Cabinet conclusions on the proposed peace treaties with Italy, Bulgaria, Hungary, Romania and Finland, 6 January 1947

SECRET

C.M. (47) 2nd CONCLUSIONS

6th January, 1947

1. The Cabinet discussed the report which the Foreign Secretary had made at their meeting on 2nd January on the Peace Treaties with Italy, Bulgaria, Hungary, Romania and Finland.

THE FIRST LORD OF THE ADMIRALTY[[1]](#footnote-1) reported that no decision had yet been taken to use for target practice the battleship which was to be allotted to us under the plan for the dispersal of the Italian Fleet. This decision could not be taken until the vessel had been received and examined. He undertook to consult the Foreign Secretary and the Prime Minister before approving any recommendation that it should be used for target practice.

It was asked whether the conclusion of these Treaties would enable us to develop our trade with Finland. In particular, would it be easier for us in future to obtain timber from that country?

The Cabinet were informed that much would depend on our ability to supply the goods or credits that Finland needed. The signature of the Treaty and the settlement of the reparations issue should, however, create more stable conditions which would afford a better prospect of re-establishing our trading connections.

This applied equally to the Balkan States. They were not anxious to remain dependent on the Soviet economy; and the signature of the Treaties would give us good opportunities for re-opening our trade with South-Eastern Europe. Surveys would at once be undertaken to assess the long-term possibilities of this trade.

There were also prospects of reviving trade with Yugoslavia. From the point of view of foreign exchange, it would be preferable to buy timber from Yugoslavia than from Sweden. The Cabinet were informed that the Ministry of Food were sending a representative to explore the possibilities of obtaining further food supplies from Yugoslavia.

In further discussion it was said that many of these countries would wish to buy from us, in return for their exports, capital goods including heavy electrical equipment; and our own requirements for such equipment were so urgent that we could ill afford to spare money of it for export. It was pointed out that, without increasing the total quantity allocated for export, much could be done by influencing the direction of those exports so as to secure the maximum advantage to our balance of trade.

The Cabinet -

Agreed that, in light of the Economic Survey for 1947 now under consideration by Ministers, the Overseas Economic Policy Committee should review the prospects of reviving British trade with Italy, Yugoslavia, the Balkan States and Finland, following the conclusion of Peace Treaties with those countries.

2. The Cabinet discussed the report which the Foreign Secretary had made at their meeting on 2nd January on the preparations to be made for the discussion of Germany at the forthcoming meeting of the Council of Foreign Ministers in Moscow.

THE CHANCELLOR OF THE DUCHY OF LANCASTER[[2]](#footnote-2) referred to the possibility that the Soviet Government would press their demand for reparations from current production in Germany in return for some concessions in the direction of treating Germany as an economic unit. He hoped that we should be slow to accept any proposals for taking reparations from current production, since this was bound to impose a further substantial delay on Germany’s industrial recovery. He himself hoped that in the Moscow discussions opportunity might be taken to reduce, rather than increase, the burden imposed by reparations on the Germany economy. He was preparing, for consideration by Ministers, an appreciation of the cost of existing reparations policy. In illustration of this, he said that 30,000 men would be occupied for two years in dismantling the industrial plants already earmarked for reparation deliveries.

The Cabinet agreed that, in the light of the proposals for the economic fusion of the British and United States Zones and other changes which had taken place in Germany since the Potsdam Conference, the Departments directly concerned should collaborate in preparing an up-to-date appreciation of reparations policy for consideration by Ministers before the Moscow meeting.

Other points made in discussion were: -

1. No precise information was available of the amount of industrial plant and equipment which had been removed by the Soviet authorities from Eastern Germany.
2. We ourselves had removed very little industrial equipment from Germany. We had, however, obtained a considerable amount of valuable information about German patents and industrial processes; and steps were being taken to make this information available to British industry. We had also brought to this country a number of specially-skilled German technicians.
3. The Foreign Secretary had agreed to discuss with Dominion High Commissioners means of keeping Dominion Governments in touch with the progress of the preparations for the Moscow meeting. He was anxious that their views should be ascertained at an early stage in the formulation of policy, even though further and more formal consultants might be required with these and other interested Governments after the Moscow meeting.

The Cabinet –

1. Invited the Foreign Secretary to arrange for officials of the Foreign Office, Treasury, Board of Trade and Control Office to undertake a review of reparations policy for submission to Ministers as part of the general brief for the British delegation at the forthcoming meeting of Foreign Ministers in Moscow.

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Keywords: Italy, the Balkans, Yugoslavia, post-war Germany, inter-allied relations

1. Hall, George Henry, 1st Viscount Hall, (1881–1965) - British Labour politician, elevated to the peerage in 1946. Held several important posts in the coalition government during the Second World War; First Lord of the Admiralty (1946–1951); Deputy Leader of the House of Commons (1947 to 1951). [↑](#footnote-ref-1)
2. At the time the post was held by Hynd, John Burns (1902–1971) - British Labour politician and Trades union activist. Minister for Germany and Austria (1945 - 1947). [↑](#footnote-ref-2)