should be asked to urge our allies to meet their obligations promptly. In the event of serious default consideration should be given to the possibility of our deducting the sums owed to us from our regular payments to NATO. The new Defence Agreement envisaged our final withdrawal from Malta in 7 years' time; we should take that date into consideration in our planning and make it clear to our allies that we were doing so.

The Committee:—

Took note, with approval, of the Prime Minister's summing up of their discussion.

275 T 317/1661

13 July 1972

'Mintoff's Malta': letter from J O Moreton to Sir A Douglas-Home on Malta's future direction under Mr Mintoff

I hesitate to describe the contents of this despatch as first impressions, since I am no stranger to Malta or the idiosyncrasies of its inhabitants. My involvement dates from Mr Mintoff's first Premiership in the mid-fifties and the period of direct rule which followed; it was resumed during the defence run-down negotiations with Dr. Borg Olivier's Government in the mid-sixties. I have therefore entitled this despatch 'Mintoff's Malta', because the single overwhelming impression one receives on return is the extent to which the personality, policies and unpredictability of this complex character dominate and pervade the Island

2. It is just over a year since, after 13 years in opposition, Mintoff was returned to power with a majority of one. In that year he has replaced the Anglo/Maltese Defence

Agreement with one giving him three times as much money for fewer facilities; removed a NATO presence but obliged NATO countries to contribute handsomely to the new Agreement; induced Italy to swallow past insults and court his favours; moved closer to Arab Mediterranean countries especially Libya; established closer relations with a number of Soviet bloc countries; obtained a loan of £17 million from Peking¹ and accepted a resident Communist Chinese Ambassador; and sought a role for Malta in the solution of the Arab/Israel conflict. Whatever else he may have done in the process, he has shown he is not someone who can be ignored.

3. Just what is he after? There are no doubt many strands in his character and many facets to his policies but I believe that the central element is his concept of a new Malta, no longer dependent for its prosperity on an external power's fluctuating assessment of its strategic importance, but self-reliant and manufacturing its own wealth by its own endeavours.² In seeking this, he is of course attempting to change a state of affairs and an attitude of mind which has prevailed for at least 600 years and which has enabled Malta to enjoy an artificially high standard of living for centuries. His principal remedy is industrialization, aided by hard work and a psychological revolution which demands the abandonment of the traditional concept of a protector. He calls for sacrifices now—wage restraint, increased output, an honest day's work from civil servants—in the interests of a more soundly based future. But because he knows it will take time, certain things have to be tolerated as a temporary necessity. First of these is of course the new 7 year Agreement with us on the use of military facilities. It is significant that the revised Economic Development Plan, due later this year, will cover the same 7 year period. We have been told that it will aim at economic self-sufficiency by the end of this period without taking any account of oil exploration. I suspect that the presence of a large number of foreign residents is regarded in the same light as a temporary necessity. As these residents, together with the 'rent' from the Agreement and accompanying service expenditure bring in over £30 million a year the task of replacing these sources of income is formidable.

4. I judge Mintoff a strong Socialist by background and emotional attitude rather than ideological conviction, though there is room for argument. In external affairs his non-aligned approach is probably genuine. He would like both the Russians and the Americans out of the Mediterranean. There is an element of vanity in his international posturings, his view of himself as a bridge between the Arab world and Europe, and his self-appointed role as mediator in the Arab/Israel conflict. He has said that the extent to which Malta draws closer to Europe will depend on the help

¹ Referring to Mintoff's signing of the new defence agreement, Lord Carrington noted in his memoirs that 'Next week he flew to China and returned with £17 million and a button inscribed, "I like Mao"! You had to hand it to him!' (Lord Carrington, *Reflect of things past: the memoirs of Lord Carrington* (London, 1988) p 246).

² Moreton's successor as high commissioner, W R Haydon, reached a similar conclusion, arguing that 'Mr. Mintoff wants Malta to stand on its own feet, though he must know that that may never be possible; he is resentful that his country has to rely, economically, on a foreign military presence. He intends to modernise, industrialise and diversify. He will sup with the Devil so long as it suits him, and seek aid from abroad whenever he can get it without too many strings' (FCO 9/2043, letter from Haydon to James Callaghan, 15 Sept 1974).

given by Europe to the establishment of new industries. Foreign relations are, for him, primarily a means to an end in the realization of his dream of an independent Malta. Towards this end, he will accept money from any source and tailor his foreign policy accordingly. I interpret his acceptance of a loan of £17 million from China and a resident Chinese Ambassador in this light rather than as a result of pro-Communist leanings. No doubt he feels fully competent to keep the Chinese under control. I hope he is right.

5. What progress has he made towards his goal in the first year? I have touched above on his negotiating achievements. To these must be added a courageous if in some respects misguided budget; a determined and reasonably successful attempt to hold down the cost of living; the browbeating of the unions to accept a measure of wage restraint; the resumption of work at the Drydocks; initial steps to grapple with over-manning in the civil service; and a general shake-up of the old lethargic habits of administration led by a personal example of long hours and hard work. In addition, some social service benefits have been improved; an Emergency Labour Corps has been set up which has absorbed 900 of the 8,000 unemployed; increased emphasis is being given to technical education; and a Commission is being appointed to review education at all levels and gear it to present day needs.

6. But all this is little more than groundwork. There is as yet nothing concrete to show; on the contrary, the country has yet to recover from the damaging effects of last year's shock negotiating tactics. The tourist trade has been particularly badly hit, mainly because of loss of bookings in Britain during January at the height of the crisis. For the first five months of this year the number of tourists dropped by a quarter compared with last year, and amongst British tourists by a half. The sharpest falls have been recorded in the last two months. British residents feel insecure; their rates of Maltese income tax have been increased; work permits even for those highly qualified are almost impossible and so far no new permits for permanent residence are being granted; the property market is dead and half-completed villas litter the island. There are still 7,000 unemployed—2,000 more than when Mintoff came to power. The revised policy for attracting new industries has several major flaws; tax holidays have been cut and now compare unfavourably with elsewhere; the offer of equity participation (with a seat on the board) instead of capital grants and loans is unattractive to private enterprise. Having acquired large sums of money Mintoff shows no signs of knowing how to put it to work; he is by temperament a miser. Nor has he made any attempt to mobilize effectively Malta's substantial private savings and official reserves. He has alienated the civil service. The professional classes are almost universally hostile. (One Judge told me he no longer eats olives because Mintoff's house is called The Olives). The Bill to put the clocks forward an hour has been described as the Government's only advance in the past year. There are many misgivings in what is still a predominantly Catholic community over the Communist Chinese presence, which has added to the prevailing mood of uncertainty. Within the Malta Labour Party itself there is unrest and dissatisfaction both with the economic situation and with Mintoff's centralized and erratic methods of work. Ministers have almost no delegated responsibility; several (and also the Commissioner of Police) have threatened to resign.

7. It is against this background that one must view recent developments in our own relations with the Malta Government. Scarcely was the ink dry on the new Agreement before they raised a series of issues designed to give them further

financial advantage. In general we were right to resist these; but there are one or two issues—eg over NAAFI—where I think it would now pay us to show some flexibility. Their case was not helped in London by their request for a softening in the terms of our outstanding loans, and their refusal in the meantime to service them. This in turn led us to decline to accept new technical assistance commitments until the loans question has been settled. Though this decision is understandable, it has lost us a good deal of goodwill here.

8. On top of these disputes stemming mainly from the Agreement, in which Mintoff chose to interpret our attitude as obstructive and inconsistent with a desire for improved relations 'in the spirit of the Agreement', there came the decision to float the pound and impose new restrictions on the overseas sterling area. The strength of his reaction to this must be seen against his internal aims and the very limited progress made towards them which I have described above. So far from helping him solve his problems, we were adding to them. To relieve his frustrations, he lashed out wildly at us. One might have supposed that we had introduced the measures solely to spite Malta. He accused the British press of a deliberate campaign of denigration designed to keep tourists out of Malta. His Ministers have taken up this theme and embroidered it. He simply cannot accept that he is reaping some of the whirlwind he sowed last year or that the abortive withdrawal and his abrasive tactics cannot be forgotten overnight.

9. Despite all this Mintoff has been personally friendly to me and I think it probably true that he genuinely does want good relations with us if only on his own terms and for his own purposes. Certainly the great majority of the Maltese would undoubtedly welcome an early return to our former close relations. At present, as a result of recent disagreements, he is suspicious of us and has even questioned whether we really wanted the Agreement. It is very much in our interests to remove those suspicions and I am therefore very glad that it has now been agreed that he should visit London on 27–28 July for talks with Her Majesty's Ministers.

10. In preparation for those talks, I should like to hazard an assessment, after little more than two months here, of how things may go over the next few years. The situation which I have described is one of uncertainty and a good deal of dissatisfaction. But it would be wrong to assume that early political changes should be expected. The Maltese are a notoriously compliant race, and Mintoff is an exceptionally strong minded man. There are a few signs of more effective younger blood in the Nationalist Party, but they lack steel. There could be almost four years before the next election. So far a majority of one has not proved unmanageable; and the curious Maltese electoral laws make it likely that a bye-election would lead to the return of a member of the same party. The one possible exception, I am told, is the constituency of the Minister of Finance, Dr. Abela, about whose health there is a good deal of speculation. But it would be unwise to base our policies on his early demise, or on the other development most likely to bring about a change of Government—Mintoff's breakdown through overwork. We should, I submit, assume he will be with us for the next four years and seek to stay alongside him. He retains his power base in the principal trade union and he still has an effective party machine which he dominates through a blend of bullying and personal loyalty. There is much good in what he is trying to do for Malta, and it is in our interests to assist in the development of prosperity and the maintenance of stability. By helping in the restoration of confidence, we shall be improving the chances that the Agreement will

prove workable and will run its course. By the nature of the man, we shall go on having rows from time to time and we must continue to endure these stoically. We must expect to be misunderstood and unfairly attacked because of the persecution complex dating from Colonial times which he seems incapable of shedding. With his temperament, things are unlikely to be quiet for long and there will always be surprises.

11. A critical moment may come in 2 or 3 years time if it becomes apparent (as it well may) that he is making no progress towards his economic goals. He might then be tempted to move to full state control of the economy and a firmer political alignment with communist countries, coupled with some sort of dictatorial powers. But this is a long way off, and would be so alien to the mass of Maltese that even they would be likely to do something about it.

12. I am sending copies of this despatch to Her Majesty's Ambassadors at Bonn, Brussels, The Hague, Rome, Tripoli and Washington and to the Permanent United Kingdom Representative to NATO.

Biographical Notes

Bennett, John Sloman 1914–1990

Royal Liberty School and Magdalene, Cambridge; CO from 1936; principal, 1940; Ministry of Information tour of Middle East posts, 1940; seconded to office of minister of state in Middle East, 1941–1945; Middle East supply centre, 1943–1945; assistant secretary, 1946; seconded Imperial Defence College, 1953; CO, 1954–1966

Boffa, Paul 1890–1962

Knighted 1956; leader, Malta Labour Party, 1927–1949; member, Executive Council, 1939–1945; prime minister, 1947–1950; founded and led the Malta Workers Party; minister of health and social services, 1950–1955

Borg Olivier, Giorgio, 1911–1980

Member, Council of Government, Malta, 1939–1945; member, Legislative Assembly, 1947; leader of the Nationalist Party, Malta, 1950–1976; minister of works and reconstruction, 1950–1955; minister of education and justice, 1950–1951; prime minister, 1950–1955; leader of the opposition, 1955–1958; minister of economic planning and finance, 1962–1965; prime minister, 1962–1971; minister of Commonwealth and foreign affairs, 1965–1971

Carrington, Peter Alexander Rupert (6th Baron) b 1919

First lord of the Admiralty, 1959–1963; minister without portfolio and leader of the House of Lords, 1963–1964; leader of the opposition, House of Lords, 1964–1970, 1974–1979; sec-

retary of state for defence, 1970–1974; for energy, 1974; for foreign and Commonwealth affairs, 1979–82

Creasy, Gerald Hallen, 1897–1983

Knighted 1946; Rugby and King's, Cambridge; CO from 1920; principal private secretary to secretary of state, 1937; assistant secretary, 1939; seconded to ministry of supply, 1940–1942; assistant under-secretary of state, CO, 1943; chief secretary, West African Council, 1945; governor and commander-in-chief, Gold Coast, 1948–1949; governor and commander-in-chief, Malta, 1949–1954

Creech Jones, Arthur, 1891–1964

MP (Labour) 1935–1950; executive member, Fabian Society; member CO Education Advisory Committee, 1936–1945; chairman, Fabian Colonial Bureau and Labour Party Imperial Advisory Committee; vice-chairman, Higher Education Committee to West Africa, 1953–1944; parliamentary under-secretary of state for colonies, 1945–1946; secretary of state for colonies, 1946–1950

Dorman, Maurice Henry, 1912–1993

Knighted 1957; Sedbergh School and Magdalene, Cambridge; administrative officer, Tanganyika, 1935; clerk of councils, Tanganyika, 1940–1945; assistant lieutenant-governor, Malta, 1945; principal assistant secretary, Palestine, 1947; seconded to Colonial Office as assistant secretary, social services department, 1948; director, social welfare and community develop-

ment, Gold Coast, 1950; colonial secretary, Trinidad and Tobago, 1952–1956; acting governor of Trinidad, 1954, 1955; governor, Sierra Leone, 1956–1961, after independence, governor-general, 1961–1962; governor and commander-in-chief, Malta, 1962–1964; governor-general, Malta, 1964–1971

Eastwood, Christopher Gilbert, 1905–1983

Eton and Trinity, Oxford; CO from 1927; private secretary, high commissioner, Palestine, 1932; secretary, international rubber regulation committee, 1934; principal, 1935; private secretary to the secretary of state for colonies, 1940–1941; principal assistant secretary, Cabinet Office, 1945; assistant under-secretary of state, CO, 1947; commissioner, crown lands, 1952; assistant under-secretary of state, CO, 1954

Fyfe, David Patrick Maxwell (Viscount Kilmuir cr 1954, 1st Earl cr 1962) 1900–1967

MP (Conservative) 1935–1954; solicitor-general, 1942–1945; attorney-general, 1945; deputy chief prosecutor, Nuremberg, 1945–1946; home secretary and minister for Welsh affairs, 1951–1954; Lord Chancellor, 1954–1962

Gonzi, Michael, 1885–1984

Knighted 1946; ordained, 1908; professor of sacred scripture and Hebrew, Royal University of Malta, 1915; secretary to Archbishop Caruana, 1921; member, Senate, Maltese Parliament, 1921; canon theologian, Cathedral Church of Malta, 1923; bishop of Gozo, Malta, 1924; archbishop of Malta, 1943–76; assistant at the pontifical throne, 1949; archbishop emeritus, Malta, until his death in 1984

Grantham, Guy (Admiral) 1900–1992

Knighted 1956; Rugby School; served 1939–1945 in Atlantic and Mediterranean; flag officer (submarines), 1948–1950; flag officer, second-in-command, Mediterranean fleet, 1950–1; vice-chief of naval staff, 1951–1954; commander-in-chief, Mediterranean, and allied forces, Mediterranean, 1954–1957; commander-in-chief, Portsmouth, and allied commander-in-chief, Channel and southern North Sea, 1957–1959; 1st and principal naval aide-de-camp to the Queen, 1958–9; retired, April 1959; governor and commander-in-chief, Malta, 1959–1962

Healey, Denis Watson (Baron of Riddlesden cr 1992) b 1917

MP (Labour) 1952–1992; shadow cabinet, 1959–1964, 1970–1974, 1979–1987; secretary of state for defence, 1964–1970; chancellor of the Exchequer, 1974–1979; opposition spokesman on Foreign and Commonwealth Affairs, 1980–1987; deputy leader, Labour Party, 1980–1983

Heath, Edward Richard George, 1916–2005

Knighted 1992; MP (Conservative) 1950–2001; parliamentary secretary to the Treasury and government chief whip, 1955–1959; minister of labour, 1959–1960; lord privy seal with Foreign Office responsibilities, 1960–1963; secretary of state for industry, trade, regional development and president of the Board of Trade, 1963–1964; leader of the opposition, 1965–1970; prime minister, 1970–1974; leader of the Opposition, 1974–1975

Home, Alexander Frederick Douglas (Baron Home of the Hirsel cr 1974) 1903–1995

14th Earl of Home, 1951–1963 (renounced peerage), Sir Alec Douglas-Home, 1963–1974; MP (Con/Unionist),

1931–1945, 1950–1951, 1963–1974; parliamentary private secretary to the prime minister, 1937–1940; joint parliamentary under-secretary of state, FO, 1945; minister of state, Scottish Office, 1951–1955; secretary of state for Commonwealth relations, 1955–1960; lord president of the Council, 1957, 1959–1960; secretary of state for foreign affairs, 1960–1963; prime minister, 1963–1964; secretary of state for foreign and Commonwealth affairs, 1970–1974

Huijsman, Nicolaas Basil Jacques, 1915–1995

University of Witwatersrand and Gonville and Caius, Cambridge; military service, 1939–1947; controller, control commission for Germany, 1945–1948; temporary principal, CO, 1948; principal, 1949; assistant secretary, principal private secretary to secretary of state, 1962; transferred to Ministry of Overseas Development, 1964

Jeffries, Charles Joseph, 1896–1972

Knighted 1943; Malvern and Magdalen, Oxford; CO from 1917; assistant-under-secretary of state, 1939–47; joint deputy under-secretary of state, 1947–56

Kilmuir, Lord, see Fyfe, David Patrick Maxwell

Laycock, Sir Robert Edward, 1907–1968

Knighted 1954; Eton and Royal Military College, Sandhurst; major-general Royal Horse Guards, served 1939–1945 in Middle East, Sicily, Italy, and North-West Europe; chief of combined operations, 1943–1947; governor and commander-in-chief, Malta, 1954–1959

Lennox-Boyd, Alan Tindal (1st Viscount Boyd of Merton cr 1960) 1904–1983

MP (Con) 1931–1960; parliamentary secretary, Ministry of Labour, 1938–1939, Ministry of Home Security, 1939; Ministry of Aircraft Production, 1943–1945; minister of state, CO, 1951–1952; minister of transport and civil aviation, 1952–1954; secretary of state for colonies, 1954–1959

Lyttelton, Oliver (1st Viscount Chandos cr 1954) 1893–1972

MP (Unionist) 1940–1954; president of the Board of Trade, 1940–1941; minister of state in the War Cabinet, 1941–1942; minister of production, 1942–1945; president of the Board of Trade and minister of production, May–July 1945; secretary of state for colonies, 1951–1954

Macleod, Iain Norman, 1913–1970

Head of Conservative Party Home Affairs Research Department, 1948–1950; MP (Con) 1950–1970; minister of health, 1952–1955; minister of labour and national service, 1955–1959; secretary of state for colonies, 1959–1961; chairman, Conservative Party, leader of the House of Commons, and chancellor of the Duchy of Lancaster 1961–1963; chancellor of Exchequer, 1970

Macmillan, (Maurice) Harold (1st Earl of Stockton cr 1984) 1894–1986

MP (Con/Unionist) 1924–1929, 1931–1945, 1945–1964; parliamentary secretary, Ministry of Supply, 1940–1942; parliamentary under-secretary of state, CO, 1942; minister Resident at Allied HQ, North Africa, 1942–1945; secretary for air, 1945; minister of housing and local government, 1951–1954; minister of defence, Oct 1954–Dec 1955; secretary of state for foreign affairs, Apr–Dec

1955; chancellor of the Exchequer, Dec 1955–Jan 1957; prime minister, Jan 1957–Oct 1963

Martin, John Miller, 1904–1991

Knighted 1952; Edinburgh Academy and Corpus Christi, Oxford; assistant principal, Dominions Office, 1927; seconded, Malayan Civil Service, 1931; private secretary to permanent under-secretary of state, Dominions Office, 1934; principal, CO, 1935; secretary, Palestine Royal Commission, 1936–7; private secretary to the prime minister (Winston Churchill), 1940; principal private secretary, 1941; assistant under-secretary of state, CO, 1945; deputy under-secretary of state, 1956; transferred to CRO, 1965; British high commissioner, Malta, 1965–1967

Maudling, Reginald, 1917–1979

MP (Con) 1950–1974, 1974–1979; parliamentary secretary to the minister of civil aviation, 1952; economic secretary to the Treasury, 1952–1955; minister of supply, 1955–1957; paymaster-general, 1957–1959; president of the Board of Trade, 1959–1961; secretary of state for colonies, 1961–1962; chancellor of the Exchequer, 1962–1964; home secretary, 1970–1972

Melville, Eugene, 1911–1986

Knighted 1965; Queen's Park School, Glasgow, and United College, St Andrews; assistant inspector, taxes, 1935; CO from 1936; private secretary to secretary of state, 1945; assistant secretary, 1946; deputy financial adviser, control commission, Germany and Austria, 1949; financial adviser, allied high commission, Germany, 1949; assistant under-secretary of state, CO, 1952; secretary, Malta Round Table Conference, 1955; transferred to FO, 1961

Mintoff, Dominic (Dom), b 1916

General secretary, Malta Labour Party, 1936–1937; member, council of government and executive council, 1945; MP (Malta Labour Party), 1947–1998; deputy prime minister and minister for works and reconstruction, 1947–1949; leader, Malta Labour Party, 1949–1984; prime minister and minister of finance, 1955–1958; leader of opposition, 1962–1971; prime minister, 1971–1984

Moreton, John Oscar, b 1917

Knighted 1978; KCVO 1976; St Edward's School and Trinity College, Oxford; military service, 1939–1946; Colonial Office, 1948; private secretary to permanent under-secretary of state, 1949–1950; seconded to government of Kenya, 1953–1955; private secretary to secretary of State for colonies (Alan Lennox-Boyd), 1955–1959; transferred to CRO, 1960; Counsellor, British High Commission, Lagos, 1961–1964; assistant under-secretary of state, CRO, 1965–1968, FCO 1968–1969; ambassador to Vietnam, 1969–1971; high commissioner, Malta, 1972–1974; deputy permanent representative, with personal rank of ambassador, UK mission to UN, New York, 1974–1975; minister, British Embassy, Washington, 1975–1977

Perth, John David Drummond, 1907–2002

17th Earl of Perth; War Cabinet, 1942–1943; Ministry of Production, 1944–1945; minister of state for colonial affairs, 1957–1962

Sandys, Duncan, (Baron (life peer) cr 1974) 1908–1987

Diplomatic service, 1930; MP (Con) 1935–1945, 1950–1974; parliamentary secretary, Ministry of Supply, 1943–1944; minister of works, 1944–1945; minister of supply, 1951–1954; mini-

ster of housing and local government, 1954–1957; minister for defence, Jan 1957–Oct 1959; minister of aviation, 1959–1960; secretary of state for Commonwealth relations, July 1960–Oct 1964 and secretary of state for colonies, July 1962–Oct 1964

Smith, Trafford, 1912–1975

City Boys School, Leicester, and Trinity, Cambridge; CO from 1935; assistant private secretary, secretary of state, 1937–1939; seconded to Fiji, 1938; principal, CO, 1939; assistant British resident commissioner, New Hebrides, 1940; British Solomon Islands Protectorate, 1940; Gilbert and Ellice Islands, 1941; secretary Soulbury Commission, Ceylon, 1944–1945; assistant secretary, CO, 1945; attended UK delegation UN special assembly on Palestine, 1948; seconded to Imperial Defence College, 1950–1951; lieutenant-governor, Malta, 1953; acting governor periods, 1953–1959; assistant under-secretary, CO, 1959

Stewart, (Robert) Michael (Maitland) (Baron Stewart of Fulham (life peer) cr 1979) 1906–1990

MP (Labour), 1945–1974; secretary of state for education and science, 1964–1965; secretary of state for foreign affairs, 1965–1966; first secretary of state, 1966–1968; secretary of state for economic affairs, 1966–1967; secretary of state for foreign and Commonwealth affairs, 1968–1970; member, European Parliament, 1975–1976

Strickland, Mabel Edeline, 1899–1988

3rd daughter of Baron Strickland (head of ministry and minister of justice, Malta, 1927–1932); assistant secretary, Constitutional Party, 1921–1945; editor, *Times of Malta*, 1935–1950, *Sunday Times of Malta*, 1935–1956; member, Malta Legislative Assembly, 1950, 1951–1953, 1962–1966; leader, Progressive Constitutional Party from 1953

Thorneycroft, (George Edward) Peter (Baron of Dunstan cr 1967) 1909–1994

MP (Conservative) 1938–1945, 1945–1966; president of the Board of Trade, 1951–1957; Chancellor of the Exchequer, 1957–1958, resigned; minister of aviation, 1960–1962; minister of defence, 1962–1964; secretary of state for defence, Apr–Oct 1964; chairman, Conservative Party, 1975–1981

Wakefield, Edward (1st Baronet cr 1962) 1903–1969

Haileybury and Trinity, Cambridge; Indian Civil Service from 1927; joint secretary, political department, Delhi, 1946–1947; MP (Conservative) 1950–1962; assistant whip, 1954–1956; a lord commissioner to the Treasury, 1956–1958; comptroller of HM household, 1958–1959; vice-chamberlain, 1959–1960; treasurer of HM household, 1960–1962; commissioner for Malta, 1962–1964; high commissioner, 1964–1965

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Naval Staff: Correspondence and Papers: ADM 205/216

2. *Board of Trade*

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3. *Cabinet*

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Correspondence and Papers: PREM 13/1008–1009, 1603–1606, 2197–2198

Correspondence and Papers: PREM 15/521–525, 1070, 2150

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- (ii) Defence Material Division: Registered Files T 225/1286–1288, 1815, 2173–2181, 2664, 2717–2720, 2872–2877, 3074–3078, 3534–3539, 3814–3817
- (iii) Finance Overseas and Co-ordination Division: T 312/1967, 1705, 2837–2838, 2982–2984
- (iv) Advisory Panel: T 314/6–7
- (v) Finance: Overseas Development Divisions and successors: T 317/98, 194, 207, 279, 626–30, 763–764, 788, 837, 875, 927–929, 1024, 1071–1075, 1378, 1527, 1531, 1660–1662, 1817–1819, 1897

12. *War Office*

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