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COMMITTEE ON POLICY TOWARDS RUSSIA

April 30th, 1946.

Present:-

Mr. R.G. Howe
Mr. E.L. Hall Patch
Mr. N.M. Butler
Mr. I.C. Kirkpatrick
Mr. C.F.A. Warner
Mr. H.A. Caccia
Mr. J.M. Troutbeck
Mr. R.M.A. Hankey
Sir A. Rumbold.

The Soviet Campaign against this country and our response to it.

1. The Committee was informed that the paper on this subject had been approved by the Prime Minister and action was being taken accordingly. The longer version of the paper was being circulated to members of the Committee for discussion at the next meeting.

Economic Policy towards Russia.

2. The meeting was informed that Sir Orme Sargent wished the committee to pay special attention to economic policy as well as political and to the coordination of the two.

3. Sir Orme Sargent had also asked the Committee to consider whether it should be suggested to the Secretary of State that he should raise with Mr. Byrnes in Paris the question of Russian economic policy in the countries in the Russian sphere, on the basis that it constituted a threat to the whole policy of multilateral trade. It was pointed out that the Americans had preferred to postpone discussing economic cooperation as regards tariffs and trade barriers until after the United States elections and there were also internal difficulties in broaching the matter in the absence of the President of the Board of Trade. Mr. Hall Patch also pointed to the difficulties which would arise in purchasing the produce of Eastern European countries at above world market prices. Moreover by assisting the satellite countries we should facilitate the task of the Communist régimes in them; whereas it seemed essential in our economic interest that we should send all the goods and services which we could spare to the countries from which we obtained raw materials and if we had any power of economic assistance left over devote it to those countries subject to our political and economic influence such as the Middle East.

It was agreed that Mr. Hall Patch, Mr. Butler and Mr. C.F.A. Warner would discuss the matter with Sir O. Sargent.

4. The meeting was informed that an Interdepartmental Working Party is however considering trade with the Balkan countries and the Treasury are producing a paper on the possibility of adopting some compensation trade scheme such as the/
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the Swiss had adopted in Turkey, which would at least get a trickle of trade moving if it were found practicable and desirable to adopt it.

Germany.

5. The Committee reviewed developments in discussions with Soviet representatives in Berlin and in Paris. Attention was drawn to the Russian unwillingness to discuss long-term arrangements on the basis of Mr. Byrnes' proposal for a twenty-five year pact in Paris. They had merely raised a red herring by saying that the important question was how Germany was being disarmed now. In Berlin a somewhat similar situation had arisen when we and the Americans had tried, in connexion with the Import-Export plan, to secure agreement to treat the trade of Germany as a whole. The Russians had in effect refused and the American representative, who took the view that reparations, the Import-Export plan and the establishment of a Central Economic Administration should all be treated together, had said that in that case he would stop dismantling factories for reparations. These matters were taken into account in the paper on policy towards Germany which was being submitted to the Cabinet.

6. Mr. Kirkpatrick drew attention to Soviet policy in favouring the creation of the new Socialist Unity Party and its extension throughout Germany. He suggested that there was a major point for our propaganda in emphasizing the risk that any recreation of German political unity might well lead to the recreation of something like National Socialism.

The Committee agreed with this view.

7. Attention was drawn to the lack of co-operation with General Clay, the American representative in Berlin. It was believed that he had instructions to keep on the right side of the Russians but he is a queer character and there seems every reason to believe that in contrast to the rest of his staff he is decidedly anti-British. The meeting was informed that the desirability of the Secretary of State speaking to Mr. Byrnes on the matter was being explored with the Paris Delegation.

France.

8. The Committee was informed that with the elections now only a month off the Russians had speeded up their campaign of vilification against us saying for instance that Russians had only given wheat because the Anglo-Saxons had failed to help France. We were considering actively what more we could do to counter this. Meanwhile the French Communists had come out in favour of the separation of the Ruhr from Germany. It was suggested that a possible line of counter-attack would be for us to make known in France the fact that the German Communists, presumably with Russian approval, were opposing the separation of the Ruhr. Attention was drawn to certain dangers in this course which might for instance make the French people conclude that the French Communists were taking a purely national line or draw attention to our own position
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as regards the Ruhr which it would be inconvenient to have discussed as an election issue. The Committee took note that Mr. Kirkpatrick and the French Department were doing all that was possible to combat Communist propaganda in the French elections.

South East Europe.

9. Greece. Mr. Warner reported that the Russians were increasing their propaganda in Greece and it would be necessary for us to do the same.

10. Bulgaria. Mr. Caccia informed the meeting that according to the latest J.I.C. report there was no sign of any further build-up of Soviet forces in Bulgaria, which suggested that they were not preparing action against Turkey's European frontier in the immediate future.

11. It was suggested that we might publish the figures of Soviet troops in countries of South Eastern and Central Europe and take the line in our propaganda that they were hampering recovery of those countries, consuming available food and forcing them to look outside their frontiers for help, and were creating a general feeling of insecurity in Europe. Soviet forces were also interfering in the internal politics of South East Europe, maintaining Communist régimes artificially in power.

It was agreed that this line should be pursued provided Sir O. Sargent, who would be consulted by Mr. Warner, saw no objection. The J.I.C. would also be consulted by Mr. Caccia to ensure that there were no security objections.

Far East.

12. Siam. The Committee was informed that the Russians had given another hint that they would like to open diplomatic relations with Siam but it looked as if the Siamese Prime Minister, for reasons of his own, would delay still further. The State Department had declined to give any advice to the Siamese Government.

13. Mr. Hall Patch drew attention to the urgent necessity, in view of the coming famine in India, of settling the question of the export of rice from Siam. It was vital that the Treasury should be persuaded to settle the outstanding questions even if it cost more money. The Committee agreed with this view.

14. Japan. The Committee was informed that owing to the over-bearing attitude of the American representatives on the Allied Control Council the Australian representative (representing 4 countries of the British Commonwealth) had been put in the position of having to appear to take sides with the Russians against the Americans. The political position was being explained to Mr. Evatt in London, in particular the importance, especially while the American loan was hanging in the balance, of our not mediating between the Americans and
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Russians and of the Americans being able to count on us as a good partner. It was also being suggested that if representations had to be made to the Americans in Japan this should be done as discreetly as possible.

15. China. Mr. Hall Patch said that the question of currency reform in China might come up at the meeting of the International Bank and Fund at Washington starting on the 5th May and as British experts had carried out the last currency reform which, by introducing paper instead of silver, had enabled China to survive the war, it was probable we should be asked to assist. Some difficult questions would, however, arise. To what degree did we wish to see China with a unified and stable currency? If Manchuria had a stable currency, for instance, its exploitation by the Soviets might be facilitated, just as the Japanese were able to exploit North China under conditions of currency stability. He pointed out that if China could be put securely on its feet again it would furnish an economic outlet which should preserve the world from unemployment for many years to come, but Manchuria was of immense importance to China's recovery.

16. After a short discussion Mr. Butler said he considered our policy should be to agree to give China technical financial assistance if the Americans suggested this, and at the same time support them in securing Chinese influence in Manchuria.

17. A question arose as to the extent to which the Chinese Communists were under Moscow influence and the extent to which the Japanese Communists, who did not appear to be under direct Russian control, received directives through the Chinese Communists.

It was agreed that Mr. Caccia would arrange a meeting with Mr. Kitson and Mr. Michael Lindsay who had been in Yennan all through the war.

Middle East.

Afghanistan.

18. Mr. Howe said that although further Russian pressure on Afghanistan had been expected, it had not materialised.

Persia.

19. While the Russians were withdrawing from Eastern Kurdistan and from south of Tabriz, there were few signs of their leaving Tabriz itself or of withdrawing their armour from South and South Eastern Azerbaijan. It remained to see whether they would leave many plain-clothes men behind them and to what extent they would arm the population.

Oil.

20. Mr. Howe said that at a meeting with the Ministry of Fuel and Power strong views had been expressed against any attempt
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to form a joint Anglo-American-Persian Company for developing South East Persian oil. The present intention was that we should try to get a new oil concession for ourselves and offer the Americans participation in it. The American companies would no doubt apply for concessions on their own in any case. It was not possible to apply for a concession until the Persian law of December, 1944, forbidding the grant of concessions was repealed. If the Persian authorities did not repeal the law of their own volition it might be necessary for the British and American Governments to urge the Persian Government to secure its repeal. Discreet soundings were to be taken in Washington shortly on a technical level. Pending these discussions the meeting had felt that no official approach should be made to the Americans.

21. Attention was drawn to the overwhelming political considerations which made it desirable that we should keep in the closest step with the Americans in this matter. Mr. Butler recommended strongly that the Washington Embassy should be kept closely informed of the course of any oil talks, and that the question should be discussed by them with Mr. Loy Henderson, the Head of the Middle East Division in the State Department, who was friendly and knew the subject well.

British Policy in the Middle East.

22. Mr. Howe read to the Committee a recent minute by Mr. Creswell on the need for a planning body in order to carry out our policy of taking the lead in promoting social and economic reform in the Middle East. Mr. Howe said that a despatch had recently been received from Washington proposing Anglo-American co-operation in the same sense. It had been proposed that the British Middle East Office in Cairo should work out a plan for such a policy. The individual countries would themselves work out their programmes of reform and the British Middle East Office would examine how best we could help them. Sir K. Cornwallis was discussing the question in Cairo and it was proposed to send him a directive based on the Washington despatch. This despatch would be circulated to members of the Committee.

India.

23. The Committee was informed that the constitutional negotiations in India were not going well.

24. Attention was drawn to the possibility that if an independent State or States were set up in India as the result of the failure of the negotiations, a major extension of Foreign Office responsibilities would result. Moreover, if Great Britain was no longer the dominating Power in the new State or States, it was virtually certain that other Powers would try to be. The Russians do not seem to have developed a definite policy/

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policy in India, but they are known to have been studying Indian problems for many years and to have trained many people in Indian languages, and they have clearly not been doing this for nothing.

25. The question whether it would be desirable to have a representative of the Government of India attached to the Embassy in Moscow was raised and Mr. Warner undertook to explore this possibility.