

# **CAB 195/16**

**C A B I N E T**

**M I N U T E S**

C.M.(57)2nd Meeting – C.C.(57)81st Meeting

1. Egypt – Suez Canal. [Enter R.T., B.C., Str., E.H.]

S.Ll. D<sup>f</sup>. Summerskell is going to E. to satisfy herself about casualties. No opportunity to stop her.

2. Economic Situation.

H.M. Suez hasn't changed situation – but it has revealed it.  
Debt : £27.000 M, external & internal.  
Defence p'mme launched at Korea wd. now be costing, if we hadn't cut it back, well over £2000 M.  
Social services – on a vast scale.  
Nationalisation – damage to our finances. Nat<sup>d</sup>. ind<sup>ies</sup>. make no profits : or if they did wd. lose them in higher wages: have no profits to plough back. But also can't borrow on market. They have in fact bn. financed by Exchequer for years past because their loans were not taken up in market. We have now taken them on "below the line". As quid pro quo, we have forced larger l.a.'s on to market. –£400M for former : +£200 M for latter.  
Theology. Extreme orthodox view = Budget shd. balance over-all. That view is now being pressed by City because recent run on reserves due to lack of confidence & our recent borrowing (once for all) to check it. Unless Budget is balanced, confidence will weaken again. O.F. support this High Church view.  
The latitudinarians (Economist etc.,) hold tht. all that is needed is that the economy as a whole shd. be in balance: and that expenditure below the line can be regarded as borrowing. But you can't tell, until year is ended, wtr economy is in equilibrium.  
Middle view : declines excessive taxation to achieve High Ch. objective.  
My judgment : shd. seek to cut £300 M. off Estimates. This will give us spirit in which to survive crises – economic & political – of coming months. W<sup>d</sup>. enable us to give £50 M. or so of tax concession designed to encourage prod<sup>n</sup>. & efficiency.  
Must find some way of dealing with borrowing by nat<sup>d</sup>. industries. Ty. haven't expert knowledge to test validity of their claims. Look at the size of the bids. And this has to be supplied by Ty. w'out the test of the market. Alternatives : i) a Ministry of Production, staffed by people who cd. scrutinise these demands. The parent Dpts. can't do it any better than Ty. cf. plan for modernising rlyways which, even now, you can't drive goods traffic from road to rail.  
Need also determination to enforce economies wh. are politically difficult, e.g. abolition of R.A.F. Vol. Squadrons.

- P.M. Nat<sup>d</sup>/ industry borrowg. is a formidable problem. Don't think we can carry whole of this investment w'in a balanced Budget.  
 Agree we must try to aim at red<sup>n</sup>. of order of £300 M.  
 Defence. Hope for run-down of 65.000 in this financial year. Diff. to get larger red<sup>n</sup>. this year.
- A.H. Defence – prod<sup>n</sup>. & equipmt./man-power. About equal proportions.  
 “Commitments” have led us into m'taining larger forces than we can equip with modern weapons.  
 I plan to run down from 750.000 to 450,000 – with civilianisation.  
 How soon can it be done? Army 385.000 to 200,000. The faster the better. But 50% = Regulars, whom you want to keep. Run-down must therefore be in N.S. element. Dangerous to do it by reducg. length of service. Can't cut intake too far, or you wd. have to re-instate it later. Nonetheless we shall run down all Services by 70.000 this year.  
 P'mme of 18 mos. ago wd. be costing now £2.000 M. Has bn. pruned down, by successive efforts, to £1550 M. Also £50 M twds £100 M. saving. German costs : U.S. aid – will both mean more on Exchequer.  
 In long-term, marked reduction in expenditure is assured. But short-term savings are v. hard to find – no fat left now in these Estimates.
- P.T. Research scientists : 50% are on defence : and 2/3rds of expenditure is on defence research.
- A.H. Agree we are using too much. But don't accept these figures.
- D.S. Hope Cab. will have full opportunity to judge method of reducing def. expenditure. Need for long-term policy. We have always lived from hand to mouth, on proportionate cuts.
- L.P.S. Estimates are already late. Quick decisions on defence cuts are essential to support sterling.
- P.T. Can't publish Estimates foreshadowg. Budget deficit of £580. M. But agree Cab. shd. have memo. – e.g. on implications of a Defence cut of £200 M. this year.
- A.H. If you proceed by implications of cuts, Service Dpts will always show they can't do with less. Only way of securing red<sup>ns</sup>. in cost is to cut back on man-power. I am satisfied we shall be able to meet our commitments. Make a long-term plan, based on man-power, and stick to it. P.R. Ctt<sup>ee</sup>. have endorsed my plan : Service Ministers & C.O.S. have accepted it.
- H.M. C.D. is a wash-out. Abolish it. But at least save £8-10 M.  
 Block grant principle shd. be applied.

- N.H.S. £540 M. Must save £15-20 M. Racket in drugs. Must make people pay something – £50 M. e.g. by 1/= on stamp.
- H.A. What of separate stamp for N.H.S. – wholly payable by individual.  
Education : £10 M. on school meals.  
Agriculture : Subsidies will be £285 M.  
Defence : reduce to £1350 – a £200 M cut. Balanced by £80-100 M. off the Civil Estimates.
- L.I.G. Can't get cuts of order required w'out changes of policy. Drastic changes are necessary.  
Investment in nat<sup>d</sup>. industries. Coal. Report on reconstruction. With no gt. drop in man-power, but vast increase in mechanis<sup>n</sup>., still no increase in output. How much money has bn. sunk in coal, since war ended?
- D.S. Must balance retrenchment by practical prospect of future prosperity. There must be a positive side, with a strong Tory appeal.
- L.P.S. Real gap is nearer to £250 M. than £560 M.  
On confidence – we shall have to consider some changes in structure of our exp<sup>'re</sup>. : balance betwn. defence/social services/agriculture and red<sup>n</sup>. of valueless commitments overseas (e.g. Jordan). If it is seen that we are correcting this, confidence will be strengthened – even tho' results don't accrue this year.
- R.T. A forward policy on N.H.S. wd. secure savings. E.g. too many people are being treated in hospitals.
- B.C. N.H.S. – sugg<sup>n</sup>. of more of cost on stamp. We shall need the increase for Pensions side.
- P.M. We have to seek a cut of order of £300 M.  
To-morrow : we shd. look at Def. Exp<sup>'re</sup>. for next year. we shd. consider future of C. Defence.  
More contrib<sup>n</sup>. twds N.H.S. by “contributor”.  
Fashion a “positive” framework – equal opportunity for all to increase our wealth, vice equal shares for all.

1. Western Europe.

S.Ll.

Atmosphere in Eur. friendly – & expectant of a lead from us.

- i) Para. 25. Rationalisation of proliferating “Assemblies”. A single Assembly, with functional Ctt<sup>ees</sup>. – with no executive functions. Concomitant of other plans : wd. please Parliamentarians. W<sup>d</sup>. be of some use & no harm.
- ii) Economic Approach. Plan G. & Euratom. Going on as fast as it can.
- iii) Military & Political Assoc<sup>n</sup>.  
We can't sustain present defence burden. Won't be easy merely to cut it by £200 M. Better prs. to share burden with other European countries. NATO is of little use for burden-sharing. Military bureaucracy is too big. W.E.U. wd. be a better machine because smaller & more closely knit. This plan wd. be well received by other members – even if it didn't include the nuclear.  
Don't believe we can alone be a nuclear military power: not a 3<sup>rd</sup>. Power comparable to U.S. & Sov. Union. Is there any point in acquiring know-how & then stopping? Sh<sup>d</sup>. we not instead try to become, with rest of Europe, a 3<sup>rd</sup>. nuclear force. Tho' we cd. insist tht. H. bomb be manufactured only in U.K.  
Memo. may prs. over-emphasise opp<sup>n</sup>. to U.S. this cd. be done in co-op<sup>n</sup>. with them.

L.P.

Recognise diff<sup>ees</sup>. of F.O. in framing new policy to meet new circs. But am disturbed by this.

Don't accept assumpt<sup>n</sup>. in para. 4 tht. it's nuclear armament tht. will bankrupt us.

But my main diff<sup>y</sup>. is tht. this seems inconsistent with m'tenance of Anglo-U.S. Alliance. This will be regarded in U.S. as attempt to build up 3<sup>rd</sup>. Force. Many of phrases in memo. suggest this. Choice of nuclear as basis for such an approach is specially unfortunate qua U.S. – whose whole policy is to prevent extension of nuclear to other countries. This is main purpose of new U.S. disarmament plan – with which this policy is inconsistent.

U.S., if they became hostile to us over this, cd. hit us v. hard. They cd. prevent our getting uranium fr. Canada. They cd. get 2/3rds of what we hope to obtain fr. S. Africa.

Choices in para. 17. There shd. be a fourth – closer co-op<sup>n</sup>. with U.S. Our aim shd. be to regain what we have lost, recently, in Anglo-U.S. relations.

Part III. Surely it wd. be wrong to approach anyone w'out first squaring it entirely with U.S. That wd. repeat again the cardinal error we made over Suez. It mght destroy what remains of US/U.K. Alliance. If this policy were to be launched at all, it shd. be put to U.S. in first instance as part of a full exposé of our defence & foreign policy.

- H.                   Integrat<sup>n</sup>. with Europe on mil<sup>y</sup>. & nuclear policy wd. mean tht. we lost all co-op<sup>n</sup>. with U.S. & Canada on techniques and prs. supplies of nuclear.  
We cdn't go forward with this plan save after fullest consult<sup>n</sup>. with U.S. & Doms.  
Better surely to seek better co-op<sup>n</sup>. with U.S. in mil/nuclear field. We have much to contribute to that common cause.
- A.H.                 Sympathise with L.P.'s attitude.  
Practical points :  
i) Fr., Germany & Italy can't m'tain mil. morale without atomic capacity. French & Italians have already asked U.S. for it. We cdn't in fact supply them w'in 7-10 years. U.S. cd. do it in a year or two, if they wished. U.S. cd. therefore break this plan at will. V. risky therefore to float it save with full U.S. co-op<sup>n</sup>.  
ii) "We don't want Europe to make nuclear; tho' we accept that they must have it." That is U.S. view on N.A.T.O. Believe they are near the point of providing nuclear weapons for Eur. forces, including our own.  
iii) Para. 17. Nuclear exp<sup>'re</sup> is not vast, in rel<sup>n</sup>. to def. exp<sup>'re</sup>. as a whole. Little over 10% of the whole : and all the material is capable of civil use. It is not a crushing burden itself.  
iv) If scheme adopted, contributors wd. want to own product. They wd. have key to own cupboard. Sh<sup>d</sup>. we give that to Germany. U.S. wd. oppose it : U.K. opinion wd. itself be nervous of it.
- W.M.                Para. 7. If that is found<sup>n</sup>. of policy, then will be gt. diff<sup>ies</sup>. with U.S. over security. Denial of inform<sup>n</sup>. to us wd. be likely.  
Para. 8. Consult<sup>n</sup>. before use wd. reduce deterrent value – if 7 Powers had to be consulted.  
Para. 17(b) – a limited nuclear Power, tho' not comparable with U.S. & R.
- D.S.                 Favour concept of closer co-op<sup>n</sup>. with Europe. Cab. have endorsed G. Plan which is foundation of it.  
Anglo-U.S. Alliance is vital to security of Western world. But recent events make it inevitable tht. there shd. be some change in our rel<sup>ns</sup>. with U.S. Agree tht. we shdn't run after them. They respect success, wealth & strength : we are now at a low ebb in each respect. We must get into a show which can talk on level with U.S. Obvious tht. we can't now get it alone : they deny us the special pos<sup>n</sup>. which is our due. If it has to be founded on econ. strength & power, we must seek tht. in assoc<sup>n</sup>. with others.  
Memo. puts too much stress on mil. & pol. side.  
Our aim shd. be closest rel<sup>ns</sup>. with Europe, short of Federation. Can't yet see what precise shape that wd. take.  
We have a chance to seize leadership in Europe.  
But I wd. start from G. Plan – not mil, or nuclear.  
Decide in principle on closer assoc<sup>n</sup>. & see how it works out.

Be more active in Ministerial Ctt<sup>ec</sup>. of C/Europe.  
Let W.E.U. Powers be collectively, not separately, active in N.A.T.O.  
Dubious of sugg<sup>n</sup>. in memo. tht. U.S. & Canada shd. be  
associated with European organisations. W<sup>d</sup>. weaken European  
idea.

P.T. Agree with LP. Nuclear is wrong card of entry for Eur. unity. That  
wd. array rest of world v. our efforts to unite Europe. And arouse  
antagonism of U.S.

Assemblies. Room for rationalisation. But don't throw any cards  
away, for critical point in negotiating free trade area : Canada is  
becoming suspicious.

Procedure. Don't float any of these ideas with Spaak now.

K. My views are close to those of D.S. Tho' on nuclear, shaken by L.P.'s  
statement.

Need for policies wh. will rally Party. On domestic front, we have  
recognised need for positive policy giving more hope for future.  
In f. policy that cd. come fr. closer assoc<sup>n</sup>. with Europe. Nothing  
in that wh. need be inconsistent with m'tenance of our rel<sup>ns</sup>. with  
U.S. & Doms. "Can't invest from a deficit" : Europe as source of  
capital for investment overseas.

Can't get unity of policy in Commonwealth. India/Pak/S. Africa  
illustrate our differences. Easier to keep new Doms. with us in a  
Commonwealth of Strength (?) U.S. favour Europ<sup>n</sup>. assoc<sup>n</sup>.

We have a chance to seize leadership of Europe.

Therefore, even if Part I of memo., is dropped, hope that won't be fatal  
to broad ideas in Part II.

H.A. Favour expanding assoc<sup>n</sup>. with Europe. Doubt wtr nuclear is right card  
of entry. But –

Anglo-U.S.-Canadian alliance is best safeguard of world peace.

Therefore, pre-requisite of any move twds Europe is full consult<sup>n</sup>.  
with U.S. as well as Doms.

Tho' we have for the time lost our special pos<sup>n</sup>. with U.S., we shd. be  
unwise to abandon hope of achieving some (new perhaps) pos<sup>n</sup>.  
of special relationship with them.

We shdn't make such a move as this w'out consultg. Canada as well as  
U.S.

L.I.G. Drew attent<sup>n</sup>. to last sentence of para. 15.

Para. 29. Plan cd. strengthen N.A.T.O.

L.P.S. But nuclear ques is dynamite in U.S. Their disarmament plan is clearly  
designed to achieve opposite result.

D.E. Para. 17. Why shd. we have H. bomb at all? We wd. never threaten to  
use it w'out U.S. concurrence.

Why not associate Eur. w'out H. bombs. Leave U.S. to neutralise R.  
Beware of seeking prestige vice power. Latter will go to the rich  
not those who are strong in nuclear terms.

- H.M. Fr. internal as well as external pt. of view we need a new theme, in wh.  
Eur. as well as Comm. & Anglo-U.S. shd. play a part. No real  
inconsistency. We have entered the game with Plan G. card –  
with sympathy of U.S. & Doms. That has encountered gt.  
technical diff<sup>ies</sup>, wh. Spaak is coming over to discuss.  
Ready to develop general Europ. assoc<sup>n</sup>. – tho' not on nuclear theme.  
Welcome early consult<sup>n</sup>. on this with U.S. & Canada – on basis  
tht. they have always favoured this & we are ready to have a  
crack at it. Looks as tho' U.S. are nervous of U.N. We mght  
suggest it wd. be useful if we developed Europ. bloc in U.N.  
Nuclear. Cost is £150 M now. But don't believe we can lay it off on  
Europe.  
Remember tht. Europe can't live at all unless U.S. protects M/E. This  
is not therefore a moment to challenge them on so sensitive a  
matter as nuclear.  
Timing. See first how we get on with Spaak on G. plan. But shd. like  
soon to be in pos<sup>n</sup>. to discuss such an approach with U.S. & old  
Doms. Same preliminaries as for Plan G.
- S.Ll. i) Hope there is general agreement tht. we shd. try to get into closer  
association with Europe.
- L.P. Sh<sup>d</sup>. wish to reserve my pos<sup>n</sup>. on extent of it. Tho' don't dissent with  
H.M.'s summing up.
- S.Ll. ii) Better Alliance with U.S. if part of a show which can speak to  
them on level terms.  
iii) Emphasis on mil. & nuclear because diff<sup>ies</sup>. in m'taining our  
defence effort – incldg. our diff<sup>y</sup>. in m'taining our forces in G.  
Closer co-op<sup>n</sup>. in W.E.U. wd. ease those diff<sup>ies</sup>.  
Agree tht. we needn't begin with nuclear. But we cd. explore  
means of closer mil. assoc<sup>n</sup>. thro' W.E.U.  
iv) Wd. not wish to rest wholly on Plan G. W<sup>d</sup>. wish to show some  
initiative on mil. & pol. association also.
- L.P.S. Result of this discussion shd. be reported to P.M.
- A.H. Europeans in N.A.T.O. held fast to earlier commitments – we were  
only except<sup>n</sup>. in notifying red<sup>n</sup>. W.E.U. & N.A.T.O. won't like or  
accept it easily. As sole defaulter, we are not a good pos<sup>n</sup>. to  
make a bid for leadership.  
What have we to offer.
- H.M. Disposed to start with pol., rather than mil., assoc<sup>n</sup>.



L.P.S. Confine any talks to pol. assoc<sup>n</sup>. pro. tem. Concert with A.H. before any discussions are opened on Mil<sup>y</sup> association.

The Prime Minister.

- P.M. Had hoped to carry on. In recent weeks recurrence of abdominal symptoms. Read doctors' report. The considered view of 4 doctors.  
Saw Queen y'day & informed her of situation.  
It is my duty to resign.  
i) Risk of infection to liver ii) Decreasing efficiency m'while. Great regret.  
Propose to tender formal resignation this p.m. This means tht. Adm<sup>n</sup>. ends – offices at disposal of successor – m'while carry on until relieved.  
Had wished to carry on during this period – great opportunities tho' difficult. Wish you all good fortune.  
Thanks for loyalty shown to me.
- L.P. In view of doctors' rept. can't ask for dec<sup>n</sup>. to be modified.  
Deep sorrow. Oldest political friend – over 30 yrs. Bitter blow.  
Pattern courage integrity. Rare vision. Courage in recent months intensified affect<sup>n</sup>. & admir<sup>n</sup>. of people.  
Rough times. Never divided. In yrs. ahead shall try to carry on in spirit of his example & leadership.
- L.P.S. Awful shock. Love & sympathy to Clarissa. Hope, after rest, fully restored to health. Don't abandon hope of further service.  
Talents needed.  
In country yr. repute is steadily rising.  
Not only personal shock therefore but gt. political blow.
- H.M. 32 years in H/C. together.  
In yrs after 1918 we felt survivors of a generation of which many had perished. That was bond betwn. us.  
You were trustee of young men who suffered in 2<sup>nd</sup>. war.  
When Suez understood you will be held to have acted in acc. motives of highest order. Prs., followg yr. example, we may turn to advantage opp<sup>ies</sup>. you have opened to us. You have rejected easy ways out.
- P.M. Loyalty of colleagues. Thanks.

1. The Cabinet.

[Enter E.H.]

- H.M. \* First mtg. Message of affection to A.E.  
Never was a man so stricken so sadly, but as time passes the greater will his reput<sup>n</sup>. be.  
Glad so many old colleagues. Depend on solid partnership with R.A.B. With that can confront H/C.  
Welcome P.T. – all qualities needed for Ty. Gt. advantage of youth.  
H : cleverest man in country : hope he will teach children (L.P. and H/L.).  
M/T. – confidence in him & import<sup>ce</sup>. of transport at present time.  
Hill – will serve us well here & abroad.
- \* Old colleagues who have left us – Gt. service. W<sup>d</sup>. like to thank them in yr. name.  
P. Mills : grateful for sacrifice he has made in joining us.

2. Libya.

- S.Ll. Memo. of 9/i was not taken by old Cab. Negot<sup>ns</sup>. with U.S. startg. this a.m. Line : must cut down substantially : no gt. mil. advantages save for air. £12M. p.a. in total.  
Shd. we suggest actual figure? Don't want a haggle with U.S. Don't want to start by saying nil & settle for e.g. £1<sup>1</sup>/<sub>2</sub> M. W<sup>d</sup>. sooner be frank from outset.
- H.M. Shdn't aim at a base, fr. which to operate.
- S.Ll. Eg. conspiracy, unmasked, has caused revulsion of feeling fr. E. twds Tunisia. Pol. advantages in not discarding Libya altogether.
- P.T. Split with U.S. – latter taking larger share.
- H.M. Avoid imp<sup>n</sup>. tht. because of Suez we are folding up altogether.
- H.A. This mght be pattern for new U.S./U.K. co-op<sup>n</sup>. in M/E.
- Hail. Cyrenaica for us : Tripolitania for U.S.
- D.E. English teachers wd. help to keep them on our side.

Agreed : F.O. Ty. & M/D. to agree a line.

3. Jordan.

- S.Ll. Saud, increasingly anti-E. as well as anti-Comm., is offering to subsidise J.

Don't wish to seem to be pushed around.  
Propose therefore to send note to J., referring to their desire to terminate Treaty, re-calling past friendship, & offering disc<sup>ns</sup>. with regard to future of Treaty, askg. for date & place.  
This will put us in more dignified posture.

P.T. After this comm<sup>n</sup>., we shd. not pay any further instalment of subsidy after January.

S.Ll. We may secure good-will by terminating subsidy as such. Grant twds developmt. only wd. cost £2M vice £12M.

#### 4. Europe : Military Co-operation.

S.Ll. Convers<sup>n</sup>. with Spaak.  
On W.E.U. – Fr. are determined to make nuclear weapons. This wd. make Euratom a mil. organ<sup>n</sup>. as well as civil. W<sup>d</sup>. also cause G. to start manufacture. He therefore intends to suggest to U.S. somethg v. like my proposal for joint Eur. manuf. of n. weapons.

L.P. Are French in pos<sup>n</sup>. to manufacture?

H.M. May give opportunity for U.S. to propose European mil. co-op<sup>n</sup>.  
Must think. 4 Div<sup>ns</sup>. were W.E.U. commitment – guarantee of Fr. v. G.  
We mght be able to replace it by atomic guarantee.  
F.O. shd. consider wtr we shd. initiate talks [Exit D.E., P.T.  
with U.S. on this general ques.

S.Ll. Spaak is worried : thinks it v. urgent.

#### 5. Yemen.

S.Ll. F.O. Tel. 213 to N. York. Since then Yemen have sent commun<sup>n</sup>. to U.N. Looks as tho' they don't mean to go to Assembly.  
Propose now tht. we submit our side of case to U.N. & do no more.  
There wd. be risks in observers.

Lloyd. Treaties are v. old and a little shaky – some are mere exchanges of letters. If U.N. got into it, our pos<sup>n</sup>. in Protectorate mght well be called in ques. Two or three of Rulers wd. prob. come out v. us.  
Mght call in ques. principle of Protectorate Treaties generally.

L.P. Pressure for observers is likely to increase. C<sup>d</sup>. we not accept them qua events, not to delineate frontiers.

S.Ll. Diffy : no delineated frontiers.

D.S. But Yemenis have come far beyond any area in doubt.

- Ll. We have accepted Y. sugg<sup>n</sup>. of mtg. about frontiers. Will be held v. soon. Wait until after that.
- J.M. On present<sup>n</sup>., make it clear tht. Y. have not “taken us” to U.N.
- Ll. Frontier is what we agreed with Turkey after 1918, but has never bn. recognised by Yemen.
- H.M. Peace observation party might be accepted : with determination to oppose extension of U.N. interest to Treaties etc.,
- S.Ll. C<sup>d</sup>. you continue to use R.A.F. once U.N. observers were there.
- L.P. Accept observers if sugg<sup>d</sup>. by others?
- H.M. Don't gain much, in world opinion, by that.  
 x| W<sup>d</sup>. prefer to say we wdn't object to visit by U.N. observers to report  
 | on character of problem. Subject to views of Dixon & Govr.

Agreed as at x/.

[Exit Lloyd.

6. Persian Gulf.

- S.Ll. I.P.Co. are arranging visit of Parliamentarians to P. Gulf.  
Not v. wise. They may be stoned.
- E.H. Will balance excessive visits of M.P.'s to Israel.

7.

**CLOSED UNDER THE**

**FREEDOM OF INFORMATION**

**ACT 2000**

1. Italy. [Enter E.H.]
- S.Ll. Recent visit. V. friendly atmosphere. Grateful for our attitude & action re Suez.
2. Germany.
- S.Ll. Quadri-partite mtg. of officials to continue fr. where 2<sup>nd</sup>. Geneva mtg. left it. In W<sup>3</sup>ton. W<sup>d</sup>. need to be announced. Agreed.
3. Middle East.
- a) Jordan.
- S.Ll. Note sent on 16/1 to Jordan Govt. on lines app<sup>d</sup>. by Cabinet. Since then firm agreemt. tht. Saudi (£5M) Egypt (£5M) & Syria (£2M) will subsidise Jordan. Propose to make it known tht. we sent our note of 16/i. Also to send further note saying tht., in view of Arab action, we think our negot<sup>ns</sup>. shd begin f.with. May pay us to give some further instalments while we extricate our (£6M.) equipment. Second note wd. contemplate termination of Treaty. This wd. leave it open to us to continue finance for development. Publ<sup>n</sup>. of that note wd. turn on attitude of J.
- b) Iraq.
- S.Ll. Crown Prince is here : will ask for 5 Hunter aircraft as a gift to balance swept-wing fighters held by Israel and Syria.
- H. Pakistan is asking for same. W<sup>d</sup>. be better to consider on B. Pact basis.
- P.M. Are any available? MK-VI. What other claimants?
- S.Ll. Believe 15 are available : 5 cd. be gift and 10 on payment.
- P.M. Consider at small mtg of Ministers & report to Thursday's Cabinet.
- c) Yemen.
- S.Ll. Peace Observ<sup>n</sup>. Mission of U.N. includes Comm<sup>t</sup>. Countries. Some Sheikhs are not reliable – others suspiciously so. Balance of consid<sup>ns</sup>. seems against puttg. sugg<sup>n</sup>. of observers.
- \* { Concentrate pro. tem. on getting Yemen to discuss delineation  
{ of frontiers.

{ Also send statement of our case to U.N. – by lr. to S. Genl. & statement to Sec. Council.

D.S. Agree – it seems too dangerous to invite observers. Observers wd. not be objective. And out title is dubious.

Agreed – as at \*

d) Egypt.

S.Ll. Treatment of our refugees will cause us trouble in Parl. Their misfortunes are due to our pol. action.

R.A.B. Two classes. i) those who have resources in E., and they are being allowed to draw on them ; and ii) those w'out resources. Ready to discuss with S.Ll. – if he will send note of complaints – and to report to P.M.

H.A. Also pensioners e.g. of Egyptian rlways.

S.Ll. 164 of these : who were expectg. award by E. Govt. : have asked them to formulate list of hard cases.

4. Parliament.

R.A.B. Adhere to p'mme as announced before recess. Homicide Bill will be awkward (poisoners).  
D. Express. Propose (Wed.) that Editor be summoned on Thurs. to be reprimanded by Speaker – unless he offers suitable apology.

E.H. Similar statements on B.B.C. – and repetition by Labour M.P. Both may be raised in H/C.

[Enter B.C., Vosper.

5. Economic Situation.

P.T. Danger to £ : one of our greatest risks. Tho' has bn for 5 years, it is more dangerous now because we have mobilised reserves.  
Budget : £500 M. deficit overall. Choice : swingeing taxation or cuts in expenditure. Cdn't face the former: indeed, to enable our policies to succeed, we shd. decrease taxation.  
Long-term plans will help – but no substitute for balanced Budget.  
Don't seek dec<sup>ns</sup>. now. But 3 main blocks of exp<sup>'re</sup>.  
i) Defence. £1550 M. Sh<sup>d</sup>. be reduced by £100 – 200 M. Favour genuine cut of £100 M. on prod<sup>n</sup>. & research & d. Because of its burden on industry. Don't mind compens<sup>n</sup>. paymts. – for sake of releasing materials & capacity. Total prod<sup>n</sup>. cost for defence equals whole investment in nat<sup>d</sup>. industries.

- ii) Civil Estimates. Cdn't do what I want on defence w'out substantial red<sup>n</sup>. in social services. Alternatives : 1/= stamp for N.H.S. but reluctant to play that card now : don't want niggling cuts wh. will impair standards : Cut out whole services e.g. dental for adults (£25 M). Arrive at £50 M. cut.
- iii) Public Investment. £632 M in nat<sup>d</sup>. ind<sup>ies</sup>. and £500 M by central Govt. V. difficult to cut latter – schools and hospitals – but disposed to reduce announced p'mme for G.P.O. (£20-30 M). On former – we want high investment : don't know how wise plans are. Will discuss with M/P. & M/T. wtr we can get a reduction. Avoid appearance of frontal attack on investment. But hope for red<sup>n</sup>. of £30-40 M. by spreading it out.

M. Points of principle. They are supposed to pay their way. If they earn a surplus, wd. they be free to invest it. I wd. accept that – and work twds. it.

H.W. Coal – can charge what price they like. Transport can't. Apart fr. that, hope we shall adhere to plateau policy.

P.T. Agree : we shd. try. But e.g. electricity : if prices have to be raised, they shd. go to point at which C.E.A. cd. pay for some of their investment.

K. Value for money in investment by nat<sup>d</sup>. indu<sup>ies</sup>. No machinery for ensuring it. Don't we need it? If value of £ depends on their investment.

H. Are we not underestimating revenue wh. will come fr. heavy investment over past 3 years?

P.T. We shall gain, in productivity. But doesn't alter our short-term problem of Budget.

D.E. There is £600 M. investment in housing. C<sup>d</sup>. that not be squeezed in favour of productive investment? Also shops, offices, etc.,

P.T. Already red<sup>n</sup>. of £40 M. on housing – public & private.

D.S. On defence : want to frame long-term plan & make short-term cuts consistent with the plan. See prospect of big economies in long-run : but diff. to get much in coming year.

L.P. Importance of “prestige” expenditure. Don't include man-power under that head.

D.S. Agree qua nuclear weapons. Not “showing the flag”.

\* R.A.B. & Ch. Whip to discuss with Ty. procedures for vote on Account for Defence and report to P.M. what can best be done.



H.W. Concessions to middle classes – concessions on surtax and for private educ<sup>n</sup>. of children.

I.M. Middle class doesn't start at £2.000. – much below that level. They will resent economies on educ<sup>n</sup>. or N.H.S. unless we show cuts on defence. N.H.S. is a middle-class service. Target for social services : items that are not of 1<sup>st</sup>. priority shd., year by year, take a lower percentage of Budget. Under Tory Govts. we have achieved that, on N.H.S. 1/= stamp for N.H.S. mght. be better – tho' open to obj<sup>ns</sup>.

B.C. N.I. Fund will go into deficit next year & v. heavily so later on. Shall soon have to consider raising benefits.  
Any increase in stamp shd. go to that, rather than N.H.S. But wd. take stamp to at least 8/= . Above that, there wd. be repercussions on wages.

D.V. 70% of increase on my vote is due to increased costs.  
But contrib<sup>n</sup>. has remained static for 10 years. Shd. have bn. 20% : now has fallen to 7%.

P.M. “I said on earlier occasion that I wd. think about this problem over Xmas & then blow my brains out. Instead, however, I have become P.M.”  
Our longer future holds promise. But we must get thro' this critical year.  
We must help P.T. in short-term w'out injuring our long-term plans.  
Greater part must come on prod<sup>n</sup>. demands of defence.  
Because of foreign opinion, social services must make a contribution.  
Invite Cab. to decide :  
(i) Enquiry into procedure for Estimates (\*overleaf)  
(ii) P.T. to discuss investment with M/P. and M/T. and G.P.O. and social services with Ministers concerned : and investment side of Civil Defence.

[Exit B.C., D.V.

[Enter Perth.

## 6. Cyprus.

P.M. Proposed statement to be issued to Press. Thght it wd. be better to give answer (shorter) to P.Q.  
C<sup>d</sup>. F.O. and C.O. concert an answer.

J.M. There are P.Q.'s down already.

H.A. Paras 6 & 7 of draft imply tht. he mght help if liberated.

S.Ll. F.O. have a shorter draft which avoids that.

P.M. Make it even shorter. Add : this is pos<sup>n</sup>. wh. Makarios has h'to taken :  
hope that in interests of World peace he will re-consider it.

F.O. & C.O. to concert reply & submit to P.M.

J.M. Might even be possible to avoid any statement for a time.

7. Coal Production : Africa.

M. Not impressed by report.

P.M. W<sup>d</sup>. like M/T. to consider wtr we need say anything on this ques &, if  
so, what.

E.H. This wdn't satisfy opinion in H/C. Hope M/P. will see those  
interested.

S.Ll. Tactless in ref<sup>ce</sup>. to interests of African countries.

8. Railway Wages.

H.W. B.T.C. have choice of standing on 3% awarded or offering 3<sup>1</sup>/<sub>2</sub>% all  
round. Gesture wd. put him in better position.

I.M. Arbitrators are awardg. on basis of c/living. W<sup>d</sup>. sooner settle at 3<sup>1</sup>/<sub>2</sub>%.

K. But wd. weaken engineering employers.

Agreed : authorise 3<sup>1</sup>/<sub>2</sub>% as settlement – not offer.

1. Parliament.

[Enter E.H.]

Privilege.

R.A.B. M<sup>r</sup>. Junor. If he is contumacious, shall move that he be put in custody of Serjeant-at-Arms.

P.M. Penalty (e.g. fine) will bring H/C. into difficulty. How enforce it?

L.P. After reprimand, cd. not someone bring it to Press Council.

P.M. Some doubt about merits?

R.A.B. M.P.'s have bn. reasonably treated – not getting as much as doctors. But it is open to ques wtr allowances to pol. Parties wasn't excessive. Agents are now reviewing their needs with a view to adjustment.

Homicide Bill.

R.A.B. Abolitionists are determined to obstruct. Shall delay guillotine notion until next week : it may not be needed – if we sit late on Monday & make more use of closure.

P.M. “Unusual to guillotine a hanging Bill”!

R.A.B. Business for next week.

[Enter Vosper]

2. Remuneration of Doctors.

D.V. Since Cab. in July, my predecessor saw doctors' rep<sup>ves</sup>. twice. Despite his stand, failure in confidence – on last occasion because he said he wd. consult again with colleagues.

R.Comm<sup>n</sup>. proposal – for reasons in memo. : also because weight is needed to overcome Spens.

Reasonable chance of getting acquiescence of doctors. Anyhow, alternatives in memo. wd. be worse.

If no action, some risk of doctors w'holding service of leave N.H.S. Supposed to meet them on 5/2, tho' it cd. be p'poned.

J.M. Mood in Scotland is v. awkward.

R.Comm<sup>n</sup>. alone won't appease them. W<sup>d</sup>. accompany it by admiss<sup>n</sup>. of hardship cases.

P.T. Support plan for R. Comm<sup>n</sup>. Must play it long.

y| Agree somethg. must be done by interim relief for those under £1450.

There are other groups – lower judiciary, Dons, M.P.'s & Ministers.  
Wd. like to move simultaneously on all these, when wages demands have passed peak.  
Wd. wish to discuss y/ with Ministers concerned – for incl<sup>n</sup>. in general packet.  
Comp<sup>n</sup>. of R.C. will need thought. Fear Judge as Chairman, after Dankwerts. May I discuss this?  
Extens<sup>n</sup>. to drs. outside N.H.S. will cause diffy. – e.g. with Universities  
Must have careful formula for this.

- L.P. Agree research posts raise wider issues.  
Med. research outside N.H.S. is at present penalised – e.g. no merit awards.  
But concession to them will give rise to claims from other faculties.  
Enquiry can't be limited narrowly to N.H.S.
- I.M. Support L.P.'s view.  
Salaries £1200-£2000 are middle class, whom we want to help.  
Need R. Comm<sup>n</sup>. to get away from Spens.  
Compos<sup>n</sup>. : don't let T.U.C. nominate a man : we shd. pick one.
- D.E. Raises immense social ques. Compet<sup>n</sup>. of professions for output of 6<sup>th</sup>.  
Forms. With tax<sup>n</sup>. as now, professions haven't enough pull in shape of plums at top. Don't want to spend money on middle piece.
- C.H. Must make a fresh start – to get away fr. Spens & Dankwerts. B.M.A. p.r. work is good & must be countered: in form of “new start”.  
Don't have Judge as Chairman.  
2<sup>nd</sup>. part of t. of r. : machinery for periodic reviews : may imply regular adjustment by ref. to c/living.  
Govt. shd. determine, w'out negotiation, interim relief for hard cases.  
Also R. Comm<sup>n</sup>. shd. be presented as dec<sup>n</sup>., w'out consult<sup>n</sup>.
- P.M. “Not often that Frankenstein is able to advise”!
- P.M. Present R. Comm<sup>n</sup>., as decision. Agreed.  
Compos<sup>n</sup>. Chairman other than Judge: and  
(1) careful choice – not nominees.  
T. of reference. Take a/c of remuneration in other professions etc.,  
P.T. with Ministers concerned to frame revised proposals.  
(2) Interim relief for hard cases. P.T. to discuss with Dpts.  
(3) P.T. to discuss with I.M. the timing of salary changes as a group.

[Exit D.V.]

### 3. Oil Supplies.

- M. E.P.C. y'day. Supplies better than hoped. But running down stocks & pos<sup>n</sup>. may be difficult in April.  
Texas etc., W'ton tel. 123.  
Recommend : i) we tell industry no cut in March.  
ii) timing of announcement to be left to me.
- P.T. M/P. is talking to cos. here. W<sup>d</sup>. await result before taking any further action in U.S.
- M. Caccia has had some effect.  
100% of what we want fr. Texas wd. be only 5% add<sup>n</sup>. for Europe.
- P.M. M/D. shd. see tht. all practicable economies in consumpt<sup>n</sup>. are enforced.
- H.W. Waste by farmers is causg. indign<sup>n</sup>. C<sup>d</sup>. N.F.U. come out v. it?

1. Anglo-Egyptian Treaty. [Enter Att.G., J.H., E.H.]

S.Ll. No official inform<sup>n</sup>. from E. Govt. so far.

Att.G. E. are entitled to take view tht. our action abrogated the treaty. Title to property (moveable) in Base wd. not, however, be affected. Can't reconcile paras. 3 and 10 of memo. I wd. favour contending that Agreemt. is still in force.

S.Ll. I don't support proposals in para. 3. Treaty won't help us to get any fresh concession in future. Don't therefore recommend that we shd. argue that Treaty is not terminated.

P.M. x/ We take note of fact tht. E. have terminated Treaty – and we accept that.

P.T. Base employees cost us £90.000 p.m. and the Cos. £35.000 p.m. Sooner we can escape these liabilities, the better.

P.M. 1) F.O. and Att. G. to settle form of words on x/.  
2) Give notice at once to employees, and terminate contracts with contractors' companies.

L.P. Final para. of L.O.D. shd. be further considered, in case E. raises it.

[P.M.] 3) F.O. and L.O.'s to consider point in final para.

[Exit J.H., Att.G.  
[Enter B.C.]

2. Suez Canal : British Refugees.

R.A.B. Anglo-Eg. Ctt<sup>ee</sup>. admit they can't do this. Propose to set up a new Board Chairman : Reading or Colyton or Collisford. A Labour Peer (?Listowel) as Member. Staff from C. Service (M/L, or N.A.Bd.)

Grants : £6 single £10 married £1 for each child

Other problems : a) education of children. M/Ed.

b) (E.) pensions. H.O. and Ty.

c) E. currency – worthless now. H.O. & Ty.

S.Ll. Distinguish between relief of hardship and longer-term future of them all. We shd. treat generously because their misfortunes are due to our own act. Otherwise we shall have serious pol. trouble. Examples : Pensioners : people whose furniture was sold in Cairo.

P.T. Agree tht., for small sums, we cd. avoid big political difficulties.

Agreed : Appoint Bd. with Colyton as Chairman.

I.M. There will be residual problem of unemploymt. and housing, esp. for Maltese.

D.E. Compensation for loss. Claimants have their eyes on E. sterling balances. Hope therefore one list of claims, wtr for domestic or for commercial property. Claims will exceed the £100 M. of E. balances. Shall have to do somethg on lines of Enemy Property settlement.

P.M. E. will make v. large claim r. us for damage. We shall put in a counter-claim. That will be argued for a long time. This Bd. shd. deal only with human side – not the big commercial losses.

[Exit B.C.]

3. Rent Restrictions.

Note not taken.

4. Israel : U.N. Debate.

S.Ll. Outlined plans for handling this in N.Yk.

P.M. After manoeuvring there will be mammoth resol<sup>n</sup>. In latter part, it may contain somethg. constructive. But it will prob. start by deprecating I. action. If we abstain, we help no-one. If we vote for it, we shall upset I. If we vote against it, we lose value of constructive element & risk trouble with Arabs & oil.

L.P. We cdn't be expected to vote against. We ourselves obeyed U.N. behest. But wd. be v. helpful if we cd. get included some reference to U.N. troops. We mght then be able to support. At worst, we cd. abstain – because we have always said somethg in I.'s case.

S.Ll. Abstention wd. have bad effect on Arabs.

P.M. | If resol<sup>n</sup>. did no more than blame I., we cd. abstain. If it contained  
x | constructive elements, I wd. hope we cd. support – with  
| explications de vote.

P.T. Fresh outbreak of hostile Arab re-actions cd. be v. awkward for sterling.

K. If it's reasonable resol<sup>n</sup>. we shd. vote in favour.

Agreed : general view is at x/  
P.M. to decide when text is available.

Cab., in general, favoured vote in favour.

5. Wales : Administration.

- H.B. Report of Council – publ<sup>d</sup>. Friday.  
Accept view of officials tht. admin<sup>n</sup>. on Sc. model wd. be a mistake.  
Pop<sup>n</sup>. only 2½m. cpd. with 5m in Scotland. Costly, inefficient  
and not in interests of Wales.  
But admit we haven't reached finality on co-ordin<sup>n</sup>.  
Transfer to M/H & L.G. has bn. welcomed in Wales. No ill-will.  
But Council's plan is popular in W. Press.  
Recommend : reject plan for S of S. with executive  
responsibility.  
consider time & method of announcement. I wd. favour not  
announcg. before debate.
- K. Support admin<sup>ve</sup>. grounds for H.B.'s recomm<sup>n</sup>.  
I favoured sol<sup>n</sup>. by wh. M/Welsh Affairs was Chairman of Ctt<sup>ee</sup>.  
comprising Ministers for Dpts concerned with offl. Ctt<sup>ee</sup>. below  
it. (H & LG., Health, Educ<sup>n</sup>., H.O.)  
If this cd. be set up & made public, good effect in Wales. C<sup>d</sup>. general  
rule v. announcg. Cab Ctt<sup>ees</sup>. be departed from for this?  
Admin<sup>ve</sup>. devolutions shd. continue. 1) Under Sec., Wales, for M/Ag.  
is now to be given more status & staff. This will help.  
2) Education. Pressure for Head of Welsh Dpt. to live in  
Cardiff – tho' admin<sup>ve</sup>. arguments are v. it.  
On timing, agree with H.B.
- Hail. Admin<sup>n</sup>. of educ<sup>n</sup>. being l.a. function, there is devolution. The pressure for  
our man to be based in Cardiff does not come from educational  
opinion in Wales – but fr. pol. opinion in N. Wales.
- P.M. 1) No intention to apply Scottish system to Wales.  
2) No announcement before debate.  
3) Minister to consider wtr small adm. changes shd. be announced at  
end of debate or afterwards. Or some then & others later. My  
own preference wd. be to resist main claim in debate & announce  
concessions later.

Agreed (1) and (2). Tactics to be considered later.

6. Bermuda Meeting.

- P.M. No statement shd. be made yet on what follows.  
On 23/1 President suggested we mght meet – in W'ton or B'muda. I  
accepted – specially pleased at B'muda.  
E. intended to ask Mollet to W'ton in Feb. B'muda Mar 21/24.  
Read his reply to E.



Fr. wanted announcemt. p'poned until 10/2, after debate on Algeria.  
But y'day, leakage began fr. W'ton. We have therefore asked for  
earlier mtg. U.S. will now explain position frankly in Paris.  
Fr. may press for tri-partite : may not like differentiation betwn. them  
& French. If necessary to appease Fr., I wd. go to Paris after  
Mollet's visit to W'ton.

7. Germany: Support Costs.

P.M. Costs £57M. across exchanges. We asked for £55<. They have  
offered £45M.  
Discussed with P.T. & S.L.I. Think we must close as quickly as poss.  
Propose to instruct our rep<sup>ve</sup>. to try for £50M. but to accept a little  
less if he can't get it e.g. £48M.

[Enter Perth.  
[Re-enter RAB.

8. Cyprus.

P. Govr. wants to send up to 30 more prs. to U.K.

R.A.B. We will do our best. May I discuss nos. with C.O.

9. Local Government Finance.

R.A.B. As in memo.

P.T. Only way of obtaining economy in l. govt is block grant system.  
Particular grants are incentive to extravagance.  
On re-rating, I still think immediate decision wd. be shock to industry.  
But it wd. be 12 mos. before it took effect – and we cd. prepare  
the ground, incldg. putting industry in better tax pos<sup>n</sup>. to stand it.

K. Agree with P.T. No. progress twds economy w'out block grant. On  
balance I also favour re-rating.  
Co-op<sup>n</sup>. with l.a.'s is good. But we must a) improve quality of l.a.  
members : re-rating and block grant wd. help. b) get greater  
interest by electorate : wider powers wd. help.

I.M. Part of P.T.'s major pattern.  
Admit that J.S. arguement con. was impressive.

J.M. I am greatly disturbed. Block grant for Scotl. wd be £36½M. and of  
this £33M. wd be for education, of wh. 50% wd. be for salaries.  
Thus it wd. not give them increased control.  
This plan may upset both l.a.'s and industry.

- Hail. Strong educational interest in block grant. This plan wd. be regarded as an attack on education : all educational auth<sup>ies</sup>., incldg. teachers, wd. be against it.  
Specific grants wd. be retained for many services, incldg. housing.  
Educ<sup>n</sup>. wd. be linked with job-lot of other services.  
Educ<sup>n</sup>. represents 85% of exp<sup>'re</sup> on services to be covered by g. grant.  
Policy must be in close control of Dpt. Their power of control over policy will be reduced. The popular parts of the service (e.g. transport to school) will be continued & other more important parts will be skimped.
- D.E. Supported. Expansion of educ<sup>n</sup>. is main plank in our domestic p'mme.  
Can't leave so much discretion to l.a.'s.  
Diff. method for economy. Improved methods of accounting & costs comparison.  
Don't believe block grant wd. improve quality of Educ<sup>n</sup>. Ctt<sup>ees</sup>. or offrs.  
Gt. political disadvantages.  
Re-rating. I wd. oppose this unless part of new general fiscal policy for industry.
- H.A. Agree with D.E. generally.  
Think we cd. do re-rating.  
Block grant : sound in theory, but I doubt if it's practicable.  
If we have to do this, shall need to work hard to mobilise Tory support.
- H.B. Right & imperative. Mistaken to suppose it will be unpopular in l.a. circles. Will in fact be popular with our supporters.  
Not a right move if we mean to expand educ<sup>n</sup>. But this is not a good moment to run that regardless of expense.  
Figures in para. 3 are surely decisive. We can't stand this increase. If we don't go for block grant, we shall have to reduce percentage grants.  
Even educationalists will welcome relax<sup>n</sup>. of detailed control Will reduce Whitehall control.  
Add. i) Rating & Val<sup>n</sup>. Bill has bn. published. Re-action in l. govt. circles that this doesn't make sense except r. b'ground of re-rating. ii) £89M. will be needed vice £73M. in memo. Block grant is only means of exercising control.
- H. Ceiling on l.a. exp<sup>'re</sup> is essential ; & I see no other method.
- C.H. Convinced M/H & L.G. is right. Attempt to control exp<sup>'re</sup> & to widen scope for independent decision by l.a.'s.  
Ty. share of re-rating, as proposed in memo., will be resented by l.a.'s.  
If <sup>4</sup>/<sub>5</sub><sup>ths</sup>. is to be taken by Ty., gt. controversy over that will obscure the whole.
- H.B. That wd. be for discussion with l.a.'s.

1. Cyprus. [Enter J.H., Mancroft, E.H.]
- S.Ll. U.S. resol<sup>n</sup>. commendg. renewed negot<sup>ns</sup>. betwn. Powers concerned and local communities. Don't like this – U.N. telling us what to do in rel<sup>n</sup>. to own popul<sup>n</sup>. – also Makarios. Have urged U.S. not to proceed with it. Prefer Italian resol<sup>n</sup>. wh. is limited to 3 Power negot<sup>n</sup>.
- P.M. Welcome first part of their's – to please them – so long as second is limited as Italian resol<sup>n</sup>. A kindly approach – not stuffy.
2. Jordan.
- S.Ll. Recommend<sup>ns</sup>. – para. 24.  
Have always said prop<sup>n</sup>. of our stores were earmarked for use by Arab Army. Ready therefore to make some concession (f) on this as lever for getting rest moved to Iraq.  
Mention points (h) and (i).  
M. Wright asks tht. we shd. not give better terms to J. than we did to Iraq.
- P.T. Quite a lot of money – £12 M stocks £4½ M installations £2 m. subsidy. I accept a) and c) and g).  
On b) : I wd. like to keep back some of £1.8 M subsidy in part payment.  
On d) : we aren't in pos<sup>n</sup>. to give equipmt. round M/E : some countries cd. make some payment.  
On e) I wd. defer sugg<sup>n</sup>. of a stock-pile : can be v. expensive.  
On i) I wd. be averse to spending £4 M. on these.
- J.H. On d) and c). W<sup>d</sup>. be 3 mos. from 1/4 before we cd. get out fr. Aquaba if we have to remove by sea.
- P.M. Induce them to agree, by concessions of what \*isn't useful to us, to removal by road to Iraq. \*i.e. equipmt. they have & install<sup>ns</sup>. we can't remove.
- M. On (f) mobilisation stocks shd. be our last concession : viz., put (i) down to the bottom.
- D.E. Aqaba port : various U.K. contractors are concerned in this : and may be valuable to us to have facilities to remove phosphate rock from there. Whole project : £1.9M, of which some paid.
- P.M. This wd. give us foothold (better because civilian) for the future.

- L.P. Is their good-will i) obtainable or ii) worth having. If we have no prospect of saving anythg. from this wreck, I wdn't pour good money after bad. I wd. be inclined to pay only what we must to get out what we want.
- S.Ll. On developmt. we must defer decision.  
There is some hope of some goodwill : but not enough to justify a high price.  
Memo. is only an outline. We shall control negot<sup>ns</sup>., with P.T.
- J.H. Don't want to volunteer (g). Not to be discussed w'out ref<sup>ce</sup>. back. Agreed.
- D.E. Do I advise contractors to stop making equipment?
- P.T. B/E. don't think it necessary to pay anything to keep J. in sterling area.  
[Exit J.H., Mancr.  
[Enter Selk.
3. Naval Discipline Act.
- Selk. Doubt wtr this will be controversial. Hope leg<sup>n</sup>. can go fwd. this session.
- R.A.B. Ready to accept it for 'pmme. H/C. want it. May take some time.  
Approved.  
[Exit Selk.  
[Enter B.C.
4. N. Insurance : Unemployment Benefit.
- I.M. Earlier Cab. disc<sup>n</sup>. Dec<sup>n</sup>. on timing to be taken in Jan., in light of wage sit<sup>n</sup>. – on basis tht., if industrial rel<sup>ns</sup>. were good, mght be unwise to inject this controversial ques. I am now against extreme course. But ready to try smaller plan for making it imposs. for a man to count a day on wh. he never intended to work. Suggest we go on with this limited proposal.
- M. Support this v. wise proposal.
- B.C. Takes a/c of prevalence of 5-day week.  
W<sup>d</sup>. prefer it in Bill, of which remainder is humane. It has bn. so arranged.
- I.M. Will consider wtr I shd. mention it informally to T.U.C.
- R.A.B. Accept this – subject to timing of introd<sup>n</sup>. of Bill.  
[Exit B.C.

5. Overseas Broadcasting.

- C.H. Propose statement tht. Estimates may need re-consider<sup>n</sup>. in light of review. But reservation re b'casting. Report on that is to come w'in general review : m'while standstill on Estimate. Reason : gt. technical problems to be solved : B/T. want to reserve dec<sup>n</sup>. on b'casting until they know plans for other inf<sup>n</sup>. services.  
M'while, two decisions needed urgently:-  
(1) Shark. Known in M/E. to be ours. Requisitioned 31/10. P'mme is part B.B.C. and part F.O. Propose therefore that it be bought by U.K. Govt. overtly – lease it to B.B.C. for next 6 months.  
(2) New transmitter for M/E., bought by F.O. Install<sup>n</sup>. costs wd. be heavy. Propose we get on with this & m'while consider how to use it.
- S.Ll. Support these proposals.  
Fit pattern. M'tain B.B.C. overseas p'mme : improve its content perhaps : while we can't dictate content, we shd. direct its deployment: but must accept fact tht. it won't always be pro-Govt. Therefore, we must have alternative "voice". Shark being blown, we must re-create another light p'mme. Favour (2) therefore.
- C.H. B.B.C. will be audible even tho' (2) is provide.  
Intend later to submit proposals for influencing content of B.B.C. p'mme.
- S.Ll. Relations with B.B.C. are becomg. a little easier.
- L.P. B.B.C.'s "impartial" presentation of inform<sup>n</sup>. overseas raises gt. issue of principle.  
Quoted Arabic b'cast : putting Ll.G.'s views on Suez.  
The Br. view = view of HMGovt.  
C<sup>d</sup>. we not at least have an hour for official statement.
- Hail. Fr. personal experience. English language b'casts are v. valuable because keep English abroad & English-speakers in touch. On these the "impartial" attitude is justified. F. language b'casts are v. different. No pol. purpose in giving those audiences good entertainment and impartial inform<sup>n</sup>. This is pure waste of money.
- P.T. £11.7 has risen to £13 odd : £1½ M. increase.  
Project (2). V. costly £200.000.  
Project (1) is book-keeping entry. The amount cd. be less.  
W<sup>d</sup>. strengthen hands of S.Ll. and C.H. if we as Cab. rule that this increased exp<sup>'re</sup> must be matched by red<sup>ns</sup>. elsewhere. Much of B.B.C. b'casting is sheer waste of money.  
Inf<sup>n</sup>. services generally must be screened. cf. cultural attachés in Germany.

- S.Ll. Accept principle of switching. But these 2 proposals together will cost less than we spent on Shark.
- P.M. (1) will be B.B.C. but audible. Hope we can improve content. Agree we buy this, entering cost at lowest figure consistent with m'taining the cover. Review again wtr running cost is £180.000 p.a. – C.H. & Ty. to agree on that.  
(2) gives us direct control over content.  
C.H. & F.O. to report further on points raised by L.P. & Hail. re control over, or improvement of, f. language b'casts of B.B.C.
- P.T. Reserve my right to insist tht. expansions be matched by red<sup>ns</sup>.
- H. £60.000 betwn. C.O. & C.R.O. for new inform<sup>n</sup>. officers (India : Canada etc.) C.O. and I want to go on with this w'out prejudice to total votes.
- C.H. Can't have greater efficiency w'out greater cost.
- S.Ll. £11 M. in 1949/1950/. Only £½ M more now. Cdn't accept big cuts in defence unless we are going on to expand inform<sup>n</sup>.
- P.M. Figure for Estimate shd. be no larger than last year.
- C.H. That can't be secured.
- P.M. Then, at least, these additional items must be offset by reductions elsewhere.
6. Northern Ireland.
- R.A.B. No change in status quo. No negotiations. Agreed.
- [Enter Att.G., Perth.
7. Gold Coast.
- H. In H/L. debate y'day. C.D. & W. Corp<sup>n</sup>. cd. continue to operate in Ghana, unless specifically excluded. Cl. 3. of Bill is regarded as offensive to Ghana. Also thght unwise to deprive ourselves of possibility of using this instrument after review of develop<sup>mt</sup>. needs of new members of Comm. They therefore press for Cl. 3 to be removed : and matter left to direction by S of S. to Corp<sup>n</sup>.
- Att.G. G., ceasing to be a Colony, will be outside scope of Corp<sup>n</sup>. Cl. 3 gives powers you wdn't otherwise have.
- P. We cd. deal with it by direction to Corp<sup>n</sup>. – if it weren't for Att.G.'s view.

- P.M. W<sup>d</sup>. like a new concept on development in Comm. – not drawg. sharp distinction betwn. Col. and Doms., but distinction rather by reference to real needs.  
How do we get Bill thro’ – pending this review.
- L.P. Favour acceptg. Swinton’s compromise.
- P.T. Delete subsections (1) and (4). Say can’t use this Act for this purpose.  
Reviewg. whole position.
- L.P. They will need to be squared in advance.

Agreed : Col. Policy Ctt<sup>ee</sup>. to settle this on Monday.

[Exit P. and Att.G.]

8. Suez Canal.

- S.Ll. For inform<sup>n</sup>.  
Para. 6 was pessimistic. Pos<sup>n</sup>. looks better.
- P.M. Tel. 156 from W’ton is more encouraging.
- H.W. If Dulles wd. say that publicly, defeat wd. be turned into victory.
- P.M. Let S.Ll. ask him to do it – in one of his dedicated moments.

1. Government Expenditure : Social Services. [Enter E.H., Vosper, B.C.]

H.M. Increased charges or contrib<sup>ns</sup>. are similar to increased tax<sup>n</sup>. – i.e. they force people to spend less on other things.

- 1) Genl. agreemt. in Cab. to £12 M. for welfare milk – half price.
- 2) If pressed, we cd. get £1¾ M. on orange juice etc.,
- 3) School-meals at 1/= wd. yield £3½M.

I wd. sooner do 1) and 3).

Then choice : Fam. Allowance (£40) : Dental Service (£20) : New stamp for N.H.S.

We face continuing problem, not that of a single year. First 2 alternatives are once for all. First, moreover, if coupled with 1) and 3) above wd. lay whole burden on children. Points to third. Insurance principle has gt. hold on public mind – cf. friendlies etc., before State insurance came in. N.H.S. is gt. boon to middle classes (clerks etc.,) – shd. keep it universal, but make contrib<sup>n</sup>. a bigger feature. Beveridge assumed ⅓rd. cost from contrib<sup>ns</sup>. : now only 1/12<sup>th</sup>. Flexible instrument for future. Better than once-for-all measures.

I therefore favour reducg. N.I. stamp by 10<sup>d</sup>/& introduce N.H.S. stamp for 1/6. Net charge of 8<sup>d</sup>. shdn't seem much to people in view of Labour plans for pensions. This wd. be around £30 M. or more.

Admin<sup>ve</sup>. ques. Employers needn't contribute, but shd. have oblig<sup>n</sup>. to stamp cards. Universal – no opting out because feckless.

By these means we cd. save £30 M. at least plus £17 from 1) and 3).

P.T. Exp<sup>re</sup> over-stretched in defence, social services and investment. We face deficit wh. will have serious effect on £.

Can't get economies needed on defence alone.

Agree we had better drop (2) : Do 1) and 2) : yielding £15 M. against increase of £280 M. that won't look enough. Must be bolstered up by sense of realism – for which we need both N.H.S. cont<sup>n</sup>. and block grant.

My only doubt arises fr. fact that we face need, later to do somethg. much more drastic over s. services as a whole & esp. pensions.

If we can separate N.H.S. from N.I., it will be gt. advantage. Must be sure first there is prospect of defensible scheme. If we can't be sure, we shall have to forecast action w'out promising it. Can't risk admin<sup>ve</sup>. muddle.

B.C. Can't yet see for certain that admin<sup>ve</sup>. diff<sup>ies</sup>. can be overcome.

Workers don't see cards : only deduction on pay slip. Additional trouble for employers.

Contributory basis for N.H.S. What about those exempt – old & poor – are they to be denied benefit.

P.M. No.



- [B.C.] Sanctions for self-employed?  
 These are only admin<sup>ve</sup>. ques. Real obj<sup>n</sup>. is impending deficit on N.I. Fund - £40 M. next year rising to £400 in 1971. How much can we get fr. increased contrib<sup>ns</sup>? Matter of judgment. I wd. prefer to wait.
- D.V. Diff<sup>ties</sup>. are greater for B.C. than for me. I favour getting insurance principle more clearly emphasised.  
 Separate card would be administratively severe. Separate stamp on same card – or over-printing. Recognise tht. people don't see their cards.  
 Orange juice : take-up is only 30% of entitlement. W<sup>d</sup>. have bn. ready to do it. Waste.
- A.L.B. Contract to take it fr. W. Indies until 1960.
- D.V. Support P.M.'s approach on N.H.S.
- H.A. Support P.M. Warning tht. 1) may make it more diff. to get rid of our milk production.  
 On N.H.S. I wd. aim at 50% fr. contrib<sup>ns</sup>. eventually. Wonder wtr 2/= cdn't be managed vice 1/6<sup>d</sup>. for 1<sup>st</sup>. step.
- I.M. Favour principle. B.C.'s diff<sup>ties</sup>. will be easier if N.I. and N.H.S. are separated. 1/6<sup>d</sup>. is reasonable start : 3/7<sup>d</sup>. wd. be 1/3<sup>rd</sup>.  
 Must be compulsory as I.I. cont<sup>n</sup>. is.  
 Prefer separate stamp – for present<sup>n</sup>.  
 Don't allow it to affect entitlement. Burden of sick shd. be carried by the fit.
- L.P. Strong support for N.H.S. plan.  
 May be 1<sup>st</sup>. step twds. puttg. s. services on more realistic basis.
- M. Support. But is it right to reduce N.I. stamp by 10<sup>d</sup>. when Fund is running into red.
- R.A.B. Support. But some day we shd. consider 3<sup>rd</sup>. element – investment esp. by nat<sup>d</sup>. industries.
- P.M. Approve N.H.S. plan in principle.  
 Admin<sup>ve</sup>. diff<sup>ties</sup>. to be examined.  
Agreed. Approve 1) and 3) at outset.
- P.T. Leave over amount of new stamp for final decision later.
- H.B. 4 m. households will face increased rents in Oct. Large families cannot take much more. Mght be better to do 1) and 2) which wd. run together as one, rather than 3).

P.T. Won't give me the savings – esp. if we can't sell what we have contracted to buy.

Agreed P.T. to have discretion as between 2) and 3) and higher value for stamp.

[Exit B.C. D.V.]

## 2. Local Government Finance.

H.B. Opinion in l. govt. is strong tht. educ<sup>n</sup>., on specific grant, has eaten up too much. Expected that somethg. will be done to cut this back as result of review.

This cdn't operate before Apl. 1958. W<sup>d</sup>. be 1961 before results in App. began to appear. Review inevitable before then.

Not our object to freeze educ<sup>n</sup>. exp<sup>'re</sup>. at present level. We shd. fix formula for amount for '58-'61. Recognise need for expansion : but must introduce economical admin<sup>n</sup>. as a safeguard.

Salaries of teachers, admittedly, are fixed : but no. employed is at discretion of l.a.'s.

Education is large element in total of block grant. But nothg excluded wh. cd. be brght in save police grant. W<sup>d</sup>. be imposs. to include housing subsidies or road grants.

Hail. Can add little to what I said before & my written memo. Also 2<sup>nd</sup> leader in Times.

Delusion to suppose tht. there is substantial waste of educ<sup>n</sup>. or, if there were, tht. this scheme wd. reduce it.

No. of teachers. Surely we can't believe teacher/pupil ratio is satisfactory. Govt. policy = to reduce it.

What this does is to transfer control over educational policy from M/Ed<sup>n</sup>. to Municipal Treasurer. Fallacy here is that latter will be more effective under general grant than is that of M/Ed<sup>n</sup>. under specific grant.

H. Percentage of total cost rep<sup>d</sup>. by salaries?

Hail. About 60% for teachers alone : plus 10% on other immovables.

D.S. Hail.'s view strikes at root of l. govt. principle. Central Govt. shd. not be in a pos<sup>n</sup>. to enforce execution of policies by l.a.'s. Essence of independent l.a. govt. is that some must be more efficient than others. W'out that l. govt. becomes lifeless and l. elections meaningless. Standards of educ<sup>n</sup>. shd. be m'tained by local interest.

J.S. General grant for Scotland wd. be £36 M. of which £33 M. wd. be for education.

W<sup>d</sup>. have to seek other means of co-ercing backward l.a.'s.

No maldistribution of teachers in Scotland.

- Status of l.a.'s. Real problem = find people who can spare time. Genl. grant wdn't help us in this.
- I.M. Close connection with Item 1. Support P.T.'s need for it. Education lobby is formidable – & will raise a big row. But this is best hope for economical admin<sup>n</sup>. by l.a.'s.
- H.W. W<sup>d</sup>. it be feasible, in educ<sup>n</sup>. as in roads, to reserve a small element of grant to central Govt.
- C.H. Support D.S. Will be accepted as a move to restore independence of l. govt. And welcomed on that a/c despite education lobby.
- D.E. Not much good to P.T. unless it saves money.
- R.A.B. Believe this may be less distasteful to M/E. than revising his specific grants.  
AMC have said they prefer block grant to equalisation system. Also in their Journal they have welcomed change wh. accords with this plan.  
Must reduce l.a. expenditure on educ<sup>n</sup>.
- P.T. Close connection with Min. 1. Must demonstrate real effort to check increasing exp<sup>re</sup>. This isn't a cut : it is a check on growth. People are more careful in spending own money than other people's.  
Agree with D.S. and Ch. H. Can present this as giving more life to l. govt.
- H.W. Ready to surrender £20 M. below line on my nat<sup>d</sup>. ind<sup>ies</sup>.
- E.H. Political obj<sup>ns</sup>. to this. May lead to increased rates – v. sensitive politically.
- P.T. This will give life to local elections – a great & urgent need.
- H.A. Fear this will be disappointing in practice. Will increase pressure to transfer exp<sup>re</sup>. to rates. On balance, will be more unpopular than popular with Tories. But wd. accept majority view.
- H.B. Timing. Awkward tht. we have Rating & Dev. Bill 2<sup>nd</sup>. Rdg. on Thurs. Will be criticised because doesn't include any industrial de-rating. I wd. wish at least to say, in that debate, tht. there will be comprehensive leg<sup>n</sup>. : this is ad hoc Bill : we shan't get rating right until all property is rated 100%. of value, however long it takes to reach that position.  
This major Bill wd. be next Session.
- P.T. What I wd. prefer is statement by H.B. before 18/2 forecasting intent<sup>n</sup>. in genl. terms on block grant and on re-rating.

- Ch.H. First reference to re-rating shd. be as precise as possible.
- H.B. C<sup>d</sup>. promise on Thurs. a more comprehensive statement on Mon.
- P.M. Two aspects. 1) Re-rating up to 50% in Bill next Session. Sh<sup>d</sup>. say so publicly soon. Needn't decide yet how the £25 M. is to be divided betwn. Exchequer & l.a.'s.  
2) Block grant. Educationists will represent it as reactionary. But percentage grant dates fr. period when l. govt. dominated by property & central govt. were trying to tempt them to spend. This is hardly true to-day. P.T. wants to represent this as means of getting exp<sup>'re</sup> under control. Needn't be rep<sup>d</sup>. as a cut. In l. govt. opinion, a balance betwn. educationalists and those who value independence of l. govt.
- P.T. On an increase of £280 M. in civil expenditure, it's not enough to say I'm raising more cash (2/= N.H.S. stamp & re-rating) and only curbing exp<sup>'re</sup> by £15 M. Must have this as an add<sup>l</sup>. method of curbing exp<sup>'re</sup>.
- H.M. Must ask for unity in support of P.T.  
But wd. like to take decision on Thurs. in light of draft statements to be made by H.B. (two) and P.T., so that we cd. judge the presentation. [i.e. H.B. on Thurs. & Mon. P.T. on 18/2.]

### 3. House of Commons : Members' Fund.

- P.T. As in memo.
- R.A.B. x/ Re-consider para. 4.
- P.T. If we can do it w'out repercussions.
- H.B. Trustees are content with para. 4. Now that amount is to go as high as £500 p.a.
- P.M. y/ Timing – do it with general packet on salaries.

Agreed : subject to x/ and y/.

### 4. Ghana.

#### C. D. & W. Fund.

- H. Sw. compromise wd. be inconsistent with earlier Act.  
Propose therefore to defend clause as it stands. Hope we can get it thro'.

Independence Celebrations.

- P.T. Was asked for £55.000, includg. £35.000 on 4 Valiants for fly-past.  
Surely the Valiants are too much.
- A.L.B. U.S. & Soviets are sending jets. Unwise for us not to be rep<sup>d</sup>. in the  
air.  
Ready to forego Army band.
- S.Ll. Training flights. Need it be a net additional cost?
- P.T. £35.000 total : no more.

5. Broadcasting : Party Political Broadcasts.

- R.A.B. I.T.A. have refused to take Party political b'casts from B.B.C.  
Opp<sup>n</sup>. have sugg<sup>d</sup>. leg<sup>n</sup>. to compel I.T.A. to do this.  
Are we going too far in threatening this.
- C.H. V. diff. to implement such a threat.
- P.M. Seek to use persuasion on I.T.A.

6. Suez Canal : British Refugees.

- P.M. Read draft statement to be made in H/C. Approved.

1. Parliament. [Enter E.H.]

2. Foreign Affairs.

[Earlier items not heard.]

Yemen.

S.Ll. Still think it's too dangerous to admit U.N. observers.  
Position is not so v. bad. Play it down.

A.L.B. Yemenis have artillery. Flying out guns for our side.

3. Ghana.

A.L.B. Purpose of visit – to re-assure Ashanti & N. Territory Chiefs, who are anxious about their traditional rights. Thought all was well. But Nkrumah threatened to go back on agreement in rel<sup>n</sup>. to security. Sent 2 emissaries. I have told them we can't vary our agreement. Believe I may have convinced them. Propose to go ahead with publ<sup>n</sup>. of W. Paper to-morrow.  
D/Kent is now willing to stay on & visit Northern territories.

4. E/West Trade. Copper Wire.

D.E. Last year embargo was lifted, & firms got contracts.  
In Oct. Aberdare Cables were told they had every prospect of licence for this year as for last. They have 2.800 t. carry-over from last year. Think we must give them total licence for 10,000 t. this year. Their competitor has licence for 40.000 t.  
Strategic obj<sup>ns</sup>. are no stronger than in '54.

S.Ll. Rise from 5.000 to 40.000 t. in 2 years. U.S. will be upset if it rises to 50.000.  
See case for 10.000 to Aberdare. Can we not space out C. Parkinson deliveries so that amount actually shipped in '57 doesn't  
x| exceed 40.000. To hold position around that figure.

D.S. W<sup>d</sup>. be mistake to give U.S. imp<sup>n</sup>. tht. we are irresponsible over this.  
Don't believe, however, tht. Sov. will give priority to defence needs.

P.T. US. haven't moved an inch twds. liberalisation.

- A.L.B. I Agree.
- S.Ll. They have accepted our use of exceptions procedure w'out protest.
- P.T. But they are now going back on it.
- L.P. Avoid irritating U.S. at this stage.
- P.M. Get delivery dates for both firms and try for solution on lines of x/  
Report to me & I will settle.
- M. Tell firms not to give publicity to this anyway.

5. Education.

- Hail. Support memo. by predecessor. But, as written before discussion of econ. sit<sup>n</sup>., have added supplementary memo.  
Need for advance on educ<sup>n</sup>. front is greater now – ? because block grant.  
Increase in school pop<sup>n</sup>. : “bulge” is passing to secondary schools, where cost is higher .....
- P.T. School bldg. H.M. agreed to £55 M. this year, on basis of dropping to £50 M. next year. M/Ed. now want £55 M. next year & £60 M. for year after.  
There may be a moment later, after seeing Def. P'mme, when we can see a prospect of expansion. At present, increased exp<sup>'te</sup> wd. have to be matched by red<sup>ns</sup>. elsewhere.  
Before we can be great, we must be solvent.  
Cost by loan & charges on educ<sup>n</sup>. Vote – which has bn. growing faster than most others.
- A.L.B. Colonies' need for technicians. If they have to get them fr. elsewhere, English & our hold on Comm. will be lost thereby.
- D.E. When I went to M/Ed., we were behind hand ; & with Cab. auth<sup>y</sup>. I roused p. opinion to need for expansion. They are ripe now to demand it. Main social service wh. Con. Govt. shd. press.  
Unless we get more spent now, standard of sec. educ<sup>n</sup>. will be seen to have fallen by next Genl. Election. Some counties won't have enough places – & will have to hold a prop<sup>n</sup>. of children back in primary schools.
- R.A.B. Expans<sup>n</sup>. of new towns & housg. estates has made implement<sup>n</sup>. of my Act much more expensive than we had supposed.  
Denominations also need a little help.  
If we do block grant, we must to somethg. else to show that education is not slipping back.  
Concentrate on improving link betwn. top of sec. schools and

| technical colleges. That is our weakest link. Gear his demands  
x | to that plus denominations. That wdn't cost much over next 18  
| months. W<sup>d</sup>. match our drive for atomic expansion.

P.T.           What do we cut back?  
              We haven't saved yet. Mostly, new taxes or cont<sup>ns</sup>.  
              Educ<sup>n</sup>. Estimates show increase of 1/6th. Pause before we give another  
              upward twist. Defer dec<sup>n</sup>. until after Budget. M'while let M/Ed.  
              discuss with Ty. – ? on x/.

P.M.           M'tain rules re prior discussion with Ty.  
              Distinguish betwn. cost & burden on economy (bldg. industry). We  
              have reduced that burden – Hail. referring to more rapid  
              completion. Study wtr capital investment wd. stand another £5 M.  
              Restrict any increase to 1 year : for thereafter wd. be affected by block grant.



[Enter E.H.]

1. Jordan.
2. Germany : Support Costs.
3. Local Government Finance.

Draft statement considered, para. by para.

- R.A.B. Para. 2. Strengthen by giving some figures. 504 Exch. 420 Rates.  
With an indic<sup>n</sup>. of progressive increase over last decade.
- J.M. Not clear how alternative central control will be secured under block grant.
- R.A.B. Will mean control by direction instead of by w'holding grant.
- P.M. How often do you in fact w'hold grant.
- Hail. Shall have to make more use of power of direction. Financial control is more flexible.
- P.M. Para 3. Mention minor except<sup>ns</sup>., if there are any.
- D.S. Para. 4. Don't say "immediate" of somethg. wh. takes effect only in 1961. Some warning shd. be given tht. l.a.'s won't get all the money.
- P.M. Shall also be asked wtr re-rating is to stand at 50% – or wtr it is to go on up to 100%. Can we say : this is our plan – 50%.
- P.T. "raise from 25% to 50%."
- J.M. How much will l.a.'s get out of re-rating.
- P.T. V. little. Don't mind some warning tht. they won't get it all.
- P.M. Give some expl<sup>n</sup>. : a subsidy to industry in slump, & Ty. compensated l.a.'s. And say tht. in final settlement this must be brrght into a/c.
- R.A.B. Final settlement can't be reached until agric. is re-rated : and we mght then go above 50%.
- P.M. Can't be too precise : but draft of para. 5 is too vague. Indicate that there is this problem, but don't say what is ultimate solution.

- H.B. Yes – will re-consider para. 5. But don't want to recall 1929.
- P.T. Is there a case for going to 100%.
- D.E. Easier to do these things in 1 bite than 2.
- M. Don't do that unless tax concession to industry.
- P.M. Make it clear tht. block grant applies to all services save those to which it is inapplicable for technical reasons.
- H.B. Para. 6. Sugg<sup>d</sup>. re-draft of final sentence.
- P.M. Make point tht. it is designed to give vigorous & independent life to l.a.'s. Rather than appear to be encouraging cheese-paring.
- J.M. Para 7. Add S of S. Scotland (re roads).
- Interim statement on Rating Bill 2<sup>nd</sup>. Rdg. – approved.
- Hail. Believe this pos<sup>n</sup>. will be v. hard to hold.  
Rel<sup>ns</sup>. with l.e.a.'s will be worsened – & I haven't yet won their confidence.  
Have Cab. appreciated strength of opposition.
- D.E. Fear it may not be tenable.  
All modern tendencies are twds. central control of education.
- H.B. Tory opinion in l. govt. will welcome this.  
L.G. offr (save educ<sup>n</sup>. officers) will support it.
- H.A. Fear expected results won't accrue. Too late to re-vitalise l. govt.  
Believe they must turn into agents of central Govt. Believe this is an effort for a cause already lost.
- J.M. Dislike both parts of proposal. Fear boomerang. Tory opinion in Scotland will be indifferent. Educationalists will dislike.
- H.B. Co. Councils Assoc<sup>n</sup>. will prob. welcome this.
- R.A.B. Burden of exp<sup>'te</sup> is too great. This helps to bring it under control. Education. Divide betwn. investment & other exp<sup>'te</sup> (on which there is extravagance). If we don't have block grant, we shd. have to face even more unpopular revision of percentage grants.  
Major Bill – for next session. Will crowd out a lot of others.
- D.S. Must stress tht. this is aimed at i) economy, thro' increased financial independence to l.a.'s. ii) reality for invigoration of l. govt. This will give impact to help it thro'. More stress on ii) in statement.

- R.A.B. Mght be exception for technical education.
- P.M. Prefer to confine exceptions to those wh. can't on technical grds. be included. Otherwise, door is open – & you have admitted that specific grants are better than general.
- P.T. Must be able to show we are takg. steps to bring exp<sup>re</sup> under control.

Agreed : Proceed accordingly.

4. Rent Restriction Bill. [Enter Home

P.M. Are we to promise specific concession on Cl. 9.

5. Legislative Programme. [Exit H.B.

L.P. Bills started in H/Lds. Films : Shops.  
Dpts. have said no amendments to be accepted in H/Lds. Can't wear that.

R.A.B. Am arranging for some to be done in H/Lds.

1. Farm Price Review.

[Enter E.H.]

H.A.

If we insisted on minimum of £8 M. or still more £3½ M., fear following consequences:—

We declared 160% above pre-war prod<sup>n</sup>. as our aim by '56. We have reached that point & must determine what further expansion we need.

We are fixing fair prices for output of £1.200 M M. p.a.

Gt. dissatisf<sup>n</sup>. last year – removed by long-term assurances. But we gave assurance tht. w<sup>'</sup>in that framework annual reviews wd. continue.

Farmers are waiting to see what we do with them. But they are in a mood to co-operate. W<sup>d</sup>. be unwise to wreck that atmosphere.

Over last 3 years price increases have bn. about the same (?).

Net income will be £7 or 8 M lower than last year. But every medium or small farmer has suffered much larger drop.

Cost increase is equivalent to 3% on output. £15 or 16 M increase wd. be only 1½% on output. Not unreasonable in a year of inflation.

Imposed settlement on basis of £3½ M. increase wd. wreck our chances of co-op<sup>n</sup>. by farmers.

If we chose £8 M., offls. cd. develop case on that basis.

Myself, I wd. go higher e.g. to £15 or 16 M.

Petrol and oil. New costs are included, by convention, but it is for Govt. to decide what weight to give them. This shd therefore be included, unless we are certain tht. it will cease in next few months. If we strain convention by excludg. it, farmers will be entitled to breach convention on their side. I therefore favour incldg. it as cost increase : tho' consider how far we recoup it. That gives £8 M. as starting point in negot<sup>n</sup>.

P.T.

Leave aside pro. tem wtr we start fr. £3½ m. or £8 m.

A critical year. All reserves mobilised. Bank rates & taxation are stretched to limit. Lookg. for economies, not add<sup>l</sup>. exp<sup>'</sup>te.

⅔rds. of net income of farmers is paid by Exchequer. £233 M. subsidy next year, w<sup>'</sup>out add<sup>n</sup>.

Farmers' income this year as high as any achieved & will be higher next year.

Increased costs certainly. £15-20 M. of them already absorbed. Others temporary. Estimate net income will rise by £10 M. w<sup>'</sup>out any changes, next year.

Comm<sup>d</sup>. to another £5 M. on cap. grants.

No case for any commodity increase. Milk & eggs are in embarrassing superfluity.

Long-term assurances compel us to pay £3½ M or £8 M. – in a year when we wdn't otherwise pay a penny. Suggest we go no further.

If ever there are to be circs. justifying no more than minimum this surely is the time for it.

What other industry is guaranteed 97% of income.

Agree with para. 14 of H.A.'s memo. This is the year, surely, for imposed settlement. Say it from outset.  
On £3½ M. or £8 M. – unlikely they will pay higher rates for full year.  
But, in view of convention, I wd. concede the £8 M. on basis tht. we recoup ourselves next time for element not used during the year.

R.A.B. Figure is reasonable – tho' I cdn't accept argument. N. Ireland expect £10-15. M. E & W. expect £10 M. We shall do v. well if we settle at about £8 M.

P.T. If you mean to bargain, you'll need to start lower – e.g. £3½ M. My offer of £8 m. is on an interpret<sup>n</sup>. of minimum.

Agreed: observe convention re petrol: include it as increased cost.

P.M. The minimum, at £8 M., obviates any charge of breach of faith.

P.T. If we take it on basis of minimum, proceed as in para. 14 – w'out negotiation.

H.A. Yes : subject to carrying out genuine price review.  
W<sup>d</sup>. like 2-3 days to consider tactics & take political soundings.

L.P. Fact that 2/3rds of farm incomes are paid by Exchequer shd. be more widely known – esp. for purpose of wage claims, which have succeeded on basis tht. industry is prosperous.

H. The more we subsidise, the greater our diff<sup>ies</sup>. with Dom. producers & consequent loss to our imports.  
i) Milk : difficult for N.Z. ii) 4<sup>d</sup>. for wheat : will that enable us to honour our recent agreement with Australia.

H.A. Can't avoid the 4<sup>d</sup>. on wheat : but it still leaves them with a lower profit.

[ Absent 10 minutes .....]

## 2. Local Government Finance.

Revised draft of statement considered & amended.

[Exit P.T. & D.E.]

## 3. Meeting at Bermuda.

P.M. Will announce in H/C. to-day. 21-24 March.  
S<sup>t</sup>. L. sugg<sup>d</sup>. I shd. go on to Ottawa. Didn't wish to do that because U.S. opinion. Now decided that he will come to B'muda.

4. Israel.

S.Ll. Best tactics = try to revive Sec. Genl.'s last report. To avoid having to vote on sanctions resol<sup>n</sup>.  
Since then, have learned tht. State Dpt. are nervous of latter and will seek to avoid any resol<sup>n</sup>.  
Also learned tht. Pearson is favourg. a more positive resol<sup>n</sup>.  
These are two promising developmts.

P.M. Read a draft memo. which he had prepared for his own guidance.  
Right course wd. be simultaneous w' drawal of I. troops (Gaza and Aqaba) and assumpt<sup>n</sup>. of U.N. responsibility. We shd. therefore aim at getting that made clear in a resol<sup>n</sup>. of our own – in order to show Arabs where we stand. We cdn't vote for a sanctions resol<sup>n</sup>. : but, if we had a positive resol<sup>n</sup>. on the table, we cd. abstain.  
Sh<sup>d</sup>. we leave initiative wholly with Pearson. Or sponsor his resol<sup>n</sup>. \*P. Dixon to be consulted on this.\*

5. Suez Canal.

S.Ll. U.S. are opposed to any arrangement on dues wh. wd. prejudice the ques of ownership. That means dues shd. not be paid to Egypt. Need therefore for some international agency – e.g. Int. Bank.

H.W. For this purpose, reasonable to assume Canal will be open by end/February.

S.Ll. Initiative must rest with U.S. & Sec. Genl.

6. Jordan.

S.Ll. Main diff<sup>y</sup>., in negot<sup>ns</sup>., is staging & over-flying rights. They are reluctant to have it said at this time. But it's prob. more in their interest than ours & if so we shd. have no diff<sup>y</sup>. in getting a secret agreement.

P.M. Enough to have a secret agreemt. by exchange of letters. Not essential to have public announcement.

D.S. Content, so long as it is binding. Tho' we cd. not keep it secret for long, x| as we shd. be asked about it. Sh<sup>d</sup>. have to disclose it when Agreemt. itself (as opposed to Heads) is made public.

P.M. Let M/D., M/T. and F.O. consider how this cd. be ensured as effective. Method. And how cover x/. Prs. enough to tell Iraq. Result to be reported to P.M.

7. Northern Ireland.

H. Now Genl. Election is procdg., no approach shd. be made to Dublin Govt.

Agreed.

8. Parliament.

RAB. Business for next week. [Exit S.Ll.

9. Oxford Roads.

L.P. Beveridge motion goes beyond Meadow & raises genl. ques. of Oxford amenities etc.,

To preserve future of Oxford is not too large a ques for a R. Comm<sup>n</sup>.

The more Peers attend, the greater the majority v. Govt. I am therefore reluctant to put Whips on.

W<sup>d</sup>. be unwise to oppose this too strongly.

The Cab.'s earlier disc<sup>n</sup>. didn't cover whole subject. E.g. outer-ring roads, shopping centres in Cowley. Moreover, these 2 proposals were original plan of City Council – abandoned at instance of M/H & L.G. Road Research Lab. never consulted : v. damaging if that were disclosed in debate. Experts : Abercrombie takes opposite view to Sharp.

What is pos<sup>n</sup>. now? D.S. took line tht. Govt. were finally committed to Meadow road. But H.B. in his memo. takes diff<sup>t</sup>. view – para. 6-7 suggests that position is still open.

If we cd. say that in H/L. debate, wd. be easier. But, even so, if City Council come out in favour of Meadow road, are Govt. committed?

This concerns – not merely 2 Dpts. & City Council – but a v. wide public.

Appreciate last sentence of memo. But H/L. will want to know what advice and whose will be sought.

D.S. As to past : i) Outer ring & Cowley shops were not dropped at my instance. They were mentioned in my lr. as valuable cont<sup>ns</sup>.  
ii) Extent of commitment. Cab. are only comm<sup>d</sup>. to rejection of inner ring roads & to invit<sup>n</sup>. to Council to submit plan for Meadow road on wh. Public enquiry wd. be held.

H.B. Since Cab.'s discussion : City Council are going to produce a plan. That will have to go to public enquiry. A R.C. wdn't give same chance to parties to confront & X-examine one another. Para. 8. : Sugg<sup>n</sup>. tht. enquiry mght be held by someone other than official of my Dpt. & tht. report be published.

- P.M. Much misconception. All we are committed to is rejection of inner-roads plan.  
On procedure, attracted by idea of public enquiry by an independent on precedent of Gatwick.
- H.B. Para. 10. No use having this further enquiry during petrol rationing.  
Road research lab. Ready to consult them when Council produces another plan.
- Hail. Support sugg<sup>n</sup>. of Gatwick precedent.  
But will enquiry bring out real issue : viz., can it be established yet that an inner road is required – until outer-ring road & shopping centre are built.
- H.B. No reason why this shd. not be covered in enquiry.
- P.M. Offer in debate tht. enquiry will be held by independent person, report will be published, & scope will not be unduly narrowed.
- H.W. Cost of inner road would be £3 M. or over. Not in my p'mme.



1. Rent Restriction Bill.

[Enter E.H.]

H.B. As in memo.

D.S. This accords with concl<sup>ns</sup>. which I had reached.  
Agree tht. pos<sup>n</sup>. will not be as bad as some fear. Tho' there will be some cases of exploit<sup>n</sup>. by l'lords.  
Agree also tht. premium must be prohibited.  
There may be pressure to increase period fr. 3 to 4 or 5 yrs. Wdn't move yet on that. Minister's' proposals are fair balance.

Hail. Recomm<sup>n</sup>. (d). Does this mean minimum period of notice after the 15 months. Hope so. For common law prov<sup>ns</sup>. for a week's notice works hardly.  
Prohibition of premiums. Give man who has paid the power to recover.

H.B. My proposal is transitional only. Permanent change in law wd. be landlord/tenant problem. I will discuss with L<sup>d</sup>. Chanc. wtr amendmt. cd. be made in this Bill.

P.M. Consider doing it by stages – first for this area of de-control only.

I.M. Doubt. Are we going to far? Political dates : Lewisham/Gnl. Elect<sup>n</sup>. These proposals will be taken as our re-action to Lewisham. We shd. say at once tht. principle of Bill holds, but we will try to smooth transition.  
On para. 10 (a) 12 mos. vice 15? (b) Agree. (c) Accept the arguments ; but, if so, (d) make the 6 mos. notice applicable after 9 of 15 mos. have run. If (d) stands..... Drop my point on (d) – on expl<sup>n</sup>. tht. notice can be given after 9 mos.

D.S. 15 mos. is about minimum if you want it to go smoothly.

H.B. Don't think it will seem weak. Surveyors have recommended 18. Valuation office think that market will settle at 2 – 2½ times gross value generally and 2½ – 3 times in Ldn.  
Procedure : was disposed to do these amendmts. on Report. Now inclined to terminate argument by passing them in Ctt<sup>ee</sup>. W<sup>d</sup>. announce them on Tues. and table them for discussion on followg. Tuesday.

Ch.H. Govt. will get credit for doing it in proper course w'out reference to Lewisham.

Agreed : Go on with Bill - & re-affirm it at once.  
Ammendmts. as proposed.

Procedure – in proper course of Bill : Ch. Whip & M/H. & L.G. to decide at what stage in Ctt<sup>ce</sup>. – not to wait till Rpt.

[? Exit E.H.

## 2. Farm Price Review.

- H.A. My personal judgment is that any settlement below £15 M. would destroy credit with farmers which we have secured by long-term assurances.  
This would give an increase of 1.5% in selling prices. Modest compared with industry.  
Previous awards over 3 years, for roughly same increases, have been much higher than £8M.  
Long-term assurances weren't designed to allow for tougher reviews, but to facilitate long-term planning.  
Gap of £7M. Not a high price to pay for continued good will.  
Good hope that costs won't rise again next year.  
Schedule (as submitted) would mean we were not maintaining profitability on any of items when we want to maintain or increase production. – barley, beet, sheep & beef, wool. We<sup>d</sup> have liked more than £2 on fertilisers.  
I would therefore prefer to argue a case for £8M., leave farmers to ask for more, & see how it goes – without putting in a detailed schedule at this stage.
- P.T. We must appear to be in a gripping financial situation.  
Not inherent in long-term assurances that we never award a minimum.  
This forces production by adding price increases to normal increase of efficiency.  
We shall have to impose a settlement. Commend therefore paragraph 14 of earlier memo.  
£8 M. honours our obligations in full. Rather more because assumes increased oil costs will continue throughout year. £4½ M. for that.  
We also give £5M. rate, for 1<sup>st</sup> time, for capital investment : say £3 M. this year  
Also £13 M. extra in real cost of subsidy to Ty. – on existing basis  
All told this means £24 M. increase over last year in real cost. Wipes out, and more, all proposed saving on school meals & milk.
- L.P. Political problem. We are planning action which will discourage various sections of our supporters. This will upset farmers. Diff<sup>ce</sup> between M/Ag. & P.T. = £7 M. Is it worth it? V. large block of political opinion is involved.
- D.E. Position on oats & barley. We are near to exporting now.
- H.A. We import very large amounts of dollar barley.

- P.M. Read note of R.A.B.'s views.
- J.M. Sc. farmers have not h'to opened their mouths as wide as English. But fear that, if we don't give more than £8M., their N.F.U. will become as powerful as the English.
- H. W<sup>d</sup>. like less encouragemt. to milk & more to barley & oats.
- Ch.H. Merits – with P.T. But on politics, we have achieved transform<sup>n</sup>. of agric. opinion. That gain will be lost if in 1<sup>st</sup>. year we award minimum. And we shall get charges of bad faith.
- P.T. Can't we plead financial diff<sup>y</sup>. If any year is one in which minimum is justified, this is it.
- H.A. Agree to start like that. But don't want, by submittg schedule, to close door to doing a penny more.
- P.M. Start by taking general line of x/.  
 | Don't submit detailed schedule.  
 y| Keep it in mind we may have to go a bit above.  
 | But reserve right to do it on price schedule – on merits of  
 | individual commodities not on total. £2 M. in that way wd. be  
 | defensible.
- P.T. But I know no commodity whose increased prod<sup>n</sup>. in U.K. won't do more harm than good to b/p.  
 If we have to do anything for farmers, I wd. sooner consider a tariff on meat.

Agreed : As first step, proceed as at y/.

- D.E. W<sup>d</sup>. prefer to give money to small men – e.g. subsidy on first x gallons of milk, while cutting back general price.
- H.A. That wd. discriminate v. efficient producers. Have then no justific<sup>n</sup>. for subsidy in general.
- P.M. After initial start as at y/. consider alternatives: –  
 i) Schedule with another £2 M or so.  
 ii) Bribes to small men.  
 iii) Meat tariff.

[Enter D.V., Att.G.]

3. Remuneration of Doctors.

- D.V. As in memo.
- Att.G. T. of Reference. Para. (b) “principles” v. dangerous. Dankwerts. W<sup>d</sup>. prefer to omit 1<sup>st</sup>. sentence of (b).

- P.T. I agree. Am also v. doubtful about (c). Don't want periodical reviews.
- Hail. But disadvantages of havg. every review a pol. ques.
- D.V. Accept sugg<sup>n</sup>. on (b). Want (c) to get away from Spens. and to parallel C.S. Ctt<sup>ee</sup>. Also (c) is what will sell it to doctors.
- I.M. Favour (c). Decisions w<sup>d</sup>. be reserved to Govt.
- H.B. "Keep that remuneration under review" – Agreed.
- Att.G. On (a) – 'having regard to' vice 'in comparison with'.  
R.C. shd. also have power clearly to look at comparative diff<sup>ces</sup>. w'in profession.
- (1) Agreed : P.T. with Heath Ministers & Att.G. to go over terms of reference again : & refer to P.M.
- L.P. Whatever amendment of (b) is made, R.C. won't escape discussion of principles.  
Pre-clinical workers. As in memo. May Health Ministers and I examine & submit a memo.
- P.M. Bring in also rep<sup>ve</sup>. of Universities.
- Att.G. Case for legal Chairman.
- P.M. I will settle composition.
- P.M.

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**FREEDOM OF INFORMATION**

**ACT 2000**

[Exit L.P. Att.G. Home.

4. Government Expenditure.

- P.M. Choices : (1) abandon prospect of substantial red<sup>n</sup>.  
(2) go for N.H.S. contribution.  
If (2) is accepted, pol. ques of timing –  
(3) can we say that N.I. adjustments must wait another year; or must we face comprehensive leg<sup>n</sup>. prob. next session.

In discussion – general agreemt. to adhere to (2).

- P.M. Amount : what about doubling it :  $1/5^d$ . for man &  $3^d$ . for employer :  
total  $1/8$
- P.T. Favour that – simplest, and also middle course.
- H.A.  $1/6^{\text{th}}$  vice  $1/12^{\text{th}}$ . But don't present it as final step.
- P.M. No. Power to vary amount by order.
- P.M. Problem remains wtr this shd. be done separately or together with  
adjustment of N.I. benefits & contr<sup>n</sup>.
- B.C. Diff. to settle amount for N.H.S. w'out knowg. what increase we may  
have to make on N.I. Must know what total, if we are to judge  
wtr it is tolerable.  
Pressure for improvement – matter of judgmt. wtr it can be resisted.  
To-day's figures of retail prices make my memo. out of date : we  
are now even lower by comparison with '46. Pos<sup>n</sup>. will be  
increasingly diff., even if prices don't move up.  
Fear that, if we do this, we shall lose initiative.  
Wise course wd. be to time increased cont<sup>ns</sup>. with increased N.I.  
benefits. On timing, I wd. be inclined to wait for favourable  
moment. Had hoped to defer until next Session.
- P.T. Have considered with B.C.  
We must get some cont<sup>n</sup>. to this year's Budget. Stamp (now) is only  
practicable method.  
Had bn hoped previously to hold N.I. rates until c/living rose to 108.
- H.B. Increase shd. take effect (N.H.S.) before Oct. (because of rents).
- P.M. To get it home that this separate, we must do it alone & soon.  
But prs. in autumn we cd. get N.I. Bill – with frills to offset Labour  
Party plans.
- B.C. \* Still fear that this action will make it imposs. to hold N.I. rates until  
autumn.
- H.A. Food Stocks. Def. Ctt<sup>ee</sup>. shd. re-consider level. Now meets neither  
\* one policy nor another.

[Exit D.V., B.C.]

## 5. Steel Industry.

- P.M. Read P.T.'s minute.  
Ty. want to authorise sale of S. Co. of Wales.

No oblig<sup>n</sup>. qua development. Ques : political. Is it better to go on twds. Completion of our policy.

- M. Technical arguments are all in favour of going fwd.
- P.T.  $\frac{1}{3}$ rd. (equities) will be sold : but  $\frac{2}{3}$ rds. (deb. : preferred) will be held by Agency. Tho' latter wd. eventually be sold at par.
- D.E. C<sup>d</sup>. some of debentures be convertible into equities. W<sup>d</sup>. be a hedge against re-nationalisation.
- M. But that wd .make it more diff. to sell equities.

6. Yemen.

- D.S. At. S.Ll.'s request, aircraft have bn. prohibited fr. acting across frontier.  
Want to be clear tht. artillery can engage forts across border.

Agreed.

7. Parliament.

- E.H. Debate Tuesday on Cyprus.
- P.M. A.L.B. and Under Secy.

1. Sir Anthony Eden. [Enter O. Gore, E.H.]
- P.M. Message from A.E. Attacks of fever. To be announced.  
Message from Cabinet – sympathy.
2. Parliament.
- R.A.B. Business for next week.
3. Ghana : Independence.
- P.M. L.P.S., D.E. & H. to settle what present shd. be given. Sculpture – bas-relief on plaque – gold bowl.
- P.T. Limit of £3,000.
- H. Gift from Parliament – They have mace & Speakers’ Chair. Possibly an inkpot. H/C. or Comm. Parl<sup>y</sup>. Union.
- Ctt<sup>ee</sup>. as above to consider both points.
4. Foreign Affairs.
- 4(a) Cyprus.
- O.G. Aiming at composite resol<sup>n</sup>. in U.N. Shan’t press ours, if anodyne altern. emerges.
- P.M. May be unable to resist requests for enquiry into alleg<sup>ns</sup>. made by Gks.
- O.G. Can’t carry our resol<sup>n</sup>. U.S. wd. abstain.
- (b) Israel.
- O.G. Dulles is not f’coming. Fears U.S. mght feel compelled to vote in favour of sanctions resol<sup>n</sup>. if moved. But U.S opinion generally would be v. hostile to such a move.  
Canada have a v. good draft resol<sup>n</sup>. But U.S. showed it to Afro-Asians who made a muck of it. Pearson may revive it in original form if suitable opening occurs.
- (c) Suez Canal.
- L.P. Tel. 732 to F.O. fr ? W’ton or N.Yk.

- P.M. Gt. advance to have got U.S. & others to put fwd. interim scheme, providing for payment thro' agent. Better pos<sup>n</sup>. for us that this offer shd. have bn. made. If turned down, we shan't be alone.
- L.P. Wdn't wish this (designation of agent by Egypt) to be a precedent for final settlement.
- H.W. We shall have done v. well if we get this interim arrangement.
- H. In present<sup>n</sup>., put emphasis on agent not on E.'s choice of it.
- O.G. Not yet finally approved by Dulles – tho' a State Dpt. draft. Likely that E. Govt. are going slow on clearance – as bargaining card in Israel settlement.
- P.M. We approach a period of v. hard decisions.
- (f) Germany : Reduction of Br. Forces.
- O.G. Germans are disturbed because diff<sup>y</sup>. of justifying to their Parlt. paymt. of £50 M. costs. No more than we expected. French are more diff. Threaten to oppose our plan in W.E.U. They may not because own record.
- P.M. Looks as tho' we mayn't get assent of W.E.U. on 1<sup>st</sup>. round. They may assent at a 2<sup>nd</sup>. mtg. after NATO discussions. M'while we must assume, for Estimates, that we shall do it.
5. Oil Supplies.
- M. Supplies better, & consumption less, than we had assumed. But stocks in jeopardy until Canal & pipe-lines are open. Petrol. Consumpt<sup>n</sup>. 64% of normal, but increasg. Stocks are high. Will help us to end rationg. as soon as normal supplies can be foreseen. i.e. arrivals matchg. consumption. Issue 90% : must be large bank of coupons unused. Propose to legalise cont<sup>d</sup>. use [?all existing 3<sup>rd</sup>. month] coupons up to end/April. Want 'bank' used up before we raise value of coupon. Fuel Oil. Improved. But demand is rising. Need to build stocks for next winter. Propose to say present level will continue thro' April. Gas – diesel. Cuts can be reduced fr. 20% to 10% for industry & for c.heatg. fr. 33<sup>1</sup>/<sub>3</sub>% to 20% (?) from 1/4. Also abolish cut for ? trawlers.
- H.W. Will simplify my rationing system – as traders wd. wish. Necessary also to free driving test insprs. V. few bankruptcies, if any.



- I.M. And almost no unemployt.
- D.E. Advance bookings by tourists: are below normal. Complaints.  
Matched by excessive bookings of cars to Europe from U.K.  
because of tourist petrol. Will mean loss of f. exchange, on  
balance.  
W<sup>d</sup>. help if somethg. cd. be said soon about petrol for holidays in U.K.  
in mid-summer.
- M. W<sup>d</sup>. favour early announcemt. re next issue of coupons. My draft is  
helpful because optimistic in tone.
- P.M. Fuel & Diesel. Relaxations now: on second. On first no gt. hardship.  
And on coaches – will be increase.  
Petrol. Diff<sup>y</sup>. that it's widely known tht. stocks are high. And other  
countries in Europe are not rationing. C<sup>d</sup>. we say now tht., if  
rationg. has to continue after Apl., it will be at least equal in  
value to present. Then, if announcemt. of increased value of  
coupon cd. be made later before end/Apl., wd. help to re-assure  
people re holidays.
- M. Ready to add this.
- P.M. Add clear statement on facilities for foreign tourists – as a separate  
statement. Soon. To Press, not in H/C.  
  
{Statement in H/C. Wednesday – by Maudling.  
{Text to be finally agreed betwn. M/T., M/P. & P.T.
- M. Some exp<sup>n</sup>. of gratitude to U.S.?
- P.T. Turns on wtr Texas is f<sup>r</sup> coming.
- M. W<sup>d</sup>. like it said at some stage. Now or later.
- P.T. \* A cautious word of thanks, subject to Texas dec<sup>n</sup>., in statemt. Wed.

## 6. Industrial Disputes.

- I.M. Power Industries. Likely to be solved.  
Briggs Bodies. Tangle because secret ballot in favour of strike, when  
A.E.U. leaders don't wish to.  
Fear this strike may go fwd. If it's made a matter of T.U. principle  
they may seek to spread it beyond Briggs & Fords. No hope yet  
of settlement.  
Employers have some ground for standing firm.

1. Duke of Edinburgh : Style & Title. [E.H.]

P.M. Recalled earlier discussion. Read new submission.  
 H.R.H. The Prince Philip, D/Edinburgh.  
 Queen & Prince Philip are both v. gratified.  
 Formally makes him Royal Prince – in U.K.  
 Informally, shd. secure warmer title Prince vice Duke.  
 Will be announced to-day.  
 [Older] Doms. have bn. informed.

2. National Insurance.

P.M. Ctt<sup>ec</sup>. of Ministers to consider future of scheme.  
 Hope for major leg<sup>n</sup>. in next Session. Practical plan which will  
 oust Labour schemes. Take initiative.

I.M. Diff<sup>ies</sup>., tho' formidable, are not insuperable.

3. Israel.

S.LI. Tel. 427 fr. W'ton. Congress is v. sanctions. E.'s b'cast accepted as  
 likely to avoid that necessity. They are anxious not to lose kudos  
 with Arabs.

Canada disturbed. U.S. attitude unsatisf. & dishonest because no  
 assurance tht. U.N. can deliver goods if I. w'draw. Pearson is  
 therefore inclined to put fwd. his earlier resol<sup>n</sup>. – deplorg. I.'s  
 failure to comply, call on both Govts. to conform, promise of  
 U.N. forces, invite S. Genl. to consider civil adm<sup>n</sup>. of Gaza, call  
 on Powers to secure free passage for all thro' Canal & endg. with  
 hint of sanctions if I. don't w'draw in light of all foregoing  
 assurances. Tail wd. be tolerable for us if body passed by 2/3rds.  
 majority. \* Text in New Yk. Tel. 628.

This wd. be good initiative – wd. forestall Afro-Asian resol<sup>n</sup>. callg. for  
 sanctions. We shd. support such a Can. resol<sup>n</sup>. If a sanctions  
 resol<sup>n</sup>. is moved, we shd. abstain. To vote against it wd. alienate  
 opinion in Arab states wh. is beginning. to move in our favour.  
 cf. Bagdad Tel. 246.

Draft resol<sup>n</sup>. : N.Yk Tel. 628.

Bagdad 246. Endorse para. 1. Effect on opinion, lower down, we may  
 exaggerate – tho' effect will be serious. Abstent<sup>n</sup>. wd. be less  
 serious. Even so, despite risk, don't believe we cd. support  
 sanctions resol<sup>n</sup>.

Right course is to get thro' Canada somethg. which U.S. mght go along  
 with. That course wd. be acceptable to Nuri.

- P.M. Worst pos<sup>n</sup>. U.S. supportg. sanctions resol<sup>n</sup>. put fwd. by Afro-Asians.  
Old Doms. wd. prob. not support. Our best line : abstain, so long  
as Can. resol<sup>n</sup>. can be called & debated.  
In U.K. public opinion is indignant at treatment of I, but unaware of  
dangers to our oil if Arabs are further alienated. W<sup>d</sup>. our opinion  
be carried by Can. resol<sup>n</sup>.?
- R.A.B. Are paras. 7 & 8 strong enough? Will Israel be let down over legal  
interpret<sup>n</sup>.?  
My view : O.K. on Gaza : para 7 too weak : para. 11 too strong.
- S.Ll. I propose a strengthening of para. 7. – to delete legal reference.  
Para. 8 won't be included unless E. acceptance is assured.
- D.S. In para. 8 'could' shd. be 'should'.
- S.Ll. Attitude of Israel. Looks as tho' they rely on U.S. public opinion to  
deter President. Their cond<sup>ns</sup>. : assurances tht. E. won't return to  
Gaza etc.,
- P.M. Para. 4 is not too strong surely. Assumes E. acceptance – “within the  
terms of the resolution.”
- L.P. Para. 8 is weakest point. Mght be better without this. Rely on right of  
passage under para. 7.
- P.T. Our real interest is to get I. out, so tht. our oil etc., can begin to move.  
If Aqaba is the key, can't we persuade U.S. to ensure it's  
freedom, by U.S. naval force.
- H. Dulles hasn't contemplated any mil. intervention.
- P.M. I suggested to I. Amb. tht. they shd. make direct approach to U.S. for  
i) better form of resol<sup>n</sup>. ii) clearer assurance of U.S. support.
- P.T. I don't mind delay : for us early settlement is urgent.
- P.M. Our dilemma : Br. sentiment hardening in favour of I., regardless of  
selfish U.K. interest. But, if Arabs are alienated, our oil may be  
further jeopardised.  
Shall I send a message?
- S.Ll. After Pearson has spoken : not before.
- P.M. Read draft message. General support in Cabinet.
- L.P. Agree : support Can. resol<sup>n</sup>. if suitably amended – esp. by deletion of  
para. 8. Support that to establish our pos<sup>n</sup>. & then abstain on  
sanctions.

- P.M. N. Yk. 629. Pearson thinks he may get a majority for his resol<sup>n</sup>.
- H. Don't like I. mentioned alone in para. 11.
- I.M. Substitute : "Unless both sides are ready to comply with terms of resol<sup>n</sup>....."
- Hail. Or delete 'unless' clause altogether. for opinion here is v. hostile to sanctions. A v. dangerous precedent for us, for only v. a commercial country like U.K. tht. they wd. ever be effective.
- P.M. On straight sanctions resol<sup>n</sup>. : do we abstain?  
If so, we must have supported Can. resol<sup>n</sup>. in form acceptable to us or have tabled one of our own.
- K. Better to take Can. resol<sup>n</sup>. in best form we can get it.
- H.B y| Para 11. Better : "unless terms of resol<sup>n</sup>. are implemented [& I.  
w'draws]
- L.P. | Omit unless clause in 11., insert 'and in the light of that report', and  
x| merge 10 & 11. Later. H. Omit []. No names or both.
- Hail. W<sup>d</sup>. prefer a resol<sup>n</sup>. of our own in terms we & old Doms. approve.  
Must take a firm stand with Arabs. Endless concessions to them won't serve our ultimate interests.
- S.Ll. We can't control what comes out at end of debate in U.N. I agree with amendmts. suggested here, but can't guarantee tht. any can be secured.
- L.P. Go along with Canada. We shall thereby secure more support. But have a minimum below which we can't go – on 7. 8 & 11. – & if that isn't secured table one of our own.
- P.M. If we cd. carry such a resol<sup>n</sup>., it wd. be 1<sup>st</sup>. break in Afro-Asian front & a victory for U.K./Canada. Don't jeopardise that for a phrase or two. But, if it gets much worse in amendmt., w'draw our support and state our own pos<sup>n</sup>. in a resol<sup>n</sup>. tabled for the record. Then abstain on all.
- P.T. Supported x/.
- P.M. If we get pos<sup>n</sup>. in wh. we have voted for Can. resol<sup>n</sup>. & it fails to get 2/3rds. majority, we mght be able to vote v. sanctions resol<sup>n</sup>.  
Better, however, to abstain on grd. we have made our pos<sup>n</sup>. clear on Can. resol<sup>n</sup>.

Further argument in favour of voting r. sanctions (Hail)

- L.P. Can't take a decision on this in vacuo – w'out knowg. views of other countries & atmosph. in N. Yk.
- P.T. } Our ntl interest is to get I. out because until they go our oil won't begin  
H.W. } to move.
- P.M. Our immed<sup>te</sup>. effort shd. be to get C. resol<sup>n</sup>. in a form we can support.  
Best form of 11 = H.B. at y/ unaltered.
4. Cyprus.
- S.Ll. Can. wants to suggest ventil<sup>n</sup>. in N.A.T.O. – to avoid worse. We have feared T. or G. might then leave. But Ismay is going to attempt conciliation under new procedure.  
Propose therefore tht. we don't oppose this – in formula wh. doesn't finally commit us. T. no longer violently opposed to this.
5. Europe.
- S.Ll. W.E.U. Ministers mtg. Tues. Red<sup>n</sup>. of forces in G. Must present this as realism not recoil.  
W<sup>d</sup>. like to mention rationalis<sup>n</sup>. of Assemblies.  
x| W<sup>d</sup>. like to offer to consider co-op<sup>n</sup>. in r. & d. & production.
- D.S. Gt. practical diff<sup>ies</sup>. over x/. Also let U.S. & Austr. know that it won't affect existg. agreemts.
- P.M. S.Ll. must have some sugar for our diff. pill.  
No trouble over political proposals re Assemblies etc.,  
On mil. co-op<sup>n</sup>. (research & prod<sup>n</sup>.). There is U.S. observer : & we shd. also tell Caccia what we propose to offer. We must, however, reserve nuclear entirely until we have discussed with U.S. in B'muda.
- D.S. Practical approach is to start on easier projects. This is what I have already sugg<sup>d</sup>. to French.
- S.Ll. Friction betwn. NATO & W.E.U. Will float idea tht. we wd. be ready to agree to WEU being in Paris with identity of rep<sup>ves</sup>.
6. Yemen.
- D.S. Pos<sup>n</sup>. has become more serious in last 24 hrs. Fort has bn. demolished by artillery fire & our troops w'drawn. Our artillery is now deployed : but in wrong area to reply to this attack. C.O.S. now seek leave to attack these guns by aircraft.

S.L1. Agree – in this situation. But we must have evidence to support action taken. This is political as well as mil. exercise.

F.O. & M/D to concert, with C.O.

7. East-West Trade.

1. Parliament. [Enter Str., E.H.]

E.H. Business for next week.  
Budget : Tues. 9/4.  
M/East debate : spokesmen S.Ll. and O. Gore.

2. India.

P.M. Attack on H.M. Queen in newspaper wh. was Party organ of Congress  
Party. Am ascertaining facts.

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**FREEDOM OF INFORMATION**

**ACT 2000**

M<sup>r</sup>. Nehru is publishing a statement. May also be delivering a note to  
H.M.G.

3. Congress for Rights in Russia.

S.Ll. Congress for Rights in Russia want to hold mtg. in U.K. Propose to  
agree subject to scrutiny of individuals. Organised by R.  
emigrés. Somewhat provocative on our part. But R. do similar  
things.

Hail. How reputable?

S.Ll. Not disreputable. No Br. sponsors yet in evidence. Speakers all have  
R. names.

K. We have always taken firm & correct line about attacks on "friendly"  
x| Govts. Worth asking L.O.'s to consider wtr this cd. be regarded  
as breach of comity of nations.

Agreed : F.O. to consult L.O.'s on x/.

4. Farm Price Review.

- H.A. Course (a) wd. be disastrous. W<sup>d</sup>. be represented as contrary to spirit of long-term assurances qua disregard of current factors : also as damaging smaller farmers.  
 Course (b) mght get us into same trouble – with farmers & our Party in H/C. Not sufficiently clear of minimum.  
 Course (c) is defensible. I wd. accept imposed settlement at £13 M., if imposed settlement is essential.  
 But I guess we cd. get agreemt at £15 M., includg ½d. a gallon on milk. Our supporters wd. think we were mad to miss chance of it for sake of £2 M.  
 Add<sup>l</sup>. points i) Milk. The £4 M. cd. be recovered by m'taining price at 8<sup>d</sup>. through year. This wd. reduce cost to Exchequer from £15 to £11 M.  
 ii) Leg<sup>n</sup>. on long-term assurances, now due, wd. go thro' much more easily after an imposed settlement.
- Str. Our main concern is with small farmer – and as our herds are larger the milk price is less important. This is a ques for pol. judgment.
- P.T. In a year when many demands made on other sections, I thght it wrong to go above minimum. This, at £8 M., is generous interpret<sup>n</sup>. of minimum.  
 Asked if we cd. get agreemt. by gesture on pigs (small farmer) – their answer is “No”. Therefore, to get agreed settlement, we are asked to give more on eggs & milk. Eggs : we are now exporting : subsidy will rise : can't defend that. Milk : no economic case at all for encouraging prod<sup>n</sup>. of milk. If price is m'tained at 8<sup>d</sup>., we shan't be able to sell output.  
 Ready to agree to £8 M. plus no change on pigs = £9.6 M. – rounded up to £10 M. = 25% above minimum.
- L.P. Unwise politically to antagonise rural voters for sake of a few million. But C.R.O. concerned at further encouragemt. of milk prod<sup>n</sup>. – which damages N.Z. exports of butter & cheese, who are increasingly concerned.
- H.A. The cost of milk prod<sup>n</sup>. has risen by 1½d. : we shd. only be meeting ⅓rd. of it.
- H.B. Generosity to farmers will have to be defended to taxpayer. Our main objective shd. be tax production. Public think tht. farm subsidies are too high. We must consider more than farmers' votes.
- E.H. Party are showing signs of anxiety. i) They don't like defending imposed settlements. ii) Not a good time to antagonise further sections.
- Hail. Advantage in imposed settlement. How justify stern-ness to urban pop<sup>n</sup>. if we appear soft to rural.



But, to hold pos<sup>n</sup>., must be fairly generous. Agree we are producg. too much milk & encouraging inefficient prod<sup>n</sup>.  
Think right figure is about £11 or £12 M.

- M. What about taking tax off petrol before settlement is made.
- Ch.H. No answer to P.T.'s case on eggs & milk. The only ques : how much need we pay to retain farmers' good will. Imposed settlement wd. be healthy : but £10 M. is too low to keep good will. My feeling is in favour of imposed settlement at about £12 M.  
Gt. mistake to increase subsidy on milk – & even worse to m'tain retail price in flush period.
- I.M. Real choice is between imposed at £10 M. and agreed at over £15 M in all probability. I prefer lower figure.
- P.M. To get agreed settlement, we shd. have to give total of at least £15 M. and increase on milk which we know to be wrong.  
We must therefore have imposed settlement. If so, what are right decisions on eggs & milk? Surely, to hold fast. But I wdn't mind total at £12 M. if it didn't include concessions on milk or eggs. Put the extra on oats/barley or fertilisers. Get schedule which can be justified individually, on econ. grounds.
- P.T. W<sup>d</sup>. settle for £12 M. imposed, with no concession on eggs or milk.
- P.M. 1/3rd. more than minimum.

Agreed : H.A. to speak to Turner on range of £8 – 12 M.  
And present to Cab. an agreed (with Ty.) schedule for £12 M.

5. Public Service Salaries. [Enter B.C.]

- P.T. As in memo.
- E.H. i) Doubt if we can get agreemt. with Opp<sup>n</sup>. at £1500 – cd. at £1750.  
ii) Fear Party will re-act violently v. this, esp. before Budget. Party is now steady in H/C., but unsettled in country. This wd. cause disquiet in country to be transferred to H/C.
- P.T. Must be reasonably soon. But wd. be ready to do it after Budget vice before.
- I.M. Low award to rlwayman is likely in 10 days' time. Engineering is dead-locked.
- Hail. In light of action we are takg. elsewhere, we shd. delay this (just) action.

- H.W. V. unfair to Parly. Secs. if this is put off indefinitely. In nat<sup>d</sup>. ind<sup>ies</sup>. we are paying more to managers than to Bd. members.
- L.P. Average reward of g.p. is larger than that of Parl<sup>y</sup>. Secretary. These proposals go hardly far enough.
- D.S. We shdn't p'pone this yet again. [Enter D.V.  
I wd. much prefer that the whole range (M.P.'s & Ministers) shd. be linked with C. Service. A more generous & lasting settlement.
- Hail. That wd. be sensible, but wd. arouse v. gt. controversy.
- H.B. Do somethg. more generous in June. E.g. £1600 for M.P.'s and somethg. more for Junior Ministers in H/L.
- P.M. We can't make a permanent settlement at this time. We under-estimate our pol. diff<sup>tes</sup>. in the country. Re-actions of Suez are beginning only now to be felt. Rough water ahead over Canal settlement. Believe we must hold this up until July. (Agreed.)

#### 6. Remuneration of Doctors and Dentists.

- P.M. We must tell them to accept R. Comm<sup>n</sup>. We can't accept their interpret<sup>n</sup>. of Spens.  
We must give 10% at once to the junior hospital grades. Had intended to give interim award of 5% at once to others. If general increases in p. service salaries are p'poned, it may be better to w'hold it for a time – tho' makg. it clear we shall not negotiate it. Ques of judgment : do we, by immediate concession, appear too weak.
- P.T. If not dependent on R. Comm<sup>n</sup>. or on negot<sup>n</sup>., we have no reason to delay it for long.
- D.V. Doctors will expect somethg. fairly early. But interim increase from 1/7 shd. suffice.
- I.M. W<sup>d</sup>. not exacerbate wage demands. They are annual events. These are events of five year interval or longer.
- Ch.H. Only obj<sup>n</sup>. to new course : pressures will build up m'while & concession will appear to be wrung from us.  
W<sup>d</sup>. be good if somethg. cd. be announced before mass rally of doctors in 3<sup>rd</sup>. week of Apl. A promise to give them decision before Easter recess. (Agreed.)

#### 7. Germany.

[Not heard.]

8. Cyprus. [Enter D.E.]

S.Ll. Preference for B. – tht., if it leads to diff<sup>ies</sup>, it's harder to object.

A.L.B. But, for present<sup>n</sup>, better to offer than to appear to be co-erced.

P.M. We cd. await sugg<sup>n</sup>; & then take some time to consider it.

A.L.B. In Parlt. it will be represented tht. it has bn. taken out of our hands.

P.M. Then let us take initiative, but write more generally – rehearsing our earlier offer, Gk. reluctance, U.N. disc<sup>n</sup>. : if you think it useful to revive this idea we wd. in principle be ready to consider proposals if made.

L.P. Prefer to leave initiative with Ismay. If we take it, we seem to accept defeat.

D.S. After hearing disc<sup>n</sup>, I have come round to view exp<sup>d</sup>. by L.P.

P.T. So have I.

K. And I. Play it slow.

Agreed : don't offer.

9. S.W. Africa Company.

P.T. They don't now intend to apply for change of domicile. We cd. make it a cond<sup>n</sup>. tht. they don't.

x/ A good way of shifting some of investment in Comm. fr. U.K.

M. I agree. Mistake to discourage it.

P.M. Likely to be controversial.

P.T. Growing knowledge of x/.

1. Remuneration of Doctors. [Enter E.H., D.V.]

P.M. Informed Cab. of terms of Parl<sup>y</sup>. statement – for H/C. that day.  
Have seen rep<sup>ves</sup>. of doctors. They sought elucidation of t. of ref. Can  
be met by exchange of letters.  
Correspondg. statement in H/L.

[Exit D.V.]

2. Parliament.

R.A.B. Business for next week.

3. Defence Policy.

P.M. Anxious that all members of Cab. shd. be aware of developmts. in  
disc<sup>ns</sup>. necessarily limited in nos.  
Chequers talks on defence : broad concl<sup>ns</sup>. subsequently confirmed by  
Def. Ct<sup>ee</sup>. Wh. Paper & Estimates are now being framed  
accordingly.

Concl<sup>ns</sup>. Man-power : distribution : N.S. problem.  
Future organisation : common services – possibility of  
merger or further appl<sup>n</sup>. of principle of major user.  
Overseas commands.  
Nuclear Power : General principles agreed for further  
work.

R.A.B. C. Defence. Can't be swept aside. Morale effect of declaring we rely  
on deterrent but provide no C.D.

P.T. Working to £1475 M. for next year, w'out takg a/c of U.S. or Germ.  
aid.

D.S. W<sup>d</sup>. have bn £1700 M. if A.H. and I had done nil.  
Two major dec<sup>ns</sup>. needed : i) confirm<sup>n</sup>. at B.muda of m.r.b.t.  
ii) red<sup>n</sup>. of N.A.T.O. contrib<sup>n</sup>.

[Enter A.J.]

4. Nuclear Tests.

S.Ll. If we are prevented fr. holdg. our test – it will harm us in fact and in  
repute.

Pressures are bldg up v. us.

Ques : i) Can we accelerate it?  
ii) Safety precaut<sup>ns</sup>. shd. be overhauled – v. slow & old aircraft.  
iii) More inform<sup>n</sup>., by stages, to Japanese.  
iv) More f<sup>r</sup> coming re possible compens<sup>n</sup>.

Agitation in J. is largely inspired by Communists.

P.M. Will appoint a Minister to take charge & pres. a Ctt<sup>ec</sup>.

[Exit A.J.]

5. Europe. N.A.T.O. Contribution.

S.Ll. Looks as tho' Fr. will oppose our plans in N.A.T.O. But Saceur & Ismay are willing to get it thro' on Wed.  
W.E.U. will then meet on Fri. or Sat<sup>y</sup>. – & Fr. will try for hostile resol<sup>n</sup>.  
F.R.'s sugg<sup>n</sup>. (Tel. Paris 82) tht. we shd. stress opp<sup>n</sup>'s. for later consult<sup>n</sup>. on Annual Review. If we accept this advice, must avoid appearance of weakening. Stand firm on 57/8, but open to disc<sup>n</sup>. on 58/9. Admits oblig<sup>n</sup>. to consult with N.A.T.O. on each year's effects of our plan. But we cd. ask for it to be concluded early – e.g. this summer.

P.M. Must carry out our plan. In event, we may have to denounce Treaty (W.E.U.) or to cheat by w'drawg. for overseas service elsewhere.

S.Ll. No advance indic<sup>n</sup>. of compromise at W.E.U. Mtg.

J.M. Present<sup>n</sup>. to Europe. Weakening or breach of Paris Agreemts [Enter D.E. plus diff<sup>ies</sup>. over Free Trade Area : wd. do v. gt. damage.

S.Ll. We also face gt. diff<sup>ies</sup>. over Naval cuts to Saclant. Better pro. tem. to avoid disclosing specific proposals.

6. Congress for Rights in Russia.

S.Ll. Read terms of proposed reply : Approved.

7. Jordan.

S.Ll. Agreemt. about to be concluded. Announce 15/3.  
Shall get some stores out. Notional subsidy paymt. for Feb<sup>y</sup>., tho' no new money : no payment fr. March onwds. Shall get £4 M. or so fr.  
Jordan – £1 M. down & rest in instalments of £½ M. each 6 mos.  
Worth this price to escape this commitment.

P.T. Agree : cdn't expect to do better.

8. Suez Canal.

S.Ll. E. have avoided replying to Sec. Genl.'s letter.  
We have urged Menzies to press Dulles to move.  
No further action possible pro. tem.

U.S. financial pressure is only card to be played. We must force Dulles to apply it.

9. Israel.

S.Ll. E. statement re Gaza. Claim they are still at war – wd. justify I in re-occupying.  
Privately, U.S. is promising to take Israeli ship with oil thro' Aquaba.  
Have told P.D. in N. Yk. to discuss with friendly Deleg<sup>ns</sup>. how U.N. will react to E. affront. Also asked H.M. Amb. W'ton. to take it up.  
Must then await developmts.

8. Suez Canal (resumed).

H.W. What do Br. ship-owners say if E. declares tht. Canal is open?

S.Ll. Let them enquire re technical ques (pilots, buoys etc.) – avoid reference to dues : avoid threat of boycott.

H.W. i.e. hold off on techn. grounds until we get further in pol. discussions.

P.M. | W<sup>d</sup>. wish to have statement of our legal powers in rel<sup>n</sup>. to Br. shipping.  
x| To what extent can we control their action.  
| Also : relative nos. of ships.

10. Industrial Relations.

I.M. N.U.R. cd. have got 3½% increase. At arbit<sup>n</sup>., Chairman wants to give 3%. This wd. lead to strike. 4% might be accepted. Dec<sup>n</sup>. early next week.

Shipbuilding. Usually follows engineering. This time ship-bldg. is going first. Askg. for 10%. Employers have refused to give anything, in pursuance of Govt.'s policy of wage restraint. Workers therefore regard strike as action v. Govt. And talk in D. worker etc., is of genl. strike. No point in ct. of enquiry or M/L. talks. Alternatives: strike or arbitration. Evershed is my choice. Propose to put that to H/C. to-day. Unlikely to succeed. If it fails, we shall have protracted strike – 4 wks. at least. Much will turn on present<sup>n</sup>. in Press.

Draft statement submitted.

M. Engineering employers are likely to reject similar appl<sup>n</sup>. to-day.

I.M. Workers likely to reject arbit<sup>n</sup>. : employers wd. accept it reluctantly.

[Exit I.M.  
[Enter J.B.C.

11. Pensions : Gas & Electricity Industries.

- M. As in memo.  
Diff<sup>y</sup>. = danger of extension to transport. Cost in gas & electricity wd. be v. small – (under £30.000 in each about £200.000 all told). But transport wd. cost around £1M.
- H.W. If in private business B.T.C. wd. say “we can’t afford to do this”.  
B.T.C. made ex-gratia paymts. (£650.000) on the occasion of earlier settlement. For pensioned staff grades we cd. settle for another £650.000. But if it went into wages grades it wd. cost another £1M.  
Believe B.R. wd. refuse to do it. I shd. have to make Reg<sup>ns</sup>. against his wish. An awkward precedent.
- P.M. x/ Equalising betwn. municipal & co. employees need not have this result?
- H.W. Reason : rlway pensioners were excluded from national pensions.  
Rlway pension increases have always lagged behind others e.g. C. Service.
- P.M. On x/ my meaning was : why shd. it extend into wages grades?
- H.W. Mght hold out v. that. But pressure will increase because miners have supplementary schemes.
- P.T. My advisers agree with M/Power – can’t justify position.  
Suggest M/P. shd. go ahead. M/T. shd. delay for as long as he can and shd. do his utmost to restrict it to salaried grades in rlways.

Agreed : as proposed by P.T.

[Exit J.B.C.]

12. Farm Price Review.

- H.A. Have seen farmers’ rep<sup>ves</sup>. Believe agreemt. cd. be reached with £14¼ M. (£12 fr. Exchequer) including ¼d. on milk & m’taining retail price at 8<sup>d</sup>.  
For farmers, the ¼d. is symbolic – to enable them to say they have got somethg. for small men.  
I have myself rejected 2 other proposals of farmers – £17 and £15 M.  
Difficult, politically, for us to reject agreed settlement for sake of £2¼ M. to be paid by consumer.
- P.T. We all agreed to make no concession on milk. Surely we shd. not encourage milk prod<sup>n</sup>. further. If there is surplus, how can we m’tain 8<sup>d</sup>. price? Will be obvious tht. this is pol. concession.  
Propose we stand on £12 M.

- Ch.H. We went from £10 – £12 M. on pol. grounds.
- R.A.B. Agric. seats are our only anchor in the country. If we face trouble in industry, can we afford to alienate farmers?  
Admit econ. case v. milk increase.  
But wd. prefer to seek agreed settlement – on milk, or silage (which wd. be sounder).  
Prod<sup>n</sup>. is not rising enough : but it is rising in agriculture. Don't interrupt that.
- L.P. If concession is to be made, don't make it on milk.



1. Farm Prices.

[Enter E.H.]

- P.M. Techn. cons<sup>ns</sup>. exhaustively discussed. What remains is a pol. decision.
- i) We can have imposed settlement at cost of £13 M. to Exchquer : with no advance on milk.
- ii) Or settlement at £14¼ M., with ¼d. increase on milk, wh. wd.be “agreed”.
- Of these, i) is consistent with genl. attitude of Govt. – to be firm in doing what is practical & right. Problem of excessive prod<sup>n</sup>. of milk is well known. In favour of ii), main argument is confidence of farmers : diff<sup>y</sup>. of Bill (timing) : milk at ¼<sup>d</sup>. wd. be “only a little one”: split on only £1¼ M. and ¼d. will seem niggardly. Genl. pol. diff<sup>y</sup>. of opp<sup>n</sup>. by N.F.U.’s.
- Problem : which course is the more likely to enhance our pol. strength. My feeling on whole : I shd. be relieved if sound case cd. be made to support agreed settlement. But don’t want it on unsound basis.
- D.S. Agreement mght be represented as not weak if M/Ag. cd. at same time make it clear tht. milk prod<sup>n</sup>. must be curtailed. Avoid too rapid a change.
- K. Can’t ignore pol. diff<sup>ies</sup>. Don’t want to sacrifice farmers’ good will on so narrow a point. W<sup>d</sup>. give us gt. diff<sup>ies</sup>. among Tories in H/C. – a v. solid section wh. we shd. need if other trouble comes.
- P.T. We exist as a Govt. on what country expects us to do. They believe we will exercise real restraint over expend<sup>re</sup>. Risk of incentive Budget wd. be greatly increased if it were suspected tht. we were saying yes when we ought to say no. Credit restrict<sup>n</sup>. is beginning to weaken. ¼d. on milk is bound to be seen as a weak & wrong decision.
- A.L.B. True : but weakening in Tory Party wd. be a graver embarrassment to Ch/Exch.
- D.E. Support P.T. If we are to change character & direction of Govt., consistency is most important. This is symbolic amount. Makes it worse. Symbolic of concession.
- M. Strong course wd. have bn. £8 M. imposed. When you come to £13 M. wiser course is to get agreement.
- L.P. Despite Comm. obj<sup>ns</sup>., I am driven to same concl<sup>n</sup>. Gap is too small to warrant major row.

- I.M. Agree with M.'s summary. Industrial storms ahead require united Party.
- P.T. Diff<sup>y</sup>. is that we shall be saying 'yes' when even farmers know we shd. say 'no'.
- H.A. But we shd. be recouping only ¼d. out of 2½d. increase in costs. Farmers will say : last year £25 M. imposed. This year £14¼ M. agreed. On roughly same increase of costs. This will be regarded as tough.  
Prod<sup>n</sup>. & efficiency are increasing – despite shrinking labour force. Our original plan wd. have involved a minus for small farmers. Can't pretend it's fair to them unless N.F.U.'s accept.  
Can't hope to increase efficiency if we lose farmers' good will.
- R.A.B. P.T. may be introducg. incentive Budget. Don't w'draw incentive fr. farmers. M/Ag. can help in present<sup>n</sup>. This is not as weak as P.T. suggests. Increased cost 2½d. : ¼d. is not generous.
- S.Ll. Pol. balance is in favour of agreed settlement.
- H.W. W<sup>d</sup>. help if M/Ag. cd. present it (in Wh. Paper) as tough & make it clear tht. milk prod<sup>n</sup>. must be run down.
- P.T. i) no further concession to Turner.  
ii) machinery for negot<sup>n</sup>. in future. Suggest enquiry in wh. neither Ty. nor M/Ag. are concerned : 3 Heads of Dpts.

Agreed : Seen agreed settlement of £14¼ m.  
Proceed as at i) & ii) above.

[Exit ALB., L.P.,  
K, RAB. D.E

## 2. Industrial Disputes.

- I.M. Govt. attitude has had a good Press.  
Unions : divided leaders – in attitude. Some hoping worst mayn't happen. Others (Communists) determined to bring chaos in. Cousins is resolved to spread it, to get quick victory, to something like a general strike.  
Employers are likely to accept, reluctantly, idea of arbitration.  
Possibilities : i) unilateral award by Evershed. Won't run.  
ii) Mght offer arbit<sup>n</sup>. to engineering – if strike is called there – & expect award to be extended to ship-bldg.  
W<sup>d</sup>. be wrong to urge employers to make a cash offer. But shd. offer to see both sides – in last effort to urge arbit<sup>n</sup>.  
Rlway settlement will be 3%. NUR are bound to reject that. Hope B.R. will renew offer of 3½%.
- M. W<sup>d</sup>. be useful if attent<sup>n</sup>. cd. be diverted from shipbldg. to engineering. Support sugg<sup>n</sup>. on (ii).

H.W. B.R. won't wish to seem to be selling the employers' pass.

Further disc<sup>n</sup>. not noted.

3. Israel.

S.Ll. W'ton Tel. 626-8.  
Have spoken to Jebb, who will enquire.

1. Cyprus. [Enter E.H.]
- A.L.B. Some response to Eoka offer. Draft statement submitted.
- S.Ll. Ankara Tel. 266. Reaction of T. Govt. to rumours of poss. release of Makarios. Strong obj<sup>n</sup>. on procedure – closer consult<sup>n</sup>. with T. – and on substance – separation of internal from internat<sup>l</sup>. aspects. T. unwilling to consider R. report outside framework of internat<sup>l</sup>. situation. T. also object to disc<sup>n</sup>. by N.A.T.O. – prefer offer of tri-partite talks.  
Some of these points were covered in our tel. 620, which crossed.
- P.M. Choice : statement on lines we propose, or give way to Turks.
- S.Ll. T. suspect us of weakness & think they must stiffen us.  
i) NATO invit<sup>n</sup>. : has bn. extended. Must persuade T. to accept it.  
ii) 3-Power conf<sup>ce</sup>. Not excluded, under N.A.T.O. Don't want it under U.N. for don't want to report back to U.N. We are safer in N.A.T.O. Conference now won't help twds. sol<sup>n</sup>. NATO conciliation method is more promising.  
iii).Cyprus internal problems.
- L.P. My view was in favour of separating acceptance of NATO offer from negot<sup>ns</sup>. on internal side of problem. I feel that much more strongly now, in view of T. re-action. Can't afford to alienate them.
- A.L.B. M'while what do we say if NATO ask us what response we will make to Eoka declaration. Don't want to respond to that under pressure fr. N.A.T.O.
- P.M. Consider sit<sup>n</sup>. on merits. Do we mean to go on until we have eradicated terrorism? Or do we think it a nationalist movement as in Eire?  
It is eating up our mil. strength : and jeopardising our internat<sup>l</sup>. reput<sup>n</sup>. Talks won't solve this problem. No real solution save partition.  
Sooner we begin to demonstrate that, the better our chance of getting rid of this problem before next Election.
- D.S. Cyprus is of no mil. value to U.K. alone. Partition, with an internat<sup>l</sup>. base, is best solution.  
  
1) Agreed : NATO offer must be accepted.
- D.S. Wise to get Makarios released if he will give support to cessation of terrorism. Doubtful wtr it wd. be wise to contemplate discussions with him.

- P.M. Latter is not essential part of plan.  
W<sup>d</sup>. be enough to say, in reply to Eoka decl<sup>n</sup>., that we will release M. if he declares in favour of ending terrorism.
- A.L.B. Ready to move in 2 stages, on that basis.
- 2) Agreed : limit action re Markarios to offer to release (tho' not to Cyprus) if he declares v. terrorism.  
3) Agreed : offer safe-conduct to Grivas & others.
- P.M. Truce. Can't call off all security measures. Mght avoid large-scale mil. op<sup>ns</sup>.
- A.L.B. I have so informed Govr. already.
- R.A.B. Counseled firmness. On 2) above : doubtful wtr we shd. go beyond repeatg. earlier statement viz., if he declares v. terrorism, new situat<sup>n</sup>. will be created.
- L.P. Don't go fwd. with any disc<sup>ns</sup>. on internal sit<sup>n</sup>. until NATO initiative has made progress.
- P.M. Study must now be made of partition as a means of absolving us from this responsibility.
- A.L.B. At least a military study. C.O.S. have h'to said tht. we can't fulfil our mil. oblig<sup>ns</sup>. with partitioned island.
- 4) Agreed. Study our long-term needs in C.
- L.P. Believe 2) will have bad effect on Tory opinion.
- H.A. Put the greater emphasis on Grivas & tone down reference to Mak?  
After further discussion on 2) – decided to look at a revised draft.  
C.P. Ctt<sup>ee</sup>. to consider at 12.30 p.m. on Tuesday.  
[Exit K.  
[Enter 3 Serv. Ministers & M/S.
2. Defence Policy.
- P.M. Present<sup>n</sup>. i) Must not denigrate our own record since '51. Put out history from re-armament, thro' long-haul, to new look (fire-power).  
ii) Must be cautious over N.S., even if we scrape thro' the W.E.U. mtg.  
Have discussed with D.S. – who will re-cast on these lines.
- D.S. Plan – all-regular Forces betwn. 350.000 & 400.000. Commitments we shall have to relinquish – w'drawal of 30.000 fr. Germany &

- halving 2<sup>nd</sup>. T.A.F. : red<sup>n</sup>. of overseas garrisons in colonies etc., to level needed for internal security alone : abandonmt. of land-force reserve in M/E. : gt. red<sup>n</sup>. in naval support of Saclant.
- R.A.F. Acceptance of view tht. air-defence of cities is impracticable  
Real reliance on deterrent vice defence. Air defence therefore limited to defence of deterrent.
- R.N. Concentrate on 3 carrier groups.
- Regular recruitment – will be necessary to offer improved cond<sup>ns</sup>. some of which will cost money.
- On presentation, I accept P.M.'s suggestions. But think we shall have to indicate date to which we are working in rel<sup>n</sup>. to all-regular Forces.
- S. Will be great shock. Success depends on i) long-term engaged men. Para. 19 will rock them ii) reactions of Allies who will be alarmed at 33⅓% cut. May mean tht. because of size of cont<sup>ns</sup>. U.S. will have command in Atlantic, Fr. in Channel & Italians in Med. Suggest therefore tht. para. 19 shd. include promise to negotiate or consult with Allies before we act.
- J.H. Plan involves further red<sup>n</sup>. of land-forces in G. after 1960, and para. 19 also implies more than we shall actually have in SEATO.  
Run-down will be hard to achieve if there are delays in abandoning commitments e.g. Libya.  
Relinquishment of N.S. Diff<sup>y</sup>. will be to find enough technicians for wh. we now rely so largely on N.S. men. Shall have to use inducements, wh. will cost money.  
Removal of 2 T.A. Div<sup>ns</sup>. from Saceur. Is this good moment (Allies) to be so frank on this?
- G.W. Effect on NATO. Endorse what has bn. said. Consult<sup>n</sup>. before we announce so bluntly.  
Regular recruitment. Para. 24. Tone this down. Will have diff<sup>t</sup>. effects in diff. Services. Better to handle this separately for each Service.
- I.M. N.S. Welcome this. Must work to a firm p'mme. Problem will be mainly for W.O.  
Paras. 23-4 need adjustment to avoid undue alarm.
- S.Ll. What am I to say to W.E.U. Ministers to-night on N.S.?
- D.S. If we carry out our commitments to NATO., our method of enlistment is our own affair. We have told NATO of our plans re forces, except Navy – which doesn't affect W.E.U.
- S.Ll. Can I say we envisage a plan over a no. of years: but reduced force will be kept in Europe for several years, subject to resolution of financial problems.

- P.M. But attack their concept tht. nos. is all that matters. That was what brought France down in '40. Lecture them on that – small, regular Forces well-equipped.  
Give them references to earlier Parl<sup>y</sup>. statements tht. it is our aim to end N.S. as soon as we can.  
Then advance copies of W. Paper, with explan<sup>n</sup>., to Govts.  
\* Publication cd. be delayed until 5/4. Debate before or after Easter, as Opp<sup>n</sup>. prefer.
- L.P. Para. 12(d). A & N.Z. haven't bn. asked: will resent this.  
Substitute "who contribute sea & air forces to Comm. reserve."
- D.S. Will confer with C.R.O. Austr. H. Commr. thght. they wd. like it.
- L.P. Para. on Commonwealth consult<sup>n</sup>. shd. be added.
- L.P. Para. 9(a) needs adjustment. P.M.'s formula.
- P.M. T.A. Div<sup>ns</sup>. Need we say this?
- D.S. Shall be asked in debate.
- S.Ll. If regular Army is to run down so low, is it wise to have no T.A. reserve.
- P.M. Delete this reference. Keep our hands free.
- Hail. Is N.A.T.O. sufficiently emphasised as clue to our strategic pos<sup>n</sup>.?  
Against R. aggression, N.A.T.O. is our only shield. That is not bght out. Too much is made of nuclear deterrent.  
Loss of NATO naval commands wd. wreck Commonw. co-operation.  
NATO won't hold together unless U.K. or U.S. hold the commands.  
Put more emphasis on pol. cohesion of N.A.T.O. as our main defence.
- D.S. See para. 7(c).
- A.L.B. Concerned about our commitments wh. remain, esp. in F/E. Will a central reserve suffice for these? Defence treaty with Malaya : negotiatg. now with Singapore. Red<sup>ns</sup>. in H. Kong. Can we hope to be able to fulfil our undertakgs wh. we are now renewing.  
Cyprus : if we are not to have land forces in Med., future of C. takes on a diff. complexion. If we say it, pressure will be bght on us to relinquish our claims.
- R.A.B. This is revolutionary. Changes whole character of Br. power. cf. R.N. – protection overseas of our Col. poss<sup>ns</sup>. must be relinquished if no cruisers.  
Don't believe we can hold H. Kong with reduced forces of this order.  
Doubt if we shall be able to keep it.

- A.L.B. If we don't fall below this level, Govr. wd. be reasonably happy.
- R.A.B. C. Def. Must we say we can't protect cities. W<sup>d</sup>. wish to discuss this & para. 22.
- H.W. Civil aviation. Mobility of troops puts v. gt. oblig<sup>ns</sup>. on civil aviation. Para. 14(b) will imply tht. all will be done by Transport Command and shipping cos. will be discouraged fr. continuing charter aircraft.
- P.M. All other comments to go to M/Defence.
- J.M. Is balance held betwn. nuclear cont<sup>n</sup>. and central reserve, wh. is valuable for cold-war. Are we spendg. too much on first?
3. Bermuda Conference.
- P.M. R.A.B. will be i/c in my absence.  
If situation deteriorates, I cd. cancel S<sup>t</sup>. Laurent's visit & return on Sunday p.m.
4. Industrial Disputes.
- I.M. Atmosphere in ship-bldg is a little easier.  
Rlway award will be given on Wed<sup>y</sup>.  
Engineering : feeling is bitter – they wd. reject Evershed arbitr<sup>n</sup>.  
Propose to invite 2 sides to M/L. to-morrow.  
Main aim : isolate rlways from the other two.



1. Parliament. [Enter E.H.]

R.A.B. Mon : debate on B'muda. Spokesmen : P.M. & S.Ll.  
Much will be said on nuclear tests.  
Business for remainder of week.

2. Electricity Bill.

No note taken.

3. Cyprus.

P.M. Unwise to announce relax<sup>ns</sup>. of E.R. in same statement – would look like a bargain. This wd. be more agreeable to Turks.

A.L.B. Content with this present<sup>n</sup>. Govr. is willing to defer his relaxations until after his return to Cyprus.  
Amendments of drafting – suggested & approved.

S.Ll. On substance – what are next steps?

A.L.B. No profitable consult<sup>n</sup>. with Cypriots until NATO initiative has bn. carried some way. Stress that, and say we can't usefully go to discussion of internal situation until we see what progress is made on internat<sup>l</sup>. side of problem. But indicate that at the proper time talks will be held, on internal aspects, with suitable rep<sup>ves</sup>. of Gk. & Turkish Cypriots – and admit that Makarios is likely to be one of former. Can say he will not be sole rep<sup>ve</sup>. of Cyprus. Also that he can't be allowed to return to Cyprus.

L.P. This confirms my view that it is mistake to release Makarios now. His cond<sup>n</sup>. is tht. we call off the emergency. Tho' we deny that we accept this condition, if we release him we imply acceptance. We therefore hand him the initiative : viz., enable him to use threat of reviving terrorism as means of extorting concessions in discussions when they start. "Post-fabricated" argument in para. 5.  
I couldn't be a party to this decision.

P.M. On form of statement – I see obj<sup>n</sup>. to first part of para. 5. Might be better to say : "Nevertheless they see no advantage in continuing his detention."  
That is the real question. Is there any advantage in keeping him any longer?  
W<sup>d</sup>. there by any gain for us in re-conquering Cyprus? We haven't really decided what is our ultimate purpose over C. If we want

to create an impasse, we might wish to have talks on R. Rpt – to reach impasse over s.d. wh. can't be condition unless other Govts. agree.

They might waive that condition, if we bring them up against Partition. Gks. dislike that – possibly so much tht. they wd. accept R. constitution. This is different fr. Ireland – because it may be our purpose to get out.

L.P. We mustn't give impression of being pushed around – will react on our pos<sup>n</sup>. in other parts of world.  
W<sup>d</sup>. sooner say now we favour partition.

H. His release now will make it more diff. for us to play the hand as we wish. Pressure for his return to C. will grow. And if we have to yield on that we shall be in v. weak pos<sup>n</sup>.

Hail. In long run will see tht. C. is more liability than asset, militarily. Only mil. po .....

P.M. Cab. is divided. Arguments are nicely balanced. This is bound to be so on many of the issues we now have to face. Don't like this. But believe tht., when A's bishop's statement is publ<sup>d</sup>., people will think he has come some way. He will be careful about re-starting terrorism. Not satisfied that, w'out a pol. move, Govr. wd. be able to eradicate it wholly – v. hard in mountainous countries. Best we can hope is tht. it can be brought under control for long enough to enable us to make a move twds pol. solution.  
Hope Cab. will endorse release as the better of 2 v. diff. courses.  
Present<sup>n</sup>. now proposed will be more correct : more agreeable to Turks & to Tory Party.

H. Not, for me, a ques of principle. Tho' I fear it is a mistake.

L.P. V. difficult for me. No use remaining in a Cab. if one frequently accepts dec<sup>ns</sup>. v. own judgment. Undermines confidence in one's judgment. Must therefore ask to be allowed to consider my position.

#### 4. Industrial Disputes.

I.M. Engineering. Cts. of Enquiry (2) may take 3 or 4 wks. Can't accept continuance of strike for so long as this. Need therefore new formula to end strike. Unions will call it off if there can be talks with employers: then they will leave Ct. of Enquiry to decide. But the employers are at present v. stubborn. Am seeing them again.

[Enter 3 Serv. Min., A.J., E.H. & 4 C.O.S.]

1. Defence White Paper.

- P.M. Balance in presentation.
- S.Ll. Two main points :  
i) If we make too sharp a break with our own past, we shall be in pol. diff<sup>ies</sup>. W<sup>d</sup>. prefer a diff<sup>t</sup>. introd<sup>n</sup>.  
ii) Force reductions & N.S. Para. 51.
- D.S. See revised version of §§ 50-53.
- S.Ll. Para. 52 of revise will lose us G. support costs & cause alarm in N.A.T.O.
- D.S. But you can't present the case w'out saying you are going over to regular Forces & can't say that w'out people knowing what the figure will be.
- P.M. C<sup>d</sup>. you deal only with coming fin. year? Workg. twds regular forces : don't know how long it will take : but in this year shall reduce by x. Separate size from method of recruitment.
- S.Ll. Give this year's figure as decision : but further plans as project on which we shall consult with Allies.
- I.M. Won't be able to avoid admittg. target of 375.000 in debate, because of N.S. argument.
- D.S. Need for Services to work to a definite plan over period of years.
- P.T. This policy hasn't been costed.
- S.Ll. Para. 5. About ½ of our man-power & ⅔rds of our exp<sup>'re</sup> on r & d. is for defence. Agreed.
- P.T. Para. 6. "To be strong we must be solvent."
- P.M. Add at end of para 5
- [P.T.] All these strains must be taken into a/c in achieving proper balance. Then we cd. omit para. 6. A single sentence.
- S.Ll. Para 10. Comments not noted. ? as amended in text. Prefer phrase of last year : "to deal with outbreaks of limited war if they occur" Agreed : as in ms. in text.
- P.M. Para 12. As in text.

- P.T. Para. 14. Is it safe to say 1<sup>st</sup>. sentence?
- D.S. W'out it, no justific<sup>n</sup>. for red<sup>n</sup>. in F. Command.
- P.M. "... there is to-day no means of giving adequate prot<sup>n</sup>. to whole country v. attack by nuclear weapons."
- S.Ll. Para. 17. omit words deleted in ms.
- D.S. Inserted because Opp<sup>n</sup>. were committed to it.
- Agreed : "there is wide agreement...".
- Agreed Para 17. While compreh. disarm. remains foremost objective of Br. for. policy, pending [ ].
- P.T. Para. 18. Can't afford bombers & rockets. Amended as shown in text.
- P.M. \* Para 20. It is poss. that g.m. defence may be developed v. b. rocket, & we are not neglecting this possibility in our research in collabor<sup>n</sup>. with U.S.
- R.A.B. Para 21. "for this & for other emergencies a review is being made of stock-piling policy."
- P.M. Not in W.P. – reserve for debate.
- S.Ll. Re-draft of para. 25.
- D.S. Met by 6<sup>th</sup>. draft.
- P.T. Assume rocket artillery refers only to Corporal.
- D.S. Yes.
- S.Ll. Para. 30. Omit "all" British forces in the M/E. As in ms. in text.
- P.M. \* Para. 40. Make plans for using charter companies. Memo. to be submitted on this.
- S.Ll. Delete 41.
- S. Add reference to R. Marines. Agreed. Paras 43 – 45.
- P.T. Para. 44. cf. para. 27 : role in major war is uncertain. Doubt if we shd. go into tactical nuclear. Cost of sea-slug (£34 M.) and strike aircraft. (N.A. 39). W<sup>d</sup>. prefer to concentrate nuclear on air force.

- D.S. Reduced navy must be up to date. Sea-slug is only form of missile defence wh. R.N. will have. N.A. 39 : wd. be case for scrapping, were it not tht. RAF will need it too. Only machine capable of low-level long-range attack.
- S. R.N. must have means of a.a. defence : sea-slug is only means.
- A.J. Logic of P.T. argument = no power to fight limited war, forced prematurely into major.
- P.T. Accept our share in main deterrent. But is R.N. also to have tactical nuclear power?
- Hail. If you put yrself in pos<sup>n</sup> where you can only wage major war, enemy can win every minor war & erode your pos<sup>n</sup>. successively.
- P.M. Avoid prejudging this issue in this White Paper. Depends on 2<sup>nd</sup>. round. "... some of which will be equipped with g.m."
- D.S. This has bn. said before: cf. W. Paper of 1956.
- P.T. C<sup>d</sup>. Ty., M/D. and Adm<sup>y</sup>. cost this naval p'mme before public<sup>n</sup>.
- Agreed : stet. para. 44 as now : but argue quantity on "2<sup>nd</sup> round."
- P.M. Para. 48 might come better in passage on N.S.
- D.S. Paras. 50-53. Is red<sup>n</sup>. to be justified on mil. grounds, economic or abolition of N.S.? Hear C.O.S. on this.
- W.D. Recognise over-riding factor of economic need. But on strictly mil. grounds we c'dn't say 380.000 regulars wd. suffice to meet commitments. No justif<sup>n</sup>. qua reduced threat in reducg. forces : effect on Allies, who won't increase their cont<sup>n</sup>. to off-set red<sup>n</sup>. in ours. Can't be precise on necessary total : but 410.000 regulars wd. avoid critical red<sup>n</sup>. in technical & fighting strength. This 30.000 makes all the difference. C.O.S. therefore desire tht. red<sup>n</sup>. shd. be justified on economic grounds. Prefer a re-draft of para. 50. – submitted.
- P.M. Effect on Allies.  
? Say : these are commitments. Believe they can be met by much smaller forces than now [if regulars]. Our mil. trad<sup>n</sup>. based on voluntary professional forces. W<sup>d</sup>. like to get back to it. Will take much time. This year we shall reduce to x. From now we shall aim at all-regular forces. But shall meet our responsibilities. Shall continue to proceed in consultn our Allies. Cost of N.S. training (para 48). It is our purpose to revert, if we can, to trad<sup>ns</sup>. of our past.

- D.S. Believe we must say we are going over to regular forces & give a date for it. It is 5 years ahead.
- P.M. More emphasis on 1<sup>st</sup>. year because concerns most closely people like Mollet & Adenauer.
- H. “It is our aim to raise regular forces sufficient to meet commitments set out in this paper.”
- S.Ll. A formula – get it from him.
- D.S. Can’t get money reductions w’out a firm plan & it can’t be kept secret.
- P.M. ? Dispense with headings – they sharpen it all up.  
Also : develop argument & conclude with numbers.
- I.M. Put paras 50-53 after 68.
- D.S. Yes : put 48 before 54 as a lead-in.  
Paras. 54-59 cd. be reduced & combined with 60-64. Paras 65-68 cd. go in after 45.
- P.M. Paras 1-45. This is military plan. Pt. II – how do we get the forces required. We shall discharge our responsibilities.
- H.W. Stress argument tht. regular forces will be more efficient because of 48.
- P.M. Start : \*all Br. Govts. are v. conscript<sup>n</sup>. Quote an earlier statement.  
But must discharge responsibilities. Process of going over to regulars will take 6 years. If we succeed, we cd. meet our oblig<sup>ns</sup>. with 380.000 regulars. \* Para 60 with a quote.
- P.T. Inducements. Problem is Army only. Expensive to increase attractions all round.  
Barracks – w’in limits of resources.  
Compensation – we must know what we intend to do, and what it will cost.
- [Exit 4 Def. Ministers & C.O.S.]

2. Singapore.

Deferred to a later meeting.

1. Defence Policy.

[Enter Serv. Ministers, A.J.  
C.O.S., E.H.]

P.M. Need to adjust Paper to soften blow to N.A.T.O. and other Allies. This has made it necessary for M/Def. to pull his punches.

H.A. Hope for Cab. dec<sup>n</sup>. w'in 12 mos. on stock-piling – both for global war & for lesser emergencies – oil and food. Agreed.

C.N.S. Para. 41. C.O.S. cannot say that nos. proposed are militarily sound. We prefer para. 45 of 8<sup>th</sup>. draft.

S.Ll. Para. 56. From F.O. angle dislike pos<sup>n</sup>. tht. no T.A. units can be sent overseas.

CIGS. They will be trained as soldiers (light-scale fighting) as well as h. defence.

J.H. They will be relieved to know they are to be retained at all. No re-equipmt. with modern weapons will give considerable economy. But they will be competent for internal security role.

P.T. Nuclear submarine. Why?

C.S. Essential to defence – sub. is best defence v. sub.

H.W. Also important qua nuclear propulsion of surface ships.

D.S. Para 70. Success of policy depends on i) good equipment and ii) fair deal for those axed. ii) is essential to success of recruitment of regulars.

J.H. The problem under (ii) is so much in people's minds that we ought to include para. 70.

P.T. Need for co-ordinated scheme – before debate.

Subject to other drafting amendments –  
draft Wh. Paper approved for publ<sup>n</sup>. on Thursday.

2. Industrial Disputes.

I.M. It may turn out to-day that both strikes will be called off. If so, the Ct. of Enquiry will start in a strike-free atmosphere. Executives are now considerg. recomm<sup>n</sup>. that they shd. be called off.

3. Parliament.

Recess. 18-30 Apl. Business for next week.

4. Sudanese Currency.

S.Ll. As in memo.

P.T. Give them £15 and be done with it. Avoid going higher. Price of final settlement.

5. Cabinet : L<sup>d</sup>. Salisbury.

P.M. Gt. grief to me. Friend of 50 years' standing. Never divided on large issues. But we must work together & subordinate personal feelings save on major issues of principle. Don't regard his loss as permanent.



Suez Canal.

[E.H., F.H. Millar & Beeley]

- P.M. French favour ref<sup>ce</sup>. to S. Council – wd. go themselves if U.S. won't. Two courses i) U.S. negot<sup>ns</sup>. with E. ii) appeal to S. Council. Each has disadvantages.  
i) may produce settlement less than 75% satisf. to us. W<sup>d</sup>. also normalise U.S. rel<sup>ns</sup>. with E : not clear what econ. changes wd. be involved.  
ii) wd. have pol. advantages here. Resol<sup>n</sup>. wd. be vetoed. Mght be poss. to transfer to Assembly. Danger : offensive op<sup>n</sup>. in U.N. mght encourage E. to discriminate v. U.K. & France. Mght be poss. to combine i) & ii). U.S. reportg. to S. Council state of his negot<sup>ns</sup>. with Egypt – on lines of para. 4 of draft telegram. Thus (iii) = attempt to get advantages of both worlds.
- A.N. Our diff<sup>y</sup> : we don't know precisely what U.S. have got out of E in negot<sup>n</sup>. so far.  
Add<sup>l</sup>. idea : U.S. to invite E. to a conference, with t. of r. based on 6 Principles, incldg. main users. If E. refused, this cd. be reported to S. Council.
- H. If agreemt. cd. be reached on consultative board of users & method of paymt (interim) cd. not that be reported to S. Council – who cd. endorse & invite further consult<sup>ns</sup>.
- H.W. Canal likely to be declared open to-morrow : some drift by ship-owners is likely by end/week. Cdn't hold them back from use while A.N.'s plan goes on. I prefer P.M.'s course (iii).
- D.S. In the end, if no satisf. settlement, we shd. accept it de facto tho' not assenting to it in form.
- P.M. I want to slip into de facto passage of our ships while it is covered by a conference or negotiation.
- H.A. If you suggested that S.C. shd. propose a conference, wd. that be vetoed.
- P.M. A.N.'s plan cd. be modified – go to S. Council as under (iii) but add inform<sup>n</sup>. that we are proposing conference.  
Suppose we try A.N. plan & E. refuses, it is still harder for us to accept B. ships paying tolls to E.
- P.M. After spkg. to S.Ll. in Paris. We don't want to risk another rebuff because hinders de facto passage.  
First therefore let U.S. report to S. Council. No offensive op<sup>n</sup>. v. E. in S.C. at this stage. Get S.C. to ask U.S. to carry on (no resol<sup>n</sup>.) – either as now, negotiation but plus assessors : or Peru mght be

put up to suggest a conference. See wtr E. will accept one or other. As soon as S.C. has this under weigh, we cd. start a de facto passage of our ships. Avoids any de iure commitment. Avoid ultimatum to E. – because wd. risk rebuff.

C.C. 31(57).

8<sup>th</sup> April, 1957.  
(4 p.m.)

The Budget.

No note taken.

1. Suez Canal.

[E.H., O.G.]

P.M. U.S. have accepted our view – subject to one more round of exchanges with E. Not bad.

O.G. A bit slow – fr. angle of getting de facto passage of ships begun.

P.M. View (from Brussels) tht. N.'s pos<sup>n</sup>. wd. be shaken if ships held off for a time.

H.W. Can't hold Br. shipping for as long as that.

P.M. But oil cos. will hold off. Think U.S. time-table will do.  
Crucial date is when No. 3 Account is opened. W<sup>d</sup>. sooner that came in the recess.

H.W. From Thurs. or Fri. of this week enough ships will be passing thro' Canal to enable N. to say tht. traffic is resumed.

P.T. What we need is general exp<sup>n</sup>. of view in S.C. tht. i) traffic shd. be resumed but ii) E.'s attitude is unsatisfactory.

H.W. W<sup>d</sup>. prefer that to happen on Fri. next rather than next week.

P.M. Don't think we can press U.S. to follow a more rapid time-table. Will verify that S.Ll. agrees – 6 p.m. to-day.

H.W. Fr., Dutch & Danish Govts. are all advising ship-owners to avoid use of Canal.

P.M. Fr. genl. disc<sup>n</sup>. in S.C. there shd. emerge :-  
i) as negot<sup>n</sup>. must take time, world-trade must go on & they think interim arrangemts for paymt. must be made.  
ii) SCUA meeting to discuss & endorse (i).  
iii) Ty. action to enable B. ships to pay.  
In that event (iii) can be presented as inevitable international act.  
And (ii) need not wait on concl<sup>n</sup>. of (i).  
Tel. 830. Avoid pro. tem. telling State Dpt.

[Exit O.G.]

[Enter J.H., Soames, O.Ewing.]

2. National Service.

I.M. i) 279.000 needed. ii) 570.000 available : of wh. 330.000 are young & 240.000 deferred. iii) A quarter's reg<sup>n</sup> produces 30.000 fit young men.

Reduction from ii) to i) can't be secured by higher standards etc.,  
Choice is therefore betwn. memo. and ballot.

The no. deferred plus one quarter call-up gives all we need. But if only one more call-up, nearly all intake wd. be older & qualified men. Need mixture of young & older. Hence plan of 2 registers from which we wd. draw in fixed proportions – 2 older to 1 younger. If we increase prop<sup>n</sup>. of young, we lengthen period of uncertainty and also relieve more deferred men of their oblig<sup>n</sup>. W<sup>d</sup>. like early announcemt. of end of normal call-up of young – to enable plans (Universities etc.,) to be made. If we don't get regular recruitment – we shall need leg<sup>n</sup>. and the ballot.

- D.S. Support this plan. Must consider further the prop<sup>n</sup>. of young & oil.
- J.H. Good plan. Shall need to regulate the flow from the 2 sources.  
Warning : believe we shall be 20.000 men short by 1960, on present cond<sup>ns</sup>. If we can improve those, we have reasonable chance of getting force of 165.000 regulars by 1962. By end '59 we shall have had 2 yrs' experience of recruiting under new cond<sup>ns</sup>. If it isn't going well enough, we shd. then have to bring in another N.S. plan with leg<sup>n</sup>.
- C.S. No need of N.S. in R.N. Our diff<sup>y</sup>. will be rejecting applicants for regular service.
- O.E. Best plan that we can devise. We shall prob. need more young than old – for dirty jobs. Hope prop<sup>ns</sup>. will remain flexible & won't be announced as rigid.
- I.M. Think we must announce – but need not be for more than one year at a time.
- P.M. Avoids leg<sup>n</sup>. & the ballot. Enables us to say tht. men born after certain date won't be called up.  
Disadvantage : some older men relieved at expense of young. High-age call-up even of young twds. end of scheme.  
But only poss. alternative = ballot.  
Pol. diff<sup>y</sup>. less at outset – but prs. more as admin<sup>n</sup>. goes on.
- R.A.B. As time goes on, gap in age betwn. 2 groups increases. Why not, of deferred group, take youngest vice oldest?
- I.M. Doubt if it wd. work. Not much scope for choice – when reason for deferment expires (apprenticeship etc.,) they must be called up.
- P.T. Qua nat<sup>l</sup>. economy, fewer skilled men called up the better. The 2:1 ratio may give Services more skilled men than they need.
- D.S. Considerg. how R.N. cd. take over duties h'to discharged by Army so as to avoid rejecting regular recruits.

- J.M. Teachers. V. acute shortage in Scotland. Pressure for total exempt<sup>n</sup>.  
C<sup>d</sup>. we get same benefit by diff<sup>t</sup>. means.
- I.M. I can meet this – indefinite deferment, while in teaching post.
- P.M. When it is known to be ending, principle of universality is less sacred.
- H.A. C<sup>d</sup>. we defer balance of agricultural workers – 3.000 p.a.
- H. Will be pol. trouble. Fairest method wd. be ballot. This will have to be justified as better for the national economy.
- E.H. Pol. criticism will be : this is selection by Minister not by even chances.
- I.M. In fact no more selection than now.
- M. Better than blind chance. Opposed to deferment by class – wd. cause trouble with T.U.'s.

Memo. approved.

1. Cyprus. [Enter O.G., E.H.]
- A.L.B. No obj<sup>n</sup>. to what T. Govt. are proposing to say.
- S.Ll. Will so inform Turks.
2. Jordan.
- S.Ll. King seems to have won 1<sup>st</sup>. round.  
Desiderata : pol. support from Saud : mil. help fr. Iraq. Have tried to set both in motion.  
Awkward ques for us : what do we do if he asks us for help? Arm<sup>d</sup>. regiment cd. look after themselves. Risky to use R.A.F. at Mafraq unless assured that Iraq wd. move in to cover them v. reprisals.
- P.M. Ques i) what reply to such a request fr. the King?  
ii) how do we protect our people in J.  
iii) what do U.S. & Fr. say re appl<sup>n</sup>. of tripartite decl<sup>n</sup>.
- D.S. R.A.F. at Mafraq cd. look after themselves, unless v. heavy arm<sup>d</sup>. attack. 30 Venoms cd. be sent fr. Cyprus.  
Arm<sup>d</sup>. reg<sup>t</sup>. cd. look after itself, and, if requ<sup>d</sup>., cd. reach Amman in 24 hrs. 100 odd Br. civilians remaing, who mght seek evacuation. Valettas cd. do it from Habbaniyah, if un-obstructed. Para. 7 of Amman 64
- S.Ll. We shd. not get involved in this alone. All turns on Iraq intent<sup>ns</sup>. I have asked for inform<sup>n</sup>. about their mil. plans – we must await answer to F.O. Tel. 995 to Bagdad.  
On evacuation, we shd. make prep<sup>ns</sup>. – but do no more pro tem.
- P.M. Entry of Iraq shd. not automatically involve us.  
But, if King is overthrown, it will be victory for Syria & Egypt.  
And, if J. disintegrates, Israel v. likely to intervene.
- R.A.B. Yes : Tel. 654 Amman is disquieting.
- P.M. Consider to-day what financial loss wd. be involved in w' drawing from Mafraq.  
Also make sure they will organise a stiff resistance – ? send a reliable officer.
- S.Ll. Attitude of Israel – no interference if confined to internal : but wd. re-consider if foreign troops moved in. Risk therefore they may react on an intervention by Iraq – as last October. Propose to ask

French to urge Israel to wear that because wd. be intervention  
against Syria & Egypt. Agreed.

S.LI. Reply from Bagdad received. King has asked for mil. help from Iraq, who will now send forces to A. Z. Nuri is also urging Saud that they shd. act together to save J. from Communism. Nuri thinks Anglo/U.S. role now shd. be to restrain Israel. But, if Syrian forces came in, Iraq wd. need air support – and might ask for Venoms from Cyprus.

P.M. We cd. not promise that w'out much thought.

J.M. W'ton 895 seems to show that Eisenhower doctrine is w'out meaning.

S.LI. We shd. suggest to U.S. that clear statement from them of what they wd. do in given circs. wd. be valuable stabilising factor. Tho' that mght stimulate R. to come out publicly on other side.

P.M. May I have up-to-date view on appl<sup>n</sup>. of tri-partite declaration. We shall be asked in H/C.

S.LI. Favour formal enquiry to W'ton & Paris – wtr circs. require consult<sup>n</sup>. under t. decl<sup>n</sup>.

### 3. Suez Canal.

S.LI. W'ton 900. E. offer :- (Changes fr. earlier draft).

i) Tolls. Offer to go to arbitration on any increase above 1% p.a. This is not an unreasonable offer.

ii) Canal Code. Offer to arbitrate on changes, if challenged. This also is an advance.

iii) Arbitration procedure – in para. 8.

iv) Compensation – arbitration is accepted.

C<sup>d</sup>. be said that this covers 5 of the 6 principles. The one not wholly covered = insulation from politics of any one country. That is arguable.

More difficult point. This = unilateral decl<sup>n</sup>., not an agreement. Final sentence of tel. – cd. they unilaterally w'draw this and substitute another. F.O. legal adviser is considerg. that.

Dillon doesn't think it satisf<sup>y</sup>. – presumably because of last point.

Hail. How wd. an arbitral decision unfavourable to E. be enforced? That is the crux. There is no sanction. We really need prov<sup>n</sup>. for w'holding of dues.

H.W. An effective SCUA mght be able to enforce in that way.

S.LI. No : for ships w'holdg. dues wd. be declined facilities.



- S.Ll. x| Security Council. U.S. may now argue tht. they must go to S.C. jointly  
 | with E. N. Yk. 955. We had never supposed U.S. wd. concert  
 | with E. an approach to S.C.  
 Time is slipping. We wanted report to S.C. made to-day.
- P.M. y| We shd. press U.S. to go on with original plan. x/ is not firm : Tel. is a  
 little ambiguous.
- H.W. Art. 102. point. Several countries will accept this declaration. When  
 they have done so, will it not rank as an internat<sup>l</sup>. agreemt.
- P.M. Doubt that. Anyhow, first proceed as at y/.  
 And let our use of Canal be de facto, pending a more statif<sup>y</sup>. settlement.
- H.W. One or two large ships will prob. pass thro' Canal by end of week.  
 German certainly : & prs. some others. If they go thro', these  
 countries will resume transit.

Agreed : Urge U.S. to proceed with our plan.

4. Nuclear Tests.

- S.Ll. We have w'drawn our accept<sup>ce</sup>. of compulsory jurisd<sup>n</sup>. of Internat<sup>l</sup>. Ct.  
 in order to substitute a new form of acceptance, with cond<sup>ns</sup>.  
 which will evade an injunction by Ct.  
 Position to-day therefore is that no-one can bring us to Court.  
 Comparable action taken over Buraimi. [Exit S.Ll.]

5. Oil Supplies.

- P.M. Proposal : to end rationing on 17/4.  
 Political ques. Will it seem weak?  
 My personal view : dislike doing this at moment when we try to make  
 arrangemt. for de facto transit of Canal. Suppose Nasser makes  
 diff<sup>ties</sup>. over that? Or suppose Syria cuts pip-eline? We have bn.  
 buying oil from any source – we cdn't afford to go on doing that,  
 and if real trouble blew up in M/E. we shd. have to ration for  
 financial reasons.
- R.A.B. On balance – because of events in M/E. and dollar purchase – we  
 ought to keep it on for a bit longer.
- I.M. I agree.
- P.T. So do I.
- H.A. So do I. V. bad if we had to re-impose it later.

H.W. We can't hold it for v. long – evasion is w'spread.

Agreed : retain rationing pro. tem.  
Announcement to be made in H/C. to-day.

6. Wilton Park.

O.G. Decided last year – on basis tht. it was useless to try to teach G. to be democrats. G. were however v. disappointed & pressed for continuance. Sugg<sup>n</sup>. emerged of continuing it on basis enlarged to cover Europe vice G. alone. Some countries are ready to contribute to its cost. An important & inexpensive instrument of propaganda.

P.T. We have bn. trying to close this since '45. At last, in '56, it was decided to let it go. Lease has bn. released – prep<sup>ns</sup>. made to close.

H.B. Remarkable place – due to genius of Warden, who is German. Can he run a European instit<sup>n</sup>? If not, who will be its leader.

P.M. W<sup>d</sup>. prefer to leave this open until we have completed our review of overseas propaganda. Suggest we renew lease for one more year.

Agreed : Renew lease for one year.  
Cost to be kept this year w'in F.O. budget.

7. Shops Bill.

R.A.B. Re-commit on 6/5 and make amendments to liberalise it. Then, when it comes to H/C., I will take responsibility of saying in H/C. that we can't carry it.

Hail. Bill is not as bad as represented. Diff. for me and for H/L. if its throat is to be cut in H/C. But agree H/L. shd. not be responsible for killing a Bill wanted by T.U.'s.  
Therefore I don't want to re-commit save under pressure from Oppos<sup>n</sup>. – & after warning them it may mean loss of Bill.

I.M. T.U.'s want this Bill. Tories in H/C. won't wear it. May get worst of both worlds if we make in H/L. concessions which will upset T.U.'s and then cut its throat in H/C.  
Surely it is easier to drop a bad Bill than a good one. Also avoid 2 rows with T.U.'s.

Hail. Majority of amendments must be tabled in H/Lds because promises given on Ctt<sup>ee</sup>.

P.M. Better for Govt. to kill it.

Hail. But I have repeatedly said we are going on with it. I must try to get it thro' H/L. & make it appear that it is only lack of time that has lost it.

I.M. But don't include any amendmts which haven't bn. promised.

R.A.B. Will re-consider amend<sup>mts</sup>. with that in view.

8. Remuneration of Doctors & Dentists. [Enter D.V.

P.M. Will make statement on Tues. Will cover exchange of letters with Coll. Physicians: also statement by Chairman of P.C. Will announce interim award – and offer to discuss (not consult) distribution.  
On amount of interim I believe on reflect<sup>n</sup>. we shd. stand on 5%.

D.V. Accept that. But cd. date be earlier than 1/7 – e.g. 1/5.

C.H. 5% on gross remuneration = 7% or more on net. This shd. be stressed with g.p.'s.

1. Procedure.

P.M. Referred to undesirability of statements of public policy being made by Ministers while travelling abroad – w'out consult<sup>n</sup>. with or auth<sup>y</sup>. of colleagues.

2. Suez Canal.

S.Ll. Scua meets this p.m. I shall attend.  
Technical enquiry thro' B/E. re method of payment. B/Egypt have replied. offering to discuss but adding there are points on No. 1 A/c .....

P.T. Bank of Intern. Settlement meets in Basle. Our rep<sup>ves</sup>. wd. normally go on Sat<sup>y</sup>. Propose to send rep<sup>ve</sup>. of B/E. on Friday. Govr. will be available there on Sat<sup>y</sup>.

D.E. Believe they will want to get sterling in order to get resumpt<sup>n</sup>. of Br. imports.

H.W. Ch/Shipping wished to divert ships to Canal route on Thurs. last. They were dissuaded because money for dues not available. If Scua agreed to-day to de facto use, Br. owners wd. want to divert at once – a week or 10 days to take effect. Hope therefore that Scua dec<sup>n</sup>. can be deferred for a day or two.

P.M. Agree. Scua shd. lead a counter-attack : proposals unsatisfactory : further dis<sup>n</sup>. in S.C. required etc., To play for time until we know E. answer on financial point.

S.Ll. Best point to put is tht. Sec. Genl. regards E. declaration as revocable. That is unsatisfactory : it shd. be resolved before we accept any de facto transit.

Hail. If we were compelled to accept settlement incldg. paymt. in currency other than sterling, cd. we not then get U.S. support for a boycott (B'muda).

P.M. Can't let that pos<sup>n</sup>. arise – we cdn't accept such a settlement, for it wd. ruin sterling.

Hail. Any chance of a boycott by tankers alone? (U.S. dry. cargo [Enter R.A.B. have broken away, but not tankers.)

H.W. Fact is tht. U.S. Govt. can't control their ship-owners.

M. A tanker boycott, even if practicable, will involve our continuing to pay for our oil in dollars. Cost is about 30 m \$ p.month.

H.A. Qua public opinion, play it slow and keep it obscure.

3. Petrol Rationing.

M. Emergency surcharge  $1\frac{3}{4}^d$ . for wholesalers &  $1\frac{3}{4}^d$ . for retailers. They are ready to take  $2\frac{1}{2}^d$ . off when rationing ends : and ready to take off  $1^d$ . at once on account. This was justified partly on a/c of smaller turn-over. And on that a/c reduction wd. now be justified.

Agreed. Action to be taken at once by the oil companies.

4. Jordan.

S.Ll. Main hope for Hussein is that U.S. have gone so far in support of him tht. they can hardly afford now to see him lose.  
Our interest is still to hold off and let U.S. play the hand.  
Hussein has done better than we feared.  
My feeling is one of restrained optimism.

D.S. i) W<sup>d</sup>. be helpful if it cd. be known that we had bn. informed of U.S. intention to send 6<sup>th</sup>. Fleet.  
ii) Delay in getting agreemt. for over-flying rights in Jordan. Very important to us.

S.Ll. On ii) we still believe we shall get it. For it is to J.'s advantage. Will consider both i) and ii) & report to Cab. at least on (ii).

5. Industrial Disputes. Engineering & Ship Building.

I.M. Rpts. will issue on Thursday.

Recomm<sup>ns</sup>. Second is for industry but wd. be helpful. Shall try to get it accepted.

Third. Was made in '54 & at NJAC was damned by T.U.C. BEC will welcome it again. Want to express support for it. Risk of so doing : that T.U.'s will oppose it. But, even if they did, believe we shd. need to go on with it. Thus, propose to issue statement as in draft.

First.  $6\frac{1}{2}\%$  with valuable cond<sup>ns</sup>. but giving 18 mos. respite from further claims & thus breaking away from annual increases. "No fresh claim" includes local as well as national. If we let it be known tht. we wd. prefer  $6\frac{1}{2}\%$  on that basis to 5% unconditional, we cd. lead them in that direction. Period of

stability wd. be v. valuable in other industries. On balance wd. prefer that.

- M. But miners will accept 5%. If other course were taken in engineering, miners wd. go for 6½% unconditional.  
I wd. much prefer to keep to 5%, which is becoming pattern for 1957.
- I.M. Believe Mills attaches too little value to cond<sup>ns</sup>. They wd. be most valuable. Moreover, not at all sure you cd. get 5%. And, if you did, another claim wd. be tabled at once.
- P.M. First recomm<sup>n</sup>. is for industry alone. The other two affect national policy.
- H.W. Worth trying to get firm cond<sup>ns</sup>. attached to a pay increase. Has never bn. done [successfully] in U.K. Worth having, even if cond<sup>ns</sup>. are not honoured in full.

Discussions adjourned for general review on basis of P.T.'s memo.

## 6. Wages Policy.

- P.T. Drew attention to Appendix. Clear that we can't go on as now. Remedies. i) Unemployment at level which wd. cause employers to reject wage claims. But that wd. be about 1m. Not conceivable tht. a Govt. cd. deliberately seek to create such a level of unemployment.  
ii) Independent body to ascertain level of increased productivity and fix a figure w'in which wages cd. rise. The Govt. cd. not stand aloof from it. They wd. have to apply findings in wages they fix (C. Service etc.,) or influence (nat<sup>d</sup>. ind<sup>ies</sup>.) & put it fwd. in ev<sup>ce</sup>. to wages boards etc.,  
No successful experience of this method abroad. But believe that in some form we shall have to try it.  
Favour therefore some public blessing of this approach, in comment by M/L. on Rpts. of Ct. of Enquiry.  
Also immed<sup>te</sup>. w-party to study method.  
Influence on T.U.'s – thro' early mtg. with their leaders (P.M.)
- R.A.B. Morris Rpt in '54 was first glimpse of sanity. Pity it wasn't followed up.  
A C. Service enquiry (para. 22) won't be as helpful as impartial body suggested by M/L. in (iii) of his memo. I wd. do both.  
We need a better answer on sanctions. That shd. be studied by both bodies.  
Weakness of memo = impartial body has no sanction to apply.

- H.A. Stimulatg & timely memo. We are v. near to a national wages policy & must now move one step further.  
Politically: this is moment for a démarche.  
Needs : i) source of authoritative economic guidance – preferably independent.  
ii) greater use of arbitration.  
iii) greater responsibility for N.J.A.C. – prs. with some executive functions.  
iv) secret ballot.  
Both important and urgent.
- M. Support R.A.B. Favoured 1954 plan – as source of advice in dealing with wage claims.  
But P.T.'s memo. is dangerous as implying that Govt. shd. take a hand in this. It wd. invite show-down between Govt. & organised labour.
- H.W. If Govt. promulgates a figure, what happens to conciliation function of M/Labour.  
N.J.A.C. can't discuss wages. But N.P.A.C.I. can. This issue cd. be discussed there once a year. H.A.'s point (iii).
- D.E. Other countries have done better because i) higher unemployment & ii) greater readiness to have strikes.  
Doubt if P.T.'s memo. wd. work until over full emplt. is over. For wages earned now are not the minimum : employers attract labour by higher rates.  
The figure for this year, over-all, wd. be nil. But some wages ought to move – to change relativities etc.,  
Also if you create impression that workers can have whole of any increase in productivity, there will be nothg. left for salaried classes.  
Also : rise or fall in productivity is often due to Govt. policy. E.g. nil this year because of credit squeeze.  
Favour enquiry for educational purposes. But no real substitute for monetary policy.
- I.M. Can't have national wages policy w'out doing same on dividends & prices. Nor will it work, so long as labour is scarce.  
Govt. shd. certainly keep off a limit.  
y/ If there is one, it will be starting point for all claims. And will also provoke claims in industries when none now made.  
Effect on rel<sup>ns</sup>. of industry with M/Labour.  
Believe we shd. aim at :-  
i) period of stability. Go for 12 mos. & try to extend.  
\* ii) set up Bd. as recommended by Ct. of Enquiry.  
iii) concentrate on prices.  
Sure that \* is cardinal. And I wd. say it at once – on publ<sup>n</sup>. of report of Ct. of Enquiry.

- Hail. Strong support for y/.  
Teachers, whose productivity can't be measured, will demand the average. And industries wh. can show a higher figure will demand it.  
Sanctions. Para. 22. So long as strike can't be defeated, we are bound to have inflation. Ought we not to invent a machine to break a strike.
- P.T. Little real difference betwn. me and M/L. For once you do \*, Govt. would have to support its findings & wd. become involved.  
Let us at least have our C.S. w. party.  
I also favour a mtg. with T.U. leaders.
- K. Part vi of Ty. memo. on Price Stability in Full Employt. (H.M.) But all measures then suggested come down to mere exhortation. I think we must now have something more – even if it's only exhort<sup>n</sup>. thro' other mouths after investigation. C<sup>d</sup>. there be an independent board to examine all these points not only productivity. How is general economic desideratum put to wages boards etc.,  
W<sup>d</sup>. like official examination of proposals for new machinery, and of effectiveness of methods adopted in foreign countries.
- P.M. Valuable discussion. Resume argument on Minute 5.
5. Industrial Disputes (resumed).
- P.M. i) Govt. shd. not intervene as between 6½% and 5%.  
ii) On general question (Minute 5) – produce comparable graphs for inter-war years. Also let us see what is happening now on exports etc., Is the approachg “disaster” so great, save tht. it reduces the burden on debtors?  
Doubt if we can have someone calling Trumps. For it wd. give to those who wd. never have claimed.  
Can we put national consid<sup>ns</sup>. to arbitrators? When we tried it, opposite effect because they were so affronted.  
Central independent body may do more harm than good.  
First study : cd. we face a rlyway strike?
- H.W. Also – how remove Communist influence from T.U.'s.
- Hail. Desirable that there shd. be public presentation of national interest in arbitration cases. Not as rep<sup>ve</sup>. of Govt. but as impartial witness.
- \* P.M. Welcome para. 22 study by officials. First task – what wd. be compos<sup>n</sup> & t. of ref. of such a board.
- D.S. Study automatic arbitration – as part of suggested Board.



1. Disarmament. [Enter E.H.]

P.M. Have auth<sup>d</sup>. subm<sup>n</sup>. of short memo. to Ctt<sup>ec</sup>. on limit<sup>n</sup>. of tests. Agreed with F.O. & M/Def. & with Stassen.  
Read it.  
Worth tabling something. This is not dangerous.  
This is private meeting – we cd., however, leak it at appropriate moment.

E.H. Debate in week after next – will be demanded by Opposition.

P.M. C<sup>d</sup>. be leaked before then.

H. Will we gain anything by final para. on restraint?

P.M. Can't say less than at B/muda.

Agreed. Delete para. 4 (not a proposal) but put it orally.

2. Parliament.

R.A.B. Business for next week.

3. Channel Tunnel.

H.W. Must consider cross-channel comm<sup>ns</sup>. in light of a Europ. free trade area. E.P.C. favoured more interdepartmental cons<sup>n</sup>. before consultg. French. Since then much public interest has bn. aroused. In France, Suez Canal Co. sees it as alternative investment. American Co. in the field. We must move fast, in case Fr. Govt. give facilities for a survey.  
B.T.C. view is in favour. Mght cost £200 M. for rail tunnel only. But we mght get dollars for it.

A.L.B. W<sup>d</sup>. sooner spend that amount of money on roads – or on improving ports.

P.T. Agree we must look at it seriously. But doubt if it's wise to say anything in public yet.

H.W. French Co. has firm concession to build. Br. Co. think they can raise the money in U.S.

D.E. Ferry Services to Rhine mght be more profitable.

- D.S. No serious mil. obj<sup>ns</sup>. – tho' haven't consulted C.O.S.
- P.M. i) Study this – incldg. alternative means of improving cross-channel transport.  
 ii) Do we associate ourselves with a survey? Interim report on that point from interdep<sup>l</sup>. Ctt<sup>ce</sup>.  
 iii) Study also wtr Suez Canal Co. cd. (under Articles of Assoc<sup>n</sup>.) transfer its assets to this enterprise. Mght suit us better to see Co. go into liquidation. L.O.'s cd. give an opinion on this.  
 Ty. to study (iii) separately. Cd. we buy more shares to get controlling interest?  
 iv) M'while, no public statement to be volunteered.

#### 4. Commercial Policy .

- P.T. C (57) 106. Free Trade Area.  
 Powerful forces in Eur. wh. favour common market w'out free trade area. A high-tariff bloc. All Dpts. agree tht. this wd. damage our interests v. seriously. Genl. talks are therefore going v. slow. Treaty of Rome is likely to be ratified in July by France & then Germany.  
 Our aim : get the 6 comm<sup>d</sup>. to free trade area at time when they ratify. Maurice Faure comg. to Ldn. on Mon. Shall probe French position.  
 P.M. going to Bonn on Tues. He will try to get Adenauer to say tht. common market shd. be set in a wider free trade area.  
 Thereafter, we may have to consult our Amb. in Europe – to scotch idea tht. we are trying to wreck common market. Also discuss with Scandinavians.
- D.E. Treaty of Rome – political dynamism is important factor : they want united Europe & regard our efforts as putting Atlantic water into their Europ<sup>n</sup>. wine. They envisage a “third force” group. Economically they can build up somethg. effective. That is v. serious threat to us. Our special relation with U.S. mght soon go, if U.S. saw real power in Europe rested with the Six, led by Germany.  
 cf. the way in which they rejected our Grand Design project. They don't want the Atlantic add<sup>n</sup>.  
 Critical that we shd. take a new initiative showg. tht. we have something to contribute.
- R.A.B. Para. g. May we not have to use more definite language with Faure & Adenauer – e.g. tht. we may be forced to adopt a much less liberal trade policy.  
 Agriculture. Difficult pol. pos<sup>n</sup>. Fear Europ. will ask for agric. concessions. Tories in H.C. won't tolerate any. Don't understand para 17. W<sup>d</sup>. welcome an explanation.

- French intent<sup>n</sup>. is to ratify & reduce tariffs 12 mos. later. We shd. press for simultaneous red<sup>n</sup>.
- P.T. Delay cd. work to our advantage. It wd. be necessary if we are to marry free trade area with common market.....
- D.S. We face complete collapse of our European policy. We were anxious to lead Europe. Now we are discussing how we defend ourselves economically against them. Can we really face that? We may rather have to contemplate going further in. C<sup>d</sup>. we have memo on consequences of these alternatives?
- R.A.B. C<sup>d</sup>. F.O. submit memo. on extent to which political assoc<sup>n</sup>. cd. be carried.
- H.W. Believe Germany is the key – they cd. be persuaded to see advantages to them of free trade area.
- I.M. So do I.
- H. C<sup>d</sup>. we see a memo. showing what we cd. safely offer by way of concessions to get agreement to a free trade area.
- P.M. We missed the bus at end of war.  
 Conflict w'in Eur. movement. Old hostility to U.K. Much rested on 3 men – Adenauer, Schuman & de Gasperi – born w'in 20 miles : the central Eur. idea. On econ. side, ambition to forge something wh. wd. give same standard/living as in U.S.  
 For us, no hope now of Imperial economic unity. That bus was missed in 1906. Too late now.  
 To Adenauer I wd. be frank. He must face pol. consequences of limitg it to the Six. It will disrupt N.A.T.O. Is he sure tht. best prot<sup>n</sup>. v. R. is united Europe (Six only).  
 Study i) what concessions we cd. make on common investment etc., to prove our good faith.  
 ii) to what extent cd. we agree to others (outside the Six) makg. agric. arrangemts – consistently with our oblig<sup>ns</sup>. to our own producers & to Commonwealth.  
 iii) what defence we cd. put up, if common market is organised without free trade area – incldg a) possibility of sabotaging it; b) means of living in spite of it.
- M. Consider also our assoc<sup>n</sup>. with Schuman plan.
- D.E. Sh<sup>d</sup>. we not offer to be represented by a Minister in some of their institutions?
- P.M. iv) Study rather what is to be board of management of free trade area.

Agreed.

C (57) 107 – to be discussed at a later meeting.

1. Parliament. [Enter A.N., E.H.]

R.A.B. Business for next week.  
Thursday : Supply Day : likely to be disarmament or Suez.

2. Export of Cattle.

H.A. Criticism can be met if journey on other side of channel is a short one.  
We cd. extend limit, if necessary, from 40 kilometres to 80.  
Limit of value, applied to horses, was designed to stop the traffic altogether.  
Want liberty to revise statement.  
Intend to consult with Govts. concerned.

A.N. Consult<sup>n</sup>. is necessary. In France, no slaughter-houses n. of Paris. In Holland Amsterdam is more than 40 Kil.

D.E. Awkward to invite f. countries to police our export cond<sup>ns</sup>. Need we do it.

P.T. Important thing is to discuss. W<sup>d</sup>. sooner do that before saying too precisely what we mean to do.

R.A.B. I agree. Report concerned only with cond<sup>ns</sup>. on this side. The humanitarians will want to be assured re cond<sup>ns</sup>. on the other side – for which we need to have had discussions.

P.M. We can't control what happens on the other side. W<sup>d</sup>. it not be best to have disc<sup>ns</sup>. thro' O.E.E.C.?

H.A. No quick progress there. W<sup>d</sup>. prefer direct discussions with 4 countries concerned.

x { In light of this talk, prs. better to say only that we will discuss with the  
{ other Govts. concerned.  
P.M. { We cd. add that we accept recomm<sup>ns</sup>. of Ctt<sup>ee</sup>. so far as they concern  
{ cond<sup>ns</sup>. in U.K. Or, rather, let that precede the other part of the  
statement.

Agreed – as at x/.

### 3. Commercial Policy : Overseas Territories.

- P.T. Three courses were open i) exclude all ii) include African territories only or iii) try plan J. We concluded in favour of i). This is what officials recommend now – see para. 11.
- A.L.B. Customs Union. Effects on Colonies will be serious. Favour high-level approach to Six Powers on risks. Cocoa & coffee, in particular. We cd. bargain with them – Germany & prs. Benelux might be open to pressure because fear of exclusion from Br. Colonial markets.  
Free Trade Area. All Colonies, with 2 except<sup>ns</sup>, favour exclusion. Kenya & Hong Kong wd. wish to be included. Kenya because they will have large surplus of agric. products. H.Kong, as manufacturg. centre, asks us not to join unless they can be included. We shall have to over-ride their views, but they will need v. careful handling. It must be all or none : and balance is clearly in favour of none.  
We need a debate in H/C. in order to make it clear that we are not abandoning Colonial economic interests.
- D.E. Support conclusions in memo.  
I wd. play it by saying we must get area constituted first, but don't altogether exclude possibility of considering extension later to particular territories.
- H. Doms. support exclusion of Colonies.
- P.M. Two ques : i) can we organise Eur. free trade area for manufact<sup>d</sup>. goods. This was to be confined to Eur. But, as Fr. overseas territ<sup>ies</sup>. have bn. brght into Customs Union, we cd. leave door open as D.E. suggests. This is for manufactures &, save for Hong Kong, no Colony really needs to be included.  
ii) Customs Union havg. included Fr. Colonies, must we not mitigate injury of that to our Colonies? Yes. On lines recommended. First, keeping tariff low : second, prs. by quotas reflectg. existg. trade pattern.
- P.T. Urge caution on i). Later opting in of Kenya etc., wd. give opportunities for foreign overseas territories to ask for inclusion.

Memo. approved.

[Enter P.M.G.]

### 4. Nationalised Industries.

- M. 7% increased in c/living wd. be involved if power industries increased prices sufficiently to finance necessary investment.  
Electricity prices have bn. advanced. Coal prices have not.  
What I contemplate is normal commercial practice.

- H.W. Ques of principle. Sh<sup>d</sup>. a nat<sup>d</sup>. industry merely cover its costs or shd. it attempt to cover its depreciation. If Transport attempted second policy, prices wd. have to go v. high.
- M. If second policy is not adopted, Ty. has to cover deficits – on borrowing.
- P.M. First take running costs. We have endeavoured to cover these. £92 M now needs to be recovered. But this involves no drastic change of policy.
- M. No question – they must cover operating costs.
- P.M. Second, shd. they charge enough to finance investment? They mustn't show a profit – for it wd. be dissipated by wage claims. Hence sugg<sup>n</sup>. of new method of accounting.
- P.M.G. We show only v. small profit because we charge to commercial cost, not only operatg. cost, but replacement.
- Agreed : Maintain policy of covering operating costs and authorise the £92 M.
- P.M. Tho' G.P.O. charges replacement to commercial account, Revenue won't allow ordinary business to escape tax on reserves. Govt. will therefore be open to criticism if nat<sup>d</sup>. ind<sup>ies</sup>. allowed to take this course.
- P.T. No : for they will be treated in same way as private industry, for tax. If memo. is not approved, I shall be short of £48 M. on Budget.
- I.M. Doubtful about this policy. On wages policy we seek stability, try to hold prices & have independent Bd. These objectives wd. be frustrated by policy of increasing prices by nat<sup>d</sup>. indust<sup>ies</sup>. – which wd. be regarded as deliberate Govt. action to increase prices. This wd. be 2/= a ton on coal.
- M. How can you take that line if you agree to covering operating costs. Replacement of assets is part of operatg. costs. It is by deliberate Cab. action that coal has bn. prevented from going so far as gas & electricity have gone in covering re-placement.
- P.M. The big money, for Ty., is in gas & electricity.
- P.T. The plateau period is ending. Two courses : a) Try to hold it, by supreme effort. b) Accept need for price increases but relate them to wage awards. I favour b) because think increases are inevitable. Case is strong therefore for letting prices in public sector be self-financing.

- I.M. I don't despair of a). C/living index has bn. falling for 3 months. If you approve this memo. you won't get T.U.C. co-op<sup>n</sup>. in our wage policy or get any stability in wage claims.
- H.W. 2/= on coal wd. provoke increase in B.T.C. charges.
- R.A.B. Para. 15. Both are inflationary. Economic arguments are in favour of raising it from consumers. Arguments against are "political" : incldg. I.M.'s point that these increases will bear most hardly on "middle classes".
- D.E. Fear this will work thro' economy to disadvantage of exports. We are not in pos<sup>n</sup>. to bear increase in export prices.  
I conclude : do this because it is right. But pursue disinflation, under monetary policy.
- H.B. If we are off the plateau, I wd. favour doing the £48 M. as well.
- H.A. C<sup>d</sup>. we miss out coal which makes the big impact.
- P.T. Much is to be said for spreading the increase, for coal.
- M. Ready, if Cab. wish me, to spread that over 5 years. This wd. mean 6/6 on coal.

Accept this basis in principle: but spread the increase, for coal, over 5 years.

[Exit P.M.G.]

#### 5. Malta.

- A.L.B. Defence policy will bring gt. hardship to Malta.  
On constitutional issue : dyarchy wd. lose us all our friends in Malta.  
Our integration proposals wd. have an appeal to people of Malta.  
Or, we cd, try a 5 year trial period. W<sup>d</sup>. like auth<sup>y</sup>. to put last 2 alternatives to Mintoff.
- R.A.B. Sh<sup>d</sup>. we be bound to have Comm<sup>n</sup>. under second?
- A.L.B. No.
- R.A.B. Ready to promote leg<sup>n</sup>. to make Malta part of the B. Isles.
- P.T. Para. 7. "new round of negot<sup>ns</sup>." He will take this as starting point.
- A.L.B. I will make it clear this is last word.
- P.M. Put it as our answer. No more to come but elucidation.



- P.T. Also make it clear tht. if he runs into deficit on Budget we don't carry that in add<sup>n</sup>. to the £6 M.
- D.S. Can't be sense i) to cut down on defence projects wh. are valuable but put defence money into Malta which we don't need to spend. ii) to put naval work into Malta at expense of U.K. naval dockyards.
- H. That underlines the case for last alternatives vice last but one.
- E.H. Opinion in Tory Party is hardening v. integration. [Exit D.S.]
- H. Better therefore to offer last alternative, tho' saying that offer of integration still stands.
- P.M. Final agreement to be by exchange of letters text of which shd. be approved by Malta Ctt<sup>ec</sup>.
6. Nigeria.
- A.L.B. Conference, p'poned from last autumn, will open next week. Will submit memo. for Cabinet.
7. Industrial Disputes.
- I.M. Terms – for 2 sides of industries – will take some weeks. Do we go fwd. at once on sugg<sup>n</sup>. of a Board. Main mtg. shd. be at No. 10. But can I m'while see what reactions of T.U.C. might be?
- P.M. Let us have a memo. for discussion by Cab. on Friday.
8. Suez Canal.
- P.T. Message from Basle. E. seems likely to accept No.3 Account provided we are willing immediately thereafter to discuss future of No.1 Account & related ques.
- P.M. This cd. be accepted.

1. Wages and Prices.

[Enter E.H.]

- I.M. Believe we may get growing acquiescence of T.U.C.  
Favour getting into pos<sup>n</sup>. soon when we can have talks at No. 10.
- P.M. Various joint bodies. N.P.A.C.I. : N.J.A.C. : now another. What will  
it do. Disinclined to get into this before I know where I am  
going.
- I.M. This will be independent – not havg. rep<sup>ves</sup>. of industry on it.
- P.M. Fear this will peg down a starting point.  
How far is this concern of M/L.? What of E. Planning Bd.?
- P.T. Dangers of this body are indicated in report. May sometimes  
embarrass Govt. But only constructive proposal so far put fwd :  
has backing of Cts of Enquiry : don't rush into it : but don't reject  
it hastily.
- H.A. Support P.T.'s view.
- R.A.B. Developmt. wh. shd be pursued. Not sure wtr it shd. be permanent.  
Reference to profits – also 4(a) – will alarm Tories. Can we start  
it provisionally without time limit (3 or 4 years). It may go  
wrong.
- M. Doubtful if T.U.'s will accept. Are we to go on with it, if it isn't.  
Don't like title. Prefer "Econ Stability".
- D.E. Not sure of t.of r.  
Full emplt., price stability and coll.-bargaining are what people  
want. Unwise to mention 2 but not 3<sup>rd</sup>. What of b/p. also?
- K. Reconciliation of full emplt. & price stability is obvious problem for  
our society. No body now to advise on it.
- H.W. Favour trying this even if T.U.C. don't agree.  
Are we to secure stability by strike-breaking or suasion? Latter is  
prob. safer : and if we opt for it this sort of body is v. useful.
- I.M. Also practical method of getting authoritative economic advice to  
arbit<sup>n</sup>. tribunals.
- H.B. Favour doing this. But, if we do, we must seem to have confidence in  
it. Don't be tentative.  
Does it need precise t. of r. Wiser to launch them with general  
direction by P.M. W<sup>d</sup>. avoid formal amendmt. of t. of r. later.

- P.M.
- i) Will this body help to check wage/price spiral? May be gt. nuisance & do more harm than good. Can't operate w'out being drawn into profits & dividends.  
T.U.'s may welcome its views when convenient & reject when not. Reflects loss of faith in democracy.
  - ii) T. of reference. Don't like stability. We want to create more wealth. Can't we strike that line? This seems negative approach.
  - iii) Soundings. Not sure it shd. be done only by M/L. Isn't it wider than wages? E.P.B<sup>d</sup>. sh<sup>d</sup>. R.M. & Emmerson jointly explore this.

Agreed : Resume discussion early next week.

M'while R.M. & H. Emmerson to discuss procedure.

## 2. Suez Canal.

- P.M.
- Scua decision. Press re-action re Fr. reservation not unfavourable. Techn. enquiries via Banks have resulted (so far) in E. acceptance of plan for dues to be paid in transferable sterling. This makes it poss. for all members of sterling area to conduct any transaction with E. via No. 3 Account. Therefore we have promised to discuss with E. conduct of current commercial transactions thro' No.1 Account. We have told our friends we were making these enquiries : 1) must now tell them results.  
2) What advice do we now give to Br. Ship-owners?  
3) What do we say to our friends – other maritime Powers?  
4) What action do we take re long-term settlement, in U.N.?

- S.LI.
- E. terms are better than they might have bn. They don't carry out 6 principles & our rights shd. therefore be preserved. U.N. prestige is involved & their efforts to seek satisf. final settlement shd. be continued.

Subject to present<sup>n</sup>., believe we shd. now proceed to de facto use of the Canal. To wait longer mght look more like weakness than strength & E. might revoke sterling agreemt.

- If so :
- i) do we tell other Scua members we intend to go through?  
or do we ask them wtr they will m'tain status quo?
  - ii) do we seek exp<sup>n</sup>. of view by Br. Ship-owners tht. their interest wd. suffer by continuing status quo?
  - iii) as at 1 above.
  - iv) as at 4 above.

On i), others tend to wait on us. But if we decide, danger they will say they are following a Br. lead.

On ii) open question.

iii) is a ques of timing

On the main issue, believe delay is dangerous.

- K.
- Favour takg. a line & telling the others.

- P.T. Financial danger of delay. Cdn't have hoped for better agreement on sterling.
- R.A.B. Ques of present<sup>n</sup>. Ships will go thro'. Can't stop our own. But stress (iv).  
Bring out fact tht., had nothg. happened, Canal wd. have bn. wholly E. in 1962 (? date).
- A.L.B. C<sup>d</sup>. Fr., Br. and Norway have made an effective boycott.  
C<sup>d</sup>. we have run an oil boycott?
- S.Ll. Norway regard it as impracticable.
- M. Sacony are now going to use Canal.
- H.W. Dutch mails, Swedes, Italians & Japs intend to go thro'. We are already at a commercial disadvantage. The other Conferences are likely to take same course. True, however, tht. Govts. may not w'draw advice : some haven't given any.  
Tankers : Caltex as well as Sacony will go thro'. And all the flags of convenience.  
Best course : say honestly it's against our interests not to use Canal.
- D.S. Humiliation : but no advantage in delay.
- I.M. Agree. Basle agreement is v. valuable.
- A.L.B. Wholly agree : bury carcass of policy that's dead.
- D.E. Agree. Trade figures are bad.
- H.B. Must accept pos<sup>n</sup>. – not as bad as it might have bn.
- K. No practical alternative.
- H. Agree : get it over as soon as poss. W<sup>d</sup>. help if others cd. make a simultaneous statements.
- Ch.H. Favour candour & speed.
- P.M. Agree. No more to be gained by delay. We have gained by delay so far – improvements in E. offer, tho' we can't represent it as satisfactory.  
On i) Thank our friends for forbearance, can't ask them for more, we shall make statement on Mon., [hope they will do so simultaneously or before].
- S.Ll. Believe may be better to get out to-night facts re use by shipping.  
Found our announcement on that. Omit [] from tels.

P.T. B/E. to tell B/E. tht. they are authorised to bring agreemt. into op<sup>n</sup>. & askg. them to open No. 3 A/c. Tel. to go on Sat<sup>y</sup>. Stat. order to be laid Mon. Sense of agreemt. to be announced in statement on Mon.

E.H. From Parl<sup>y</sup>. angle statement on Tues. wd. be better than Mon. } Agreed :  
 } announce  
 H.W. V. diff. to hold Br. ship-owners over Mon. } on  
 } Monday.  
 P.T. For sterling, even one more day's delay is dangerous. }

D.S. Naval vessels, & troopships. None will be ready to go thro' until 31/5.

P.M. Will say, if asked, doesn't arise at present.

P.M. Form of debate. Not adjournment.

3. Petrol Rationing.

P.M. Favour saying : as soon as I am satisfied tht. these arrangemts work, it will be ended.

P.T. Better to say : M/P. will be makg. statement on that.

P.M. V. well, if asked.

M. Have Ques in H/L. Tues.

Agreed : Petrol rationing is to end.  
 Announce Tuesday.

[Enter J.H.]

4. Egypt: British Evacuees.

Not noted.

5. New Zealand : Trade Talks.

1. Foreign Affairs. [E.H.]

a) Jordan : overflying rights.

2. Home Guard. [Enter J.H.]

J.H. V. strong sentimental & political reasons for not disbanding. The nucleus & the reserve are good chaps, who will be greatly upset. My proposal is submitted solely on financial grounds. For the nos. are running down & to stop that we shd. need to spend £100.000 this year & £50.000 next. Also, reserves of rifles & uniforms cd. be used for Army, at saving of £2 M. Put them in cold store now. But leg<sup>n</sup>. wd. be needed next year to relieve us of our oblig<sup>n</sup>. Amendg. leg<sup>n</sup>. shd. include power to re-activate in future emergency.

R.A.B. Better to disband, & face the leg<sup>n</sup>. Can't otherwise be sure of savings.

D.S. Can't continue expenditure on this while refusing it for things which are much more valuable militarily.

S.Ll. Dissent : will increase impression abroad tht. we are dismantling our defences. Not worth risking that for small sums involved.

R.A.B. They are not of any reality locally – since we disbanded the adjutants.

P.M. Ask L.O.'s to advise wtr leg<sup>n</sup>. is really necessary, if what we mean to do is to allow it to wither away. No announcement in Estimates debates.

D.S. W<sup>d</sup>. wish J.H. to say in debate that Home Guard has no great role to play.

J.H. Not in debate. Later, when I know more clearly what we going to do.

[Exit J.H.]

[Enter B.C.]

3. Old Age Pensions.

P.M. Oral statement on lines of my aide-memoire.

Can we to-day decide in principle that we shd. try to devise a major measure of reform. Possibilities : we discard i) means-tested pensions ii) exclusion of classes iii) simple increase of retirement age under existg. scheme. Alternative possibilities for further examination.

If Cab. agree in principle that we shd. aim at major scheme, we must study possibilities rapidly – thro' an extended Ministerial Ctt<sup>ee</sup>.

Action : i) directive to central office. on Labour plan.

- ii) expanded Ministerial Ctt<sup>ee</sup>. under R.A.B.
- iii) official Ctt<sup>ee</sup>. thereunder.

- R.A.B. Support this recomm<sup>n</sup>. Deficit : £420 M. in 70's. We must make a radical approach to this – to balance efforts on defence. If we are to reduce load, we must relate cont<sup>ns</sup>. & benefits to earnings. We must act in a way to support credit & economy.  
This may not be attractive politically. Tho' wd. be easier if flat-rate cd. be held as a fall-back position. May need review of ques what is old age, despite Election pledge.  
Answer is Crossman – he hasn't disclosed cost to contributor.
- P.T. Many people will say tht. when we are fighting for our lives economically it is no time to increase prov<sup>n</sup>. for old age. But demand for a new approach. And existg. scheme needs radical change because unsound.  
Immed<sup>te</sup>. problem – how deal with Crossman. Diff. to attack. At 1<sup>st</sup>. sight v. attractive – immediate increase to £3. Will attract attent<sup>n</sup>. : & we shall have advantage of seeing what comment it arouses. Can't outbid Labour. Stress cost to contributors. Point out tht. he is raising contribution income to make a fund for take over type of nationalisation.
- D.E. B/T. responsible for insurance. The cos. see Crossman as blow to their future. Are they going to be stimulated to attack it?
- H.A. Pol. mistake to limit leg<sup>n</sup>. to raising flat rates. Avoid competition. Better to act before Election. Back-service concessions are what undermines solvency of these schemes.
- M. Industry under T.U. pressure to accept a national supplementary scheme. They await a lead from Govt.
- H.W. Weight of feeling that old people shd. have better life – incldg facilities to do light work. Scope for further service shd. not be overlooked.

P.M.'s proposal – approved.

[Exit B.C.]

#### 4. Petrol Rationing.

- M. Propose to announce termination to-morrow.  
Second para. (keep ration books) now seems unnecessary. New books will be ready in 6 weeks' time. Even if Canal were closed again, we cd. defer re-imposition of rationing for 10 weeks.

Approved.

## 5. Development Areas.

- D.E. i) Is it right to de-schedule ii) which areas iii) when iv) disposal of factories.  
“Exceptional risk of unemployment” no longer applies to areas I have in mind. De-scheduling will give more flexibility. The more the areas, the less help can be given to each.  
Now wish to add S. Lancs. to the list. Cdn't justify incl<sup>n</sup> of Mersey-side if S. Lancs. were left out.  
S. of S. Scotland is reluctant to de-schedule N. Ayrshire.
- J.M. Doubts about pol. wisdom of doing this now. Will cause local concern. But in N. Ayrshire there is exceptional risk of unemployment – also the overspill problem fr. Glasgow. 2.5% unemplt. now : but likely to rise to 3.4% thro' closure of a R.O.T. Glasgow has 15 or 16,000 unemployed. Leg<sup>n</sup>. is going thro' on overspill. N. Ayrshire will be vital area for this ; and facilities of Dev. Area Act will be valuable in re-settling these people. Must treat this part of Scotland as a single area.
- D.E. In England overspill is handled by new towns w'out advantage of Dev. Areas facilities. Embarrassing that this shd. be used in Scotland.
- J.M. For pure overspill – yes. But Glasgow movement is within a dev. area.
- P.T. Arguments for action –  
i) These were scheduled when it was thought there wd. be continuing unemplt. in areas of heavy industry. Is not so now.  
ii) Estimates Ctt<sup>ee</sup>. rightly critical of continuing exp<sup>re</sup>.  
N. Ayrshire : better case cd. be made for many English areas.
- P.M. No need for action. Schedulg. of areas gives permissive power, does not compel it. Exp<sup>re</sup> has already bn. run down to £5 M.  
Consider Parl<sup>y</sup>. & public controversy if we go ahead – v. diff. leg<sup>n</sup>. both on areas & on disposal of factories etc., Cdn't you run down exp<sup>re</sup> still further e.g. to £3 M.
- H.B. Diff. qua Wales. Strong case for scheduling N.W. Wales – esp. when prosperous Wrexham is one. For Wales, this is moment to make a change.
- P.T. If you de-schedule, what do you do with factories? Quite a complicated problem – not wholly solved.
- R.A.B. Agree : no solution yet found ; and we can't decide on de-schedulg. until it is.
- I.M. Pol. argument in favour – evidence of success.  
I am closing 150 Exchanges – also controversial, but success.



- P.M. Believe decision shd. turn on readiness of machinery for handling consequential action, on factories etc., W<sup>d</sup>. wish to see plan for this before we go ahead.
- D.E. Can't make such a plan w'out consult<sup>ns</sup>., which will leak. W<sup>d</sup>. sooner make some announcemnt. first.
- D.S. Cdn't we relax pressures & preferences & see wtr areas can hold their own.
- D.E. Have done this & am satisfied that they can.
- P.T. Agree that consequential problems are crucial. I favour studying them, even acceptg. risk of leakage.
- K. My instinct wd. be against action. W<sup>d</sup>. shake confidence in dev. areas, where people are at last beginning to forget the suffering of the inter-war years.
- H.B. Disagree – support I.M.  
If announcemnt. made now, no Parl<sup>y</sup>. action wd. be needed before Dec.
- J.M. K.'s comment applies especially to Scotland. Too early.
- P.M. Let us have a more specific plan and time-table – incldg. problems of disposal of commitments & other consequential action.  
\* Let 2 or 3 Ministers go into this.

6. Representation of Vatican in U.K. [Exit P.M.]

- S.Ll. As in memo. Time is not ripe for a change.
- R.A.B. Internuncio wd. not attend ceremonial functions. The existg. rep<sup>ves</sup>. declined invitations to Coronation.
- P.T. Unwise to stir up feelings.
- J.M. Certainly in Scotland.
- Hail. Easier ways of pleasing R.C.'s – e.g. on Education Act.

1. Suez Canal [Enter E.H.]
- R.A.B. Business for next week.
2. House of Lords Reform.
- H. Pledged in Q. Speech to some measures of reform.  
If a comprehensive measure, Lord S.'s was best. Hail.'s – innocent looking, is worse – for abolishes hereditary right & leaves ultimate selection to P.M. Prefer a short Bill, reversing Wensleydale : Women : a system of pay : organise voluntary absenteeism as against b'woodsmen : & possibly cl. 3 of Hailsham's Bill. Can be defended as a holding measure.
- K. Present as salvage measure to enable H/L. to continue. Believe we cd. get it thro'.
- Hail. Agree this is better line than Ld. S.'s comprehensive measure. Public wdn't have liked selection by Peers themselves – or abolition of swamping.  
My Bill is not so revolutionary. Since 1910 there have bn resolutions favouring plan by wh. elder sons are not compelled to take seat. Under my plan, sons of Peers like others wd. be selected to sit as Lords of Parliament.  
Waste of money to have different registers for local : Parl<sup>y</sup>. elections because Peers can't vote in latter.  
Candidature for H/C. is rational in 20<sup>th</sup>. Century. Anyhow, distinction between me & L<sup>d</sup>. Winterton is most illogical.
- D.S. They can't chop and change.
- Hail. But no reason why a young man shdn't sit in H/C. and yet sit in H/L. at a riper age. Only ques : for how long a period shd. be disqualified for H/L.
- H. Debate in July putting fwd. these plans : leg<sup>n</sup>. early in next session.
- P.T. On expenses : if tax is to be avoided, Revenue must be satisfied they contain no element of remuneration. Hard to prove that in relation to any figure much above £3.
- H. C<sup>d</sup>. hardly propose less than £4.
- P.M. Content. His plan can be represented as moderate & practical plan to facilitate oper<sup>n</sup>. of 2<sup>nd</sup>. Chamber. Avoids raising whole ques of hereditary rights etc., W<sup>d</sup>. prefer so to represent it. That

excludes Hail's frills. Doesn't abolish swamping power – avoids that issue. But cd. Swinton plan be said to produce Salisbury's result by other means.

K. No sanction – entirely voluntary. Cdn't stop a Peer who attended despite his havg. opted out for the session.

P.M. Be careful not to allow it to be represented as self-election.

H. Not essential to my plan : but shd. help to meet Labour attitude re b'woodsmen.

P.M. W<sup>d</sup>. prefer to separate it – allow H/L. to add it later.

H. Ready to omit it from my plan as presented. Agreed.

Timing.

P.M. As this is limited plan, is it wise to leave from July to Nov. open to argument. C<sup>d</sup>. we proceed at once with a Bill, at opening of next session.

H. Can't escape debate in July – Samuel will bring one on.  
W<sup>d</sup>. avoid specific promise of Bill in autumn.

P.M. May be easier for Labour leaders to acquiesce if we avoid larger debate and launch small practical Bill.

D.S. C<sup>d</sup>. we get this Bill thro' in this session?

P.M. And deal with Ministers' & Members pay at same time. A package deal.

E.H. P'mme in H/C. is full already.  
Altho' a simple Bill, wd. take some time.

K. But what amendmts. cd. be tabled if only principle was creation of Life Peers.

P.M. Every advantage in pushing it all thro' in this Session.

E.H. Even a one-clause Bill wd. occupy 4 days in H/C.

D.S. Not if Bill were so drawn as to exclude amendmts.

P.M. Study i) dealing with whole thing this session.  
ii) debate in spill over & introduce Bill at outset of new session.

- P.T. Alternative : announce whole package incldg. H/C. pay in July, but defer H/L. Bill and Ministers' salaries Bill until next session.
- P.M. V. well. {Aim at pay of H/C. and H/L. & Ministers' salaries by July H/L. {reform debate in spill-over. Remaining leg<sup>n</sup>. next session.  
But that is 2<sup>nd</sup>. best – to disposing of whole thing in favourable atmosphere created by pay (M.P.'s & Ministers) concessions.

3. Wages and Prices.

- P.T. As in memo.
- P.M. Error not to include reference to “full emplt.” W<sup>d</sup>. arouse suspicion.
- I.M. Agree : but wd. reserve it – for add<sup>n</sup>. in response to T.U.C.
- P.M. Don't want it said they extorted it from us. Prefer to put it in ourselves at outset.  
But I prefer my own original (Chequers) formula – subject to “full emplt.” for a “high level”. Agreed.
- P.M. Duration. Appoint members for 2 years?
- I.M. Prefer 3 years.
- P.T. Title : “Production & Incomes Ctt<sup>ee</sup>.” Agreed
- H.A. Comm<sup>n</sup>. vice Ctt<sup>ee</sup>. Agreed – consider.

Proposals on procedure – approved.

4. Export of French New Potatoes.

Note not taken.

1. Steel : Location of New Works. [Enter E.H., O.G.]

J.M. Special circs. In past all responsible Sc. newsp. have bn. stressing prospects of unemplt. in Sc. V. real cause for anxiety. These are circs. in wh. anxiety is felt about location of new strip mill. This is case for receiving all Party deput<sup>n</sup>. which wishes to wait on P.M. Out side deput<sup>ns</sup>. have bn. rec<sup>d</sup>. by me, B/T. & M/P. Their argument for seeing P.M. is tht. various Dpts. are concerned.

M. I have had dep<sup>ns</sup>. fr. Sc. M.P.'s – also from Welsh interests. It is a steel works as well as a strip mill. Co., after examining various Sc. sites, prefer Newport.  
If P.M. sees a Sc. deput<sup>n</sup>., he can't refuse to receive dep<sup>ns</sup>. fr. E. & W. Wales and also fr. Lincs.

D.E. On social grounds W. Wales (because of declining plate works) has best case. But industrially it is the worst site. We must, in view of importance of expanding steel prod<sup>n</sup>., be guided by economic considerations – esp. access to ports.

P.M. Govt. can't stand aside : for apart from negative D.I. control, we own the shares and have Iron & Steel Board.

P.T. Scale of this project puts it in a class apart.

P.M. I think I had better see M.P.'s (not outside interests) – from Scotland & Wales (2 sides). Wales : Scotland : Wales – in that order :  
|\* Ch. Whip to make arrangements. Agreed.  
| M/Power to co-ordinate prep<sup>n</sup>. of briefs.

[Exit J.M.]

2. Parliament.

R.A.B. a) Business for next week.  
b) Amended Bill. Norfolk will come to see me. Tho' a private Bill, we must decide which Dpt. shd. watch it. Will have it examined in H.O. & report on this, after consult<sup>n</sup>. with Ty.  
c) Whitsun Recess. Plan to have 14 days. Approved.

3. House of Lords Reform.

R.A.B. If this session, Bill wd. have to start in H/Lds. One clause with 4 sub-sections. Sh<sup>d</sup>. have to start it on 23/5 in H/Lds. It cd. then come to H/C. for 2<sup>nd</sup>. Rdg. on 15/16 July. W<sup>d</sup>. need two days on 2<sup>nd</sup>. Rdg : 1 day in Ct<sup>tee</sup>. (23/7) : no time for Rpt after 29/7 unless after 10.p.m.

Diff<sup>ies</sup>. of this time-table i) appearance of rush ii) risk of spilling over.

H. Despite advantages of package deal, we cdn't go as fast as that. Sh<sup>d</sup>. need, e.g., to consult Queen.  
Believe (after consult<sup>n</sup>. with Salisb.) I can defer debate until spill-over.

K. Reluctant to abandon package approach. Believe we still cd. do it, even waiting for consult<sup>n</sup>. with Queen. We have waited 47 years for this. Pity to miss it now.

E.H. Great risk in doing this so late in session.

Agreed : Defer debate in H/Lds. until late in spill-over.

#### 4. Nigeria.

A.L.B. In 1953 O.L. guaranteed tht. regional self-govt. wd. be granted in 1956 to any region which asked for it. Conference (p'poned fr. 1956 because of Zik) now being held. E. & W. seek it now : the N. seek it in '59.

Shall do my utmost to protect minority & other interests.

In view of date now sugg<sup>d</sup>. by N., it will be more difficult to deny or to stall on federal self-government.

Further note not taken.

#### 5. Education : Training of Teachers.

Hail. Size of classes has bn. main problem in schools – for many years past. Limits prescribed can't be observed because shortage of teachers & bldgs. We ought not however to fall behind in this for lack of money.

Further note not taken.

P.M. Is this best way of spending money available?

Hail. I am sure of that. 3 year course is a money-saver, whenever introduced.

RAB 3 yrs. is period already in force in Sc. and N.I. Support M/E. on this.

D.E. Refresher course of 1 year may be better – because wastage, esp. of women.

R.A.B. Teachers are gravely concerned at block grant. We shd. put no further burden of defence on M/Ed.

P.M. Think we must go to 3 year-course. Only ques is wtr it shd. be done in '59 or '60.

Agreed : Defer for further discussion – on clearer picture of dates.

H.B. M'while examine para. 6, which seems fallacious.

I.M. No : it is correct.

6. Civil Aviation: Viscounts for Turkey.

H.W. i) Overflying in T. is important; ii) Better to have B.O.A.C. than U.S. line as ancillary to Turkish line. iii) Can't press BOAC to put still more money into the equities: they wd. sooner drop the plan.

P.T. Pity BOAC didn't discuss with us earlier.  
Para 7. I wd. deprecate a). Course b) wd. suit Ty. but wd. damnify other commercial creditors.

D.E. Course b) wd. be indefensible. Tho', if creditors aren't paid, Br. taxpayer will pay [90%] thro' E.C.G.D. Tho' latter have not covered recent new business with T.

O.G. Oppose (c) because we always regarded this as a business deal. We don't advocate it as a political gesture alone.  
The T. line shd. make money & be able to repay the loan.

P.M. We must get this concluded. I would risk (b) – and see what we cd. do if in the event commercial creditors are in fact damnified.

P.T. x/ Camouflage this by making it “subject to payment of debts”.

Agreed : Approve para 7 (b) plus x/.

7. Suez Canal : Use by Warships.

D.S. Br. merchant ships are going thru'. U.S. will shortly pass a warship thro'. Wish to plan on basis we start with R. Fleet Auxiliary in June (final decision 6/6) & follow with frigate in mid-July. This decision wd. be subject to review, in light of developmts., up to 6/6.

O.G. Suggest we notify E. some days ahead. To avoid a row while ship is at Suez.

P.M. V. diff. pos<sup>n</sup>. if refused.  
Feel your way. Start with R.N. Auxiliary. Don't risk a warship yet.  
Notify Canal authority – or comply with past procedure.

Further Cab. decision before a warship is committed.



1. The Queen : Flight in Comet of Transport Command. [Enter E.H., G.W.]

P.M. Sh<sup>d</sup>. Queen use Transport Command Comet for visit to Fighter Command in Scotland? (Leuchars.)

G.W. Best-tested machine we have in R.A.F.

Agreed : no objection.

[Exit G.W.]

2. Parliament.

E.H. Business for next week.  
Whitsun Recess – until 25<sup>th</sup>. June.

3. E/West Trade.

S.Ll. Jan '56 President showed sympathy. No result. At B'muda I handed notice of intention to Dulles – differential shd. be abolished. In last 3 or 4 wks. they have put proposals in Paris, but none affect the items subject to quantitative controls which include many in which we have gt. commercial interest. In Paris at outset we were all united v. U.S. but in the course of discussions U.S. have won away many to their side. If we abolish differential, U.S. will be cross. But if we don't it will be continuing running sore in US/U.K. rel<sup>ns</sup>. Strong support in H/C. Propose that we shd. announce abolition of differential but promise to continue to co-operate in Chincom – & m'tain control of trade to Soviet & China on same basis.

P.T. If we accept compromise, we shall be subject to continuing trade pressures on individual cases & shall damage US/UK rel<sup>ns</sup>. more in long run than by one main row.

D.S. Better to get it over – General agreement in that sense.

P.M. Present<sup>n</sup>. Protest at once (U.S. Amb. in Ldn) against U.S. action on wool tariff. \* B/T. to provide aide-memoire for For. Secy. \*

4. Jordan.

S.Ll. Now looks as tho' overflying rights will be secured.

5. I.L.O. Vocational Training in Agriculture.

Approved.

6. Wages and Prices.

Early discussions not heard.

- I.M. We must not be drawn into a representative body.
- P.M. Guide them, in talks, twds 3 independent people. And make it clear, in covering note, tht. they can't roam over work allotted to other bodies.
- E.H. Party may be sceptical of its value.
- I.M. It went pretty well when I explained it to Ctt<sup>ee</sup>.
- H. Fear "stable prices".
- P.M. We really mean "reasonably stable prices."
- D.S. Re-consider "significance" – it is too wide. \*| "reasonable stability of prices".
- Hail. ? Omit last 6 words.
- M. Para. 4 of App. It shd. be linked with Ct. of Enquiry.
- I.M. T.U.'s will be in diff<sup>y</sup>. if asked directly to swallow Geddes. We cd. wrap it up & indicate tht. it has long bn. under consid<sup>n</sup>. before Geddes recommended it.

Agreed. P.T. and I.M. to prepare memo. & consult with two two sides of industry.

Omit ["High & stable level of" emplt. vice "full"]

7. Europe: Free Trade Area.

- P.T. Talks in Bonn (Adenauer) and Ldn. (Faure) gave us reasonable ground to expect that they wd. go on twds free-trade area after ratific<sup>n</sup>. of Rome Treaties.
- Time table has bn. extended, however, as result of fall of Fr. Govt. Have seen officials (O.E.E.C.) & agreed tht. in July will meet heads of Deleg<sup>ns</sup>. in Paris & get interim report. P'pone mtg. on free trade area until Sept. : & aim at negot<sup>ns</sup>. in Oct/Nov.

Agriculture: make no move at all now. If made, do it late when there is a Fr. Govt. & when we can get some quid pro quo.  
Commonwealth consultation. With senior officials after P.M.M.

S.L.I. Concerned at delay (because doubts may grow), but seems inevitable.  
Suspect French : believe G. assurances were genuine. Denmark : danger tht. they may go into Common market. Can we give some private re-assurance to Scandinavian Govts  
Diff<sup>y</sup>. : assurances on agriculture.

P.T. Uniscan Mtg. on Derby Day.

P.M. C<sup>d</sup>. we not say tht. free trade area wd. be formed on basis that it excluded agriculture : but that need not prevent some members (not ourselves) from makg. such arrangemts. with the 6 Powers as suited them.

D.E. Capital reconstruction on Continent is formidable. Capitalists using German know-how: may be a hedge v. Communism in other European countries. We can't afford to be left out of this.  
Since Faure's visit, no improvemt. in Fr. obstructive attitude in w. party. Diff<sup>es</sup>. are so great that it is full-time job for a M/State.  
Conflicts of interest (w'in U.K. industries or U.K. & Commonwealth) are too difficult for officials.  
How do we handle French? Concede points as we go along. Or draw up a fair Treaty with others & then make separate concessions to French alone. They are the grit in the oyster.

P.T. In the end we shall prob. do this.

P.M. Let us think this all over.

P.T. to consider what mght be said to Scandinavians.

[Enter Perth.

## 8. Malta.

P. Stated latest position.

K. If Mintoff publishes Tues., we must be ready to publish our reply.  
Better therefore for P.M. to see to-morrow evening Labour Members of Round Table Conferences.  
Malta m'tain tht. rep<sup>n</sup>. at W'minister must be accompanied by guarantee tht. comparable living standards will be secured by a given time.

P.M. That is different from promising same standard of social services.

P.T. But we are not guaranteeing that either.

P.M. C<sup>d</sup>. we have, during the 5 years, a sort of Chandos to advise & assist on development. As an add<sup>n</sup>. to the £25 M. subvention. Put that to Mintoff formally by letter before Wh. Paper publ<sup>d</sup>.

P.T. Accept that, on basis tht. his function will be to get industry to go there etc., – not to assess how much money we shd. put in.

9. Civil Aviation.

H.W. Concerned at implementg. promises given by predecessors to independent air-lines. Brought to a head by Central Afr. Airways P.Q.'s.

Must speak now to Ctt<sup>ec</sup>. of Party.

Want i) to relieve them of requirement to fly sub standard aircraft.  
ii) to put trooping contracts on longer term basis.  
iii) C. African complex.

K. No harm in making these soundings.

1. Commonwealth Economic Development. [Enter E.H., O.G.

P.M. Reported results of disc<sup>n</sup>. with Ministers most concerned.

P.T. Conflict : desire to do more : impossibility of investing a deficit. Line at P.M.M. All countries have vast p'mmes : size of U.K. investment already at 1% of nat. G.N.P. : income : expansion possible only by widening our trading base – e.g. free trade area. Make it clear to them & to our Party that we can't conjure up resources which don't exist.

H. Comm. links are weakening – Crown, defence etc., This shd. be a substitute. But Doms. reluctant to play.  
Draft of statement (for PMM & Wh. Paper) shd. be ready by 14/6.

A.L.B. Two points :-

- a) Exchequer loans mght. not discourage lending on market. W<sup>d</sup>. remove fear that promoters wd. be left with stock unsold. But ready to accept assurances. Tho' I wd. like to have had the Loans Bill. But I am prep<sup>d</sup>. to wait & see. Tho' I must be free to tell Govts. to go ahead with approved schemes, despite uncertainty re availability of money.

P.T. Accept that.

- P.M.
- i) We do much more than is supposed. We must present it effectively.
  - ii) Build up our contrib<sup>n</sup>. in expertise.
  - iii) Leave it to Ty. & Bank to settle methods of financing. Use all resources of C.O.I. to get due publicity for (i). Agreed.

P.T. Will consider wtr N. Savings cd. be boosted with specific project appeals.

2. Public Service Salaries.

P.M. Despite political risks, we must grasp this nettle – this summer is as good a time as any other.

R.A.B. We must do this.  
M.P. salaries : “irrespective of their actual expenses” is vital because Labour Members can't prove expenses as high as £750.  
Leader of Oppos<sup>n</sup>. : suggest I ascertain his wishes.

P.M. Remuneration of M.P.'s. Figure shd. be £1750. If it is represented as “allowance” public will assume it is tax-free, whatever we say to

the contrary. W<sup>d</sup>. it be better to raise salary to £1750? But that wd. be regarded, by workers, as a large percentage wage increase.

C<sup>d</sup>. we call it "Parl<sup>y</sup>. allowance". Explaining that average cost of carrying out constituency duties is £700-£750. Our aim therefore is to see that M.P. gets his £1.000 as remuneration.

I.M. Say : basic salary is £1.000. Amount to be added on a/c of constituency duties is £750. Govt. have therefore decided to make the remuneration £1750. The whole of this will be liable to tax. Don't therefore call it an "expense allowance".

#### Ministers' Salaries.

After discussion, agreed : Add £1.000 to Ministers over £5.000  
Add £1250 .. .. under ..  
Give the £750 to all.

Draft statement : omit total cost : para. 11.

Officers of the House.

Speaker : give him the sum of £750. He is still a Member. Ask him.

Hail. More logical, qua status, to raise his salary to £6.000 – of which £4.000 is free of tax.

Para 4 of Annex A. Raise by £1250.

Para. 5. Add £1.000 and the £750, if he wants it. Ask him.

Compensation for Injury. Agreed. But consider announcing at same time a diff<sup>t</sup>. method of covering M.P.'s on journeys undertaken for H/C. or Govt.

Procedure : Inform leaders of 2 Parties & Cl. Davies as Chairman of Select Ctt<sup>ee</sup>.

Consult Speaker & Leader of Opp<sup>n</sup>. on own salaries.

P.M. to see Executive of 1922.

Tell Gaitskell on Thurs. after re-assembly we are going ahead (no details). Similar warning to Party on same day. Tell other Leaders & consult H.G. on his salary late on followg. Monday. Announce Tuesday.

#### 3. Dollar Expenditure: Tourism.

P.T. The £100 travel allowance to be available in dollar area. Dollar cost is incalculable but negligible.

Remove at same time some existg. quotas.

Hail. May we have corresponding statement in H/Lds? Agreed.

A.L.B. Reserve my position on details of list.

Prep<sup>d</sup>. to give way on hard-wood.  
But want to get all replies fr. Colonies on chemicals & foodstuffs.

P.M. On what principle?

D.E. Industrial raw materials.

P.M. Let us settle the travel. But hold over the materials for further scrutiny.  
And make it clear that we are doing nothg. that doesn't benefit  
our capacity to export.

1. Ministerial Statements. [Enter E.M., A.N., J.H.]

P.M. Avoid policy statements when abroad – when it may appear that there has bn. no recent opportunity for consult<sup>n</sup>. with colleagues. May appear to weaken collective responsibility.

2. Parliament.

R.A.B. Business for week after recess.  
First day – in Ctt<sup>ec</sup>. – debate on Gowers Rpts. Speakers : R.A.B. & I.M. to settle.

P.M. Not 2 Cab. members.

3. Home Guard.

J.H. No duty on anyone to m'tain it : no procdgs. cd. therefore be taken.  
But want power to raise it again, if need be.  
Propose therefore to announce disbandment (end/July) but to promise leg<sup>n</sup>. at earliest convenient date.

Att.G. Believe you c'dn't rely on Act of 1951 to raise it again.

J.H. \* W<sup>d</sup>. include clause in a Reserve Forces Bill : not separate leg<sup>n</sup>.

Agreed : disband & announce. include leg<sup>n</sup> in Reserve Forces Bill as at \*.

[Exit J.H., Att.G.  
[Enter Perth.]

4. Legislative Programme : 1957/58.

R.A.B. As in memo.  
Major Bills – general agreement.  
Betting & Gaming – wd. like Bill prepared : but am not v. keen. Duty rather than pleasure.  
Credit Training – agreed : omit.  
Minor Bills – get this list ready.  
Suggest addition of Bill on adoption & protection of children. Want it got ready. Scots want Deer. Suggest it be drafted.

K. Important to complete in this Parlt. the surrender of emergency controls. To close this book, we must get some of the minor ones thro' e.g. Defence (Designs).

H. Cession of Christmas Island. Pretty small & non-controversial.



H.B. New Towns : i) a minor money Bill which is essential but small.  
ii) a policy Bill in Session after next. It wd. be popular with Party. Add to para. 9.

P. i) C. Development Corp<sup>n</sup>. Bill will be needed – but perhaps it can replace Colonial Loans.  
ii) Oversea Civil Service shd. be promoted to List A or A.1. Jamaica Dependencies shd. be in A.1., not in both.

[Exit Perth.

5. Cancer of the Lung.

D.V. This is minimum. My own inclination wd. be to do more. I do not favour centralised publicity campaign.

P.T. There is no form of human activity that does us any good – cf. reference to atmospheric pollution. We may be called on to do more than it wd. be sensible to do in the way of stopping things.

P.M. Have Govt. a duty to take a line on this. Difference between contagious or infectious diseases and this. Amend para. 2. “think it right” vice “duty”. Amend para 6. “particularly in the heavy smoking of cigarettes”.

6. Egypt : British Evacuees. [Re-enter J.H.

P.T. As in memo.

A.N. F.O. support. Don’t recommend un-blocking of assets.

H. C<sup>d</sup>. hold situation during summer – save for awkward point about savings certificates.

Hail. Ty. have now agreed to allow G.P.O. to pay in individual cases “on merits” : and that will do.

Hail. But I can’t understand or defend para. 9 – sentence one.

P.T. This is decision of Banks, not Ty.

P.M. Distinguish between genuine E. banks and banks sequestrated by E.  
x/ “banks in Egypt” is at least ambiguous.

P.T. Will consider this & see wtr it can be thrown in, with the package.

P.M. No announcement until after Recess. N. is under substantial financial pressure.

[Exit J.H.

7. Roads Programme.

H.W. Lag of 3 years betwn. decision & money being spent. Backlog of 16 years. No work done save scraps. Unless we can move now, we shall have sorry story to tell at Election.  
Roads are of gt. commercial importance.  
We ought to start work on key trunk routes. But, if I do so, there will be little over for small jobs all over the country. These jobs wd. fall from over £70 M. to £40 Mm.  
No big money wd. be committed until contracts placed – wh. wd. be 2 years ahead. M<sup>h</sup>while, only planning, land-purchase etc., If investment had to be cut back at outset of new Parlt. this p<sup>r</sup>mme cd. be cut as cd. others.

J.M. My claim is comparable.

P.T. Have authorised 50% increase. Don't wish to go higher.

H.W. 50% on an inadequate p<sup>r</sup>mme does give an adequate one.

R.A.B. U.S. spending more on roads than on education. Consider this again with investment p<sup>r</sup>mme as a whole.

P.M. What do we have to spend in order to be in a pos<sup>n</sup>. to expand later? That surely is the realistic approach. Let us look at it thus when we see investment p<sup>r</sup>mme as a whole.

Agreed : resume discussion later.

8. Export of Cattle.

H.A. Recomm<sup>n</sup>. tht. trade be limited to smaller countries – to exclude France. We have now consulted other Govts. Dutch & Germans have met us. French have come some way but still want trade to go down to South of France.  
Another mtg. on 19/6: shall have to put definite plan to them.  
Humanitarian campaign is bldg. up in U.K.

A.N. Difficult to discriminate v. France.

H.A. May F.O., Ty., Sc. & M/Ag. settle the line? Agreed.

1. Disarmament. [Enter E.H.]

P.M. Procedure – interdepl. org<sup>n</sup>. related to assumpt<sup>n</sup>. of unreality of Lancaster House discussions. Have now formed group of Ministers. Propose to form corresponding group of senior officials, under Dean's Chairmanship.

[Note : Sh<sup>d</sup>. Ty. be represented in some way. ? Makins.]

S.Ll. Package. On conventional disarmament it is harmless – for us. On nuclear, we have thght it safe to make offers on assumpt<sup>n</sup>. tht. R. wd. not accept control. R. have now offered insp<sup>n</sup>. for tests. Doubt if they will accept it in practice : but we can hardly afford to refuse this R. offer. <sup>x</sup>U.S. & France insist tht. suspension shd. be linked with cut-off of manufacture. R. won't have the 2 things associated. They wish to link cut-off with ban on use of nuclear weapons. Suspension of tests mght. suit us if we had time to make a few more. Reason for x = to prevent 4<sup>th</sup>. country manufacture. I believe this is necessary to stop 4<sup>th</sup>. countries coming in.

Suspension – U.S. view. Earliest date for beginning of [Enter R.A.B.]  
10 month suspension is July '58. At end of 10 months, further suspension only if insp<sup>n</sup>. & control has bn. effectively introduced. Thereafter, cut-off of prod<sup>n</sup>. wd. not be brought in for 2 years after July '58 viz., 1960 – at earliest.

R. have no intention of acceptg. cut-off. We shd. have to consider later wtr to accept suspension of tests without a cut-off.

P.M. Stassen gave copy of his proposals to Zorin w'out prior consult<sup>n</sup>. with Western Govts. I protested to President : read his note to him. U.S. have exp<sup>d</sup>. regrets on procedure – but haven't w'drawn on substance.

Fact is that, if we cd. make no more tests, we shd. be only an inefficient nuclear Power. Our bombs wd. be expensive in material. On other hand mounting world opinion v. continuing tests. Secondly, on manufacture : if cut-off at dates envisaged, we shd. be greatly handicapped – not so much on megaton bombs – but on defensive weapons. Also, our independent f. policy wd. be jeopardised : for world wd. be divided betwn. the 2 really great nuclear Powers. U.S. wd. control whole fate of the West. But U.S. now understand our position. Their cynical interest wd. be to seek agreemt. for early end of tests and prod<sup>n</sup>. Their present readiness to make first conditional on second makes our pos<sup>n</sup>. easier. On cut-off we have 2 safeguards i) R. won't accept control sufficient to cover manufacture, tho' they may accept controls over tests. But, if they did give way on that ii) we must hold U.S. to assurance tht. they will see us thro' to a reasonable

pos<sup>n</sup>. as a 3<sup>rd</sup>. nuclear Power. Annex B. reserves our right to claim tht. we shd go on for longer with manufacture.

A genuine agreement, with some independence for us, wd. be gt. gain. With small no. of offensive weapons under our own control, and adequate supply of defensive weapons under U.S. key-of-cupboard to supplement about 1/5th under our own control, we mght be O.K.

Gt. pressure of opinion. U.S. proposal wd. give us at least 12 months grace on tests : and opportunity to press U.S. for supplies of fissile & to decline to sign Treaty if we can't get that. Some chance that Congress wd. accept repeal of McMahon Act as part of satisf. disarmament agreement.

D.S. If plan were wholly executed, R. wd. have overwhelming superiority in conventional. Assume U.S. don't intend to let that happen.

Tests – cut-off – dismantling. Are these to be negotiated together? Then no agreem. likely for years. Or one after another?

If supply of material were assured, we cd. build up extravagantly a small stock of megaton bombs. More serious : need chance to continue tests of kiloton for defensive purposes (g. m. and t.). On that we must be able to continue tests or to get know-how from U.S.

Suspension of tests and production wd. knock us right out of being a nuclear Power.

We must, in this situation, press U.S. to share [Enter Home. knowledge and supplies. Sh<sup>d</sup>. not be diff. to get agreement with them re defensive weapons. So long as U.S. are in Europe, wd. accept key-of-cupboard basis. Doubt if even U.S. have enough fissile to supply all N.A.T.O. Allies.

[P.M. Agree : for Pentagon will hog so much.]

Annex B. Do we have to accept this before disc<sup>ns</sup>. betwn P.M. & Eis.? If we do, para. 2 ref<sup>cc</sup>. to insp<sup>n</sup>. shd. apply to prod<sup>n</sup>. of fissile as well as to tests. Also study in para. 3 shd. cover it.

[P.M. No : that wd. have effect of accelerating stage 2.]

P.M. U.S. take view tht. it wd. be premature to discuss release of fissile material before we really know wtr R. will accept. Moreover, if we stress to them the weakness of our nuclear position, it may strengthen any inclination they may have to write us off as nuclear Power.

R.A.B. Can we hold Genl. Assembly on basis of Annex B.

S.Ll. A fair chance of holding at least 50% of them.

P.M. Understanding of Jan. was related to supply of fissile only. I want to get know-how as well, to cover us v. need for further tests.

- H.A. We can't say less than Annex B.
- P.T. U.S. can't at this stage promise either of safeguards – material or know-how.
- Hail. We must avoid pos<sup>n</sup>. in which we are at mercy of R. conventional strength. Our pos<sup>n</sup>. depends on nuclear capacity. If we accept Annex B., won't U.S. & R. combine to deprive us of, or deny us, nuclear capacity. Believe B. may prejudice us.
- D.S. We cd. at least say that, in going along with Annex B., we do so in faith that U.S. will make it possible for us to become a nuclear Power.
- P.M. Will tell President that we are ready to submit B. on followg. understanding : will he confirm tht. our understandg. is correct.

1. Public Service: Salaries.

Note not taken.

[Exit A.L.B.]

2. Disarmament.

Terms of P.M.'s message to President approved.

3. Housing Policy : Manchester.

Note not taken.

4. Admiral Hughes-Hallett : Pension.

[Enter C.S., Att.G.]

P.T. Not a v. good case. P.A.C. cd. go into this : we must be able to justify the settlement.

Att.G. His chances of success in the suit are not more than 50%. I don't think it necessary to go above 50% in settling. viz., £2.000.  
We shd. not admit any liability. He cd. easily have informed himself of the truth.

Agreed : Settle at £2.000 : each side to pay own costs.

[Exit Att.G.]

5. U.S. Naval Visit.

P.M. If Nautilus comes into P'smouth, U.S. will exploit the fact that our atomic stations are sited 5 miles away from towns : proving that our re-actors are more dangerous than theirs. Purely a sales question.

Suggest we either p'pone visit – or let her go to Milford Haven or Invergordon.

C.S. Agreemt. on atomic marine propulsion was reached, despite A.E.C., by help of U.S. Navy.

Difference betwn. static re-actor & visiting ship, qua risk.

If our guest, it shd. go to naval port. Invergordon will be shut by end/July. M. Haven is not naval port.

If P'smouth is ruled out, cd. she go to Portland.

P.M. Ask Plowden wtr he wd. be content with Portland.

[Exit C.S.]

1. Suez Canal : British Evacuees. [Enter E.H.]

Note not taken.

2. Oversea Information Services.

- P.M. B.B.C. – four points, of which three shd. be welcome to them.  
Finance – plan on basis of £15 M. ceiling when all fully effective.  
capital (£5½ M over 5 years).  
Problem to be resolved : how capital exp<sup>re</sup> is to be handled.
- Ch.H. i) We have examined Drogheda, as well as new, proposals.  
ii) This report deals only with services on open Votes.  
iii) Report deals with structure only : much remains to be done on  
co-ordin<sup>n</sup>.
- P.T. Much to be said for expansion on this if there is contraction elsewhere.  
No sign of latter.  
£15 M. is on lavish side.  
This shd. be subject to detailed Ty. scrutiny.  
Services to Europe are over-done. Common European “desk” wd. be  
more economical.  
If costs rise, no service can be exempt from cuts.  
Ready to consider capital expenditure outside the £15 M.
- S.Ll. Can we not have a “ration” instead of normal Ty. control.
- Ch.H. Control is too detailed – and delays long.  
Form of announcement of decisions – short White Paper.
3. Cyprus.
- S.Ll. i) Spaak goes to G. & T. on 29/6 and wants to know what our policy  
is. We can't because of P.M.M. settle it before then. We must  
give him temporising answer. Suggested we shd. advise him on  
ques wtr he shd. see Makarios. Propose we give none.
- P.M. Can remind him that his remit was to discuss with Govts. Tho' leaving  
decision to him.
- S.Ll. ii) Our next step. T. have said they favour 3-Power Conference, and  
want us to summon it. Advantages. Invit<sup>n</sup>. mght fill gap in  
which we determine policy. Suggest F.O., C.O. & M/D. shd.  
consider in what terms invit<sup>n</sup>. shd. be extended if we decided to  
send one.

Agreed : Col. Policy Ctt<sup>ee</sup>. to have authority to approve invitation.

4. Dollar Expenditure.

- D.E. Amended list involves between £2-3 M. vice £10 M. as under previous proposals.  
Statement next week, to enable Canadians to be informed in advance.
- P.T. E.P.C. have considered & approve.

Agreed.

5. Local Government Finance.

- H.B. Outstanding ques : shd. l.a.'s benefit at all from £30 M. accruing from re-rating. Under present proposals l.a.'s as a whole wd. gain nothing.  
L.C.C. is opposed. C.C.A. on fence. AMC. are in favour of block grant. Lesser auth<sup>ies</sup>. are in favour of whole plan.  
I now propose tht. l.a.'s shd. have £15 of the £30 M. Give them £10 M. outright & keep £5 M. in reserve to meet hardship under adjustment of highway grants. With this concession, we cd. expect general acceptance of the reform by l.a.'s.  
Ready to omit statistics on pp 14 - 19 of draft W. Paper.  
Publ<sup>n</sup>. next week is necessary.
- J.M. Have not had time to prepare our Wh. Paper.  
Sc. l.a.'s are all opposed to whole plan. [Exit D.E.]  
Support plan for giving them the £15 M. Cdn't hope to get it across in Scotland without this concession.  
May I have auth<sup>y</sup>. to clear Scottish Wh. Paper with M/H.?
- P.T. Cdn't agree to hand over £15 M. Taxes have gone up six-fold since war : rates have only doubled. Can't lose a chance of reducg. burden on Exchequer.  
Moreover, involves much more than £15 M. For it sets pattern for full re-rating when time comes.  
Proposal can't be defensible on principle. Object of scheme was to reduce l.a. reliance on Exchequer.  
Highway grants : was understood tht. adjustment wd. not involve additional charge on Exchequer.  
Prepared, however, to consider transitional easement of some sort.  
Plan for paying 90% at once and 10% after audit. Ready to discuss scheme under which we wd. use part of £30 M to ease transitional arrangemts. over first 6 years. By leaving with l.a.'s a prop<sup>n</sup>. of the additional sum, so long as we are not net losers.  
£5M over 4 years : or £7½ M over 6 years.



P.M. W<sup>d</sup>. R.A.B. discuss with P.T., H.B. and J.M., with I.M. [Exit S.LI.  
and H. during P.M. Mtg. And settle without further reference to  
Cabinet.

1. Meeting of Commonwealth Prime Ministers. [Enter E.H., Strathearn]

- P.M. Success – in sense that those attending thought it so.  
Fewer set speeches.  
M. a tower of strength. N. friendly & relaxed. N/S. duel : but better twds. end & a useful talk with the 2 together. B. a man of great character – tho' still in mood of Election : his wish for Comm. Econ. Conference – he had some support from us w'out wh. he wd. have got nothg. at all.  
Clear they prefer to come to Ldn. Rotation is out. They might on occasion meet in Ottawa.  
No recrimination over Suez : Genl. recogn<sup>n</sup>. tht. pos<sup>n</sup>. in M/E. has improved.  
x/ Press wd. like to be hostile : but our visitors will give opposite impression.
- H. Endorse x/. Some firmer characters – B. & Mac & S.  
P.M.'s guidance – summing-up – generally welcomed.  
N. was spkg. from weakness : didn't go too far. S. went away with less suspicion of U.K. N.K. was impressed.
- S.Ll. Menon has stayed behind – to see a no. of Ministers. He evidently thinks tht. this has bn. surprisingly successful.
- R.A.B. One point for elucidation. Party doesn't know where it stands on trade. Diff<sup>ies</sup>. over European : P.M.'s ref<sup>ce</sup>. to Comm. coming first. We ought to explain how the 2 things mesh in.
- D.E. Trade & Ind. Ctt<sup>ee</sup>. of Party are to see me this week. We must find a means of mtg D.'s initiative wh. is mainly on Canada's triangular trade. Am considering this.

2. Foreign Affairs.

- S.Ll. a) Iran. Earthquake. We shd. provide tents & surgical team.  
b) Soviet Union. Old guard has bn. eliminated from centre – not clear what their remaining strength in bureaucracy etc., F.O. view is that K.'s geniality may be more dangerous to us than Mol.'s obstinacy. N. takes opp. view – tht. this will mean more liberal outlook in R.  
What attitude to M.P. visits to R.? Those who are going are v. unrepresentative. Prs. we shd. ensure that some more predictable people go.
- P.M. Invit<sup>ns</sup>. to individual Members. Better to channel it thro' inter-Party Union.

P.T. We shall be in trouble if we appear to be trying to stop people going.  
You can't defend policy of actively discouraging visits.

P.M. Take the line of doing nothing one way or another – leave it to  
individuals.

S.Ll. c) Disarmament.  
All of us save Stassen think Zorrin's reply is wholly negative. But it  
may not be their last word.  
Debate in H/C. – allow it to come later, next wk. or followg : to avoid  
two debates, before summer recess.  
Fear R. line will be to offer immed<sup>te</sup>. cessation of tests. And Br.  
opinion may build up in favour of that. We shall have to stress  
the link betw. that and cessation of manufacture.

3. Cyprus.

P.M. Have had consult<sup>n</sup>. with Harding. No dec<sup>ns</sup>. reached. Will come to  
Def. Ctt<sup>ee</sup>. Wed., and Cab. on Thurs. Newspaper specul<sup>n</sup>. is  
unfounded. May cause Oppos<sup>n</sup>. to ask for debate.

4. Ireland.

R.A.B. de Valera has acted suddenly and well. Things are going pretty well.  
Leave it to de Valera. B. Brooke may want to see P.M. Danger  
now is retaliation by N. Ireland.

[Enter A.J., G.W.]

5. Royal Ordnance Factories.

A.J. Excess capacity – has existed for some time. Mistake to wait until def.  
p'mme is finally settled. Close 5 now : more when p'mmes are  
completed. Second step cd. then be taken in spring.  
This announcemt. will cause some pol. diff<sup>y</sup>. Labour Party will press  
for retention & civil work. This isn't practicable save on v. small  
scale. a) where nucleus must be held but isn't fully employed.  
b) where private capacity is fully employed.

P.T. Support this. This is an effect of disinflationary policy – mustn't rush  
to mitigate its effects.

P.M. Actual closings are spread over 2 years. Do you need to announce it  
all at once? Why not announce separately as you go along –  
starting with first three.

A.J. Much speculation about some e.g. Dalmeir. Want to allay talk.

- Str. Timing of announcemt. needs thght. Of 1<sup>st</sup>. 3, 2 are in Scotland. No announcemt. re Dalmuir before we can say who will take it over.
- A.J. Can't avoid some public statement if there is debate in H/C. on R.O.F.'s
- Str. Diff. to get general picture of effects in Scotland of changes in def. p'mmes.
- I.M. Diff<sup>ies</sup>. about 2 of these 5., on labour grounds. Labour consid<sup>ns</sup>., tho' assessed, have bn. over-ruled. We shall have trouble with Swynnerton Irvine will be less diff. if we don't de-schedule N. Ayrshire). S. is in potteries : high unemplt. percentage: will be increased by this. Any prospect of civil firm taking it on? If not, can we do somethg fiscally for pots. industry.
- A.J. But Swynnerton is the worst of filling factories.
- M. Civil work. Attempted on large scale post-war. Vast failure. Surely we shd. profit by that lesson. Confine civil work to things they can profitably do.
- A.J. That is my intention.
- P.M. Even after 7 closed, we shall have 16 – as cpd. with pre-war.
- A.J. No : I shall reduce further at 2<sup>nd</sup>. stage.
- P.T. P. tax on pots has bn. halved recently.
- M. T.U. pressure will be awkward.
- I.M. Might help Swynmerton & Scotland if Wigan & Poole were announced now. Looks more like a plan.
- A.J. On 2<sup>nd</sup>. round I might want to include some which wd. close as early as Wigan & Poole.

Memo. approved – subject to announcing all seven.

## 6. Aircraft Industry.

- A.J. Research undertaken for mil. reasons has bn. of gt. civil value. And mil. interest in this is decreasing. Is the State to continue this research, tho' mil. need is less? Yes. i) industry has grown up on it. ii) industry has to face f. compet<sup>n</sup>. which has this help iii) highly progressive industry wh. is of value to others. Amount of genl. research = £70-80 M. Will drop. But want cost transferred to civil votes.

- M. W<sup>d</sup>. have thght industry shd. join with State in research. This wd. have effect incidentally of forcing larger units.
- H.W. Corp<sup>n</sup>. orders. For next 8/10 yrs. they are committed. If industry were not given continuing help on r. & d., they wd. collapse.  
E.g. H. Page lamina flow. But they can get no civil orders. Can we lose lamina flow altogether? Other examples : vertical take-off., supersonic flight.
- A.J. Case for associatg. industry with r. & d. Also for charging it more for specific service of State establishmts.
- D.E. World demand for civil aircraft to '65 : will be £2.100 M for new aircraft & £700 M for spares. This offers big opportunities, in place of mil. orders & Br. Corp<sup>n</sup>. orders. It thus becomes export industry. Prestige of aircraft exports is v. high. Skilled labour costs = large element in cost ; & we shd therefore be in good pos<sup>n</sup>. to compete with U.S., so long as r.& d. is done. We must take care over subsidising r. & d. because free trade area rules. Industry is short of working capital. Also concerned at credit for overseas sales. U.S. can give 5 yrs. credit. Future looks like leasing aircraft to operators.  
Immense ques involved : need much more study esp. on finance. If firms collapse, we may lose skilled men to overseas.
- G.W. Transport Command can't help. Britannia's already ordered will last us into '70's. A small need for short-range aircraft (vice Hastings) but it won't help this.
- D.S. Need for re-organisation of industry into smaller no. of units is now much more urgent. W<sup>d</sup>. improve quality of research teams.
- P.T. Re-organisation essential. What is needed precisely requires much more thought. Amount of investment available is limited. No agreement yet on real export potential. Study shd. now be organised urgently – at a high level.
- A.J. I agree.
- P.M. Thought enquiry must follow on completion of "2<sup>nd</sup>. round" Doubt if Cab. cd. decide to-day even the ques of principle.  
i) yes : but how.  
ii) Br. Corp<sup>ns</sup>. & Transport Command can't produce big enough order.  
iii) State help for r. & d. But how much?  
iv) Is this a huge developing industry, world-wide.  
Therefore urgent, diff. – market as well as methods : State/private :  
W<sup>d</sup>. like to discuss with Ministers concerned how best to get this enquiry made.

\* Ch/Exchqur. with Ministers concerned to make proposals.

1. Duke of Windsor. [Enter E.H.]
- P.M. Publication of German documents – 29 July. Govt. statement : terms read & some drafting suggestions made.
2. Egypt : British Evacuees.
- P.M. Propose to announce terms of interim offer next week. Good chance of getting individual assets de-sequestrated fairly soon. This will meet personal hardship w'out weakening overmuch our pos<sup>n</sup>. in negotiating with E. Govt.
3. Parliament.
- R.A.B. Business for next week.  
Mon. – Supply Day : Opp<sup>n</sup>. have asked for debate on Cyprus.
- A.L.B. Awkward : can't be sure we shall be in pos<sup>n</sup>. to make statement before recess: can't therefore ask Oppos<sup>n</sup>. to defer debate. But we may find we shall have two, as result.
- R.A.B. Ctt<sup>ee</sup>. of Privileges : deadlock: can't hope to finish before autumn.  
Result may mean leg<sup>n</sup>. next session.
- S.Ll. W. Paper on Disarmament – can be published in course of next week.
- E.H. Arundel Bill : which Minister shd. speak?
- R.A.B. Prs. none : Simon (H.O.) cd. watch the position & spk. if necessary.
4. Administrative Tribunals.
- K. Rpt. will be presented 16/7. Copies will go to Press on 17/7: Franks will see them. Presentation on 18/7.  
Brief summary of recommend<sup>ns</sup>.  
Reasonable & likely to be popular with Party.
5. Disarmament : Nuclear Tests.
- S.Ll. Period of suspension. We haven't indicated our view. Propose now to say we accept 10 months.
- [Enter A.J., G.W.]

6. Defence Programmes: Effects on Industry.

A.J. Resources released from r. & d. can't necessarily be absorbed elsewhere. Risk that some might emigrate.  
Partly because they won't want to change direction of their work.  
Partly because we can't be sure there will be increase in civil research.  
Do we leave this to free play of forces? Or do we make conscious effort to expand research effort on civil work.

G.W. Support. Don't let disintegration set in.

A.J. Esp. those engaged in research on super-sonic flight.

D.E. Are these men so wedded to one particular line of research. What of shortages of scientists in atomic work.

x| One of the problems wh. shd. be considered by Ctt<sup>ee</sup>. of Ministers.

Agreed : as at x/.

H. May have some effect on estimate of requiremts of technologists – for educational p'mmes.

A.J. Another example developmt. contracts – not in fact extended to civil field.

[Exit A.J., G.W.]

7. Cyprus.

P.M. Memo. results fr. disc<sup>ns</sup> with Govr. & represents attempt at new approach.

- Alternatives –
- i) Carry on as now. Mil. success with terrorism. Pol. success in leaving Makarios to embarrass Gks. rather than us.
  - ii) Partition. W<sup>d</sup>. mark our failure. Risk of conflict in island wh. mght even spread to war betwn. T. & Greece. If it had not bn. for T., we cd. have sought settlement with G.
  - iii) New Plan. Militarily, C.O.S. wd. prefer Br. control over whole island if contented. But if large forces continually needed to keep order, strategic needs wd. not be met. Therefore, subject to consid<sup>n</sup>. of details, C.O.S. wd. at least prefer new plan to (ii) and wd. regard it as tolerable.

Invite discussion of merits & dangers of the plan – also procedure and timing.

A.L.B. Was tempted to wait – for Cypriots to come round to Radcliffe regime. But no sign we can break deadlock that way.



- S.LI. Doubt if new plan will be accepted. Fear T. wd. look at it only if they knew tht., if G. turned it down, we wd. go to Partition. Lawyers etc., have now examined plan & think it viable.
- A.L.B. We cdn't do Partition before next Election. That wd. be a strong argument with Turks.
- H. We cdn't afford to leave partition to G. & T.  
 Alternatives : stay as we are or propose this plan?  
 If we can't break deadlock, can we afford troops to hold place down.  
 This plan cd. appear imaginative effort to solve intractable problem.  
 Best chance of extricatg. ourselves with credit.
- Hail. Believe con-dominium is only clue to solution. Diff. to see how we can sell it. But no better alternative.
- P.T. All earlier schemes have failed because G & T. intransigence. Our best chance is get firm united front with U.S. & Spaak before we launch it – risking the leak danger.
- M. We shd. be no worse off if we failed to sell it.
- P.M. Points on the plan. i) Inherent in plan tht. we hand over our sovereignty. If disorder followed, we cdn't recover control. Suppose Govr. can't keep order? May ask us for more troops. ii) What is pos<sup>n</sup>. of Govr? Sh<sup>d</sup>. we say he shd. not be Br. subject.
- R.A.B. Who has the power to suspend constit<sup>n</sup>.? And wd. troops from our enclaves be available to Govr. in that event?  
 x| If this proposal fails, I wd. concentrate on our resuming power. I wd. not envisage partition by U.N. (para. 3).  
 What of the mandatory concept? Not necessarily under U.N. W<sup>d</sup>. prefer Br. mandate under N.A.T.O. – with G. & T. associated in administration. From angle of admin<sup>n</sup>., joint sovereignty hardly works.
- A.L.B. That wd. involve surrender of all sovereignty : wdn't appeal to Party.
- D.S. W<sup>d</sup>. be v. much like Radcliffe, which Cypriots won't have.
- Hail. Gks. wdn't look at mandate basis.
- R.A.B. My reasons : i) Nicosia airfield is needed for Br. use. ii) approaches to enclaves : we really need Famugusta harbour. Don't believe our real mil. needs can be met adequately by enclaves w'out control outside them.
- D.S. If we are doubtful about G. acceptg. plan as now, it's certain they wd. reject mandate conception.

- If the plan is rejected, I wd. make U.N. say what they think shd. be done.
- H.W. Don't believe we can afford to carry this commitment indefinitely. I don't therefore like x/.  
Must have supply-lines. Famugusta & Nicosia airfield.
- H.A. No future in Micawberism. Encouraging to see a new approach. Once this plan was started, we cd. not resume Br. control. But even so a better plan than partition.
- J.M. Condominium. Diff. to run. Sudan worked only when there was a dominant partner. Can you link it more closely to N.A.T.O.
- P.M. Provide tht. Govr. shd. have right to report to N.A.T.O. in emergency and lay problem before them.
- Hail. Don't threaten partition because we never cd. do it.
- I.M. No sol<sup>n</sup>. unless disorder ceases. Triple sovereignty wdn't work if  
z/ serious disorder : but then wdn't be serious disorder if neither G. nor T. encouraged it.  
y./ External rel<sup>ns</sup>. : wd. need to be regulated by N.A.T.O.  
Subject to y/ I favour this plan.
- H.B. Not so sure about z/ esp. if G. comes in unwillingly. This regime cdn't cope with a resurgence of Gk. Cypriot terrorism. We shd. have a fall-back pos<sup>n</sup>. for that situation – and one which Gks. wd. like even less.
- P.M. Terrorism cd. then take form only of G. knifing T. & vice versa. W<sup>d</sup>. they want, or dare, to do that? With risk of repercussions e.g. in Thrace & Istanbul.
- P.M. Timing. i) Use months until Sept. by holding 3 Power Mtg or inviting comment on Radcliffe – p'poning prod<sup>n</sup>. of this plan at or after U.N.  
ii) Produce it or take soundings on it before U.N.
- S.Ll. If terrorism is resumed, we shall be in worse pos<sup>n</sup>.  
If we want another chance of 3 Power Mtg, hold this back.  
Doubt if we shall get U.S. support. Disagree with my advisers on means of approach to U.S. T. is our firmest friend.
- A.L.B. U.S. have come out in favour of independence, but w'out Enosis.
- S.Ll. But will they stick to that when Election begins.
- E.H. Party, now, wd. favour retention of whole Island under Br. sovereignty. They will need a lot of convincing tht. resolution won't pull us thro'.

They will think def. policy was designed to enable us to defend such a Br. interest as this.

Time needed to bring them round to this plan. No time for that in July.

V. narrow margin on divisions – as evidenced in Suez debate. Many regard this as separate issue on wh. they cd. take a stand.

8. Commonwealth Economic Development.

H. E.P.C. has considered : wants memo. re-written & re-submitted to Cab. next week.

Meanwhile in H/L. debates I shd. like to f<sup>r</sup>cast early publ<sup>n</sup>.

P.T. No obj<sup>n</sup>. to that.

9. Malaya.

H. As in memo. Together with a Speakers Chair from Parliament.

Approved.

1. Cyprus.

[Enter E.H.]

Difficulties of new plan discussed.

S.Ll. Presentation. How get over our acceptance of s-determination : Put it fwd. as plan for 10 years?

A.L.B. Obj<sup>ns</sup>. to time-limit?

P.M. Put it fwd. as alternative : for s-determination wd. mean partition.

P.M. Timing. Before U.N.? Or do we in interval hold consult<sup>ny</sup>. (3 Power Mtg or comments on R'cliffe report) to fill in time.

S.Ll. C<sup>d</sup>. we use interval to demolish concept of independence on U.S. model. Best way to do that wd. be 3 Power Mtg : with U.S. & Spaak as observers. Shortly before U.N. mtg (e.g. late Sept) & produce plan twds end of it.

P.M. i) Work out plan in greater detail.  
ii) 3 Power Mtg. with U.S. & Spaak as observers – late September.  
We shall be criticised for not incldg. rep<sup>ves</sup>. of Cypriots.

A.L.B. Possibly Cypriot delegations cd. be invited to give evidence.

S.Ll. W<sup>d</sup>. mix up internal & external aspects of the problem.

Agreed : M/D. to complete exam<sup>n</sup>. of enclaves.  
N.B. to organise further consid<sup>n</sup>. of constit<sup>l</sup>. pts.  
S.Ll. & A.L.B. & K. to work out procedure & timetable.

2. Suez Canal.

S.Ll. Finance for clearance of Canal.

P.M. Our U.N. share wd. be 7<sup>1</sup>/<sub>2</sub>% : that wd. have cost us \$1m. We have in fact spent \$1.25 m. in services.  
What machinery? A U.N. agent wd. be preferable to collection by Nasser.

S.Ll. Latter wd. be acceptable if we were accepted as creditor.

P.M. U.N. agent to receive periodical paymts from Canal Authority. There ought to be some emphasis on fact tht. N. has accepted U.N. concern.

- P.T. Be careful not to get surcharge too high.
- P.M. Our claims must be acknowledged.  
It must be non-discriminatory.  
Dpts. shd. consider urgently how high a surcharge traffic can bear:  
viz., rate of collection.
- J.M. Surcharges by Canal Auth<sup>y</sup>. – dangerous precedent.
- P.M. Can't it be done by cover of e.g. U.N.
- S.Ll. Awkward : don't want U.N. debate. Prs. agreemt. betwn Sec. Genl. & N.
- P.M. x/ W<sup>d</sup>. be even better if all creditors wd. write off their share. Work out what it wd. cost in payment of surcharges on their national tonnage.

Agreed : put x/ as first priority.

### 3. Israel.

- S.Ll. Shell & B.P. have agreed to close down their marketing organ<sup>n</sup>. in Israel. (S. Arabia have told Shell they must get out of S. Arabia if they don't.)  
Shell have told Israel tht. reason is political viz., tht. their commercial interests in Arab States will suffer if they don't.  
Israel will regard this as thin end of wedge.
- P.M. There is a difference : big Br. companies don't get their materials from Arab States.
- D.E. This pressure is being applied to Br. firms, other than oil companies. #
- P.T. The oil cos. can justify this decision on commercial grounds.
- M. Yes : that is so : stand on it.

Agreed : i) no interference on this particular ques (oil cos.)  
ii) E.P.C. to consider genl. ques of Arabs boy-cotting Trade with Israel via Br. firms, with a view to common line with U.S.  
iii) But m'while tell oil cos. that we shd. wish Israel to continue to be supplied with oil.

### 4. Disarmament.

- S.Ll. Will take some time to establish a western pos<sup>n</sup>.

M'while we can't avoid debate.

P.M. Some advantage in having it – as for Cyprus y'day.

5. Industrial Disputes. Bus Strike.

I.M. Likely to have strike (w'spread outside Ldn.) on Fri. p.m. T. & G. Workers Union is concerned in both cases. They obtained offer of 7/6<sup>d</sup>. fr. municipal undertakgs. This was acceptable to officials negotiating : but Cousins thght he cd. get more. On the non-municipal, no negot<sup>ns</sup>. : offer of 3/= : strike called. Employers (includg. B.T.C.) are willing to refer to arbitration, where about 7/6 mght be awarded : they have asked me to refer it. Union has however said that they won't participate. That – intolerable : I have therefore referred it over heads of Union. This will exacerbate feelings in Union. Cousins may try to spread this – to municipal buses & prs. to other transport incldg. docks. Econ. effects not v. large: tho' inconvenience great. But we can't accept dictation by Cousins.

Decision of tribunal is not binding. A reason v. refusing to go to it.

P.T. We shd. take no action twds. settling this. We must stand firm. No concession at present time – on wages or cond<sup>ns</sup>. . – in disputes wh. involve nat<sup>d</sup>. ind<sup>ies</sup>.

I.M. I cd. not prevent municipals from increasing their offer.

P.M. Our action at present is limited to referring to arbit<sup>n</sup>. – wh. we have done.

Agreed : support M/L. in action which he has taken.

6. Wages Policy.

P.T. Mtg. Unions etc., next week. Hope Cab. agree tht. we shd. go on with our plan.

7. Jute Industry.

D.E. As in memo. Hoping to get some more diversification of industry in Dundee.

J.M. Regret this, but concl<sup>n</sup>. is inevitable. May cause some unemplt. Labour Party have promised to cure it by State trading.

P.M. Protection run mad : encourages the substitute.

A.L.B. But concentrated in one place & expanded at Govt. request.

1. Post Office Charges. [Enter E.M., E.H.]

P.M. a) First ques of principle : is it necessary to make so large a recovery in 18 mos. – turning loss of £6M into profit of £5M. Sh<sup>d</sup>. we write off the £6M and impose charges which will have us breaking even?  
b) Second ques : how the increases shd. be spread : post/telephone etc., Last increase in basic postal rate was 1940. Increase to 3<sup>d</sup>. and red<sup>n</sup>. of weight to 1oz wd. yield £24 M. in full year.

H.A. Why not further increase in parcel charges?

P.M. Telephones : plan to reduce no. of exchanges so as to make larger areas and increase area for local calls – from 90 sq. miles to 900. This will be considerable concession.  
Charge increases mght be deferred until Jan., when that new system comes into operation. Prs. postal changes mght be brght in before 1/10 to compensate for this.

R.A.B. Rural areas are v. badly off, for telephones.

P.T. But investment in telephones is heavier than in roads – & much of it in rural areas.

PMG. £30 M. p.a. increase is minimum needed to cover costs. Better to raise £42 M. now : for if we don't we shall have to have another increase in charges before Election.

R.A.B. Concerned at proposal to increase postal charges, wh. already pays its way.  
Telegrams are out of date medium.

P.M.G. £2½ M. on £58 M turnover (postal charges) is not a big profit.

P.M. And wd. be wiped out by increased costs?

PMG. Postmen's wages £3.7.0 when 2½<sup>d</sup>. stamp introduced : now £9.9.0. At 3<sup>d</sup>. postage wd. be cheaper than anywhere in Europe save Spain. On b) prefer to take unpopularity now : also costs £1½ M. But I wd. be ready to forecast the reform.

P.M. That wd. be worst of both worlds.

Ch.H. Tho' unpopular, better to get it all over at once – w'out reference to Jan. reforms. Profit on 2½<sup>d</sup>. stamp : if some services must be losers, must make profit on others.  
Unpopularity will be little more for £42 M. that it wd. be for £30.

- R.A.B. Why not increase charges on services which are making little or no profit.
- P.M. Revert to a). Why do we have to cover as much?
- I.M. Must do it all – but prefer to do it in stages. Do postal increases now but defer telephones until Jan. when improved services come in.
- M. Public are expecting it: we shall have to do it : I favour doing it now.
- K. Real problem : is this an occasion for 2 bites or 1.? C<sup>d</sup>. we present a convincing case on 2 bite basis. No good announcg. 2<sup>nd</sup>. instalment now.
- H.B. If we soften blow now, we increase risk of having to do another round of increased charges before Election.
- E.H. To our advantage to do it all at once. But reduce diff<sup>ies</sup>. in H/C. – avoid leg<sup>n</sup>.

(1) P.M. General views seems to be in favour of doing the whole thing and all at once : taking effect on 1/10.

Detailed Changes.

[Exit M.

- P.M.G. To avoid leg<sup>n</sup>: we shd. base £<sup>3</sup>/<sub>4</sub>m. on p.orders if we were unable to increase poundage over 3<sup>d</sup>. I cd. get this money by increasg. charges for private telephone lines.

Agreed : omit changes requiring leg<sup>n</sup>.

Telephone rentals : why not put business lines at £14 [and private at £11 so as to avoid jump of £9 to £12 for rural private.] Omit [].

16. Canadian Magazine Post.

- A.L.B. Don't w'draw this concession.

Agreed.

Presentation.

PMG. & Ch. Hill to revise draft – for consid<sup>n</sup>. by P.M., RAB. & Ch. Whip.

- P.M.G. W<sup>d</sup>. it be wise to say at end: [increases due to wage increases consequential on movements outside] : if reasonable stability in wages no further increase in charges until spring of '59.

- P.T. Don't believe it wd. impress H/C. Tho' it wd. be useful to make point at [] only.



2. Jute Industry.

J.M.

Our deput<sup>n</sup>. went ill. They will claim in debate tht. earlier Govt. statements implied continuing protection.

They also urge further rep<sup>ns</sup>. to Pakistan re their selling price. It might be more effective now we are taking some action.

1. Parliament. [Enter E.H., J.H.]

R.A.B. Business for next week.  
Disarmament : Tuesday. Govt. spokesmen : S.Ll. and prob. A.N.  
Inflation : Thursday. Govt. spokesmen : P.T. opens & P.M. replies.  
Motion of censure on Att. Genl. Propose that Govt. shd. ignore it.  
Spker's advisers agree. Att.G. is content. Opp<sup>n</sup>. may press for  
debate – mght get it in on Monday, in their time.  
Summer Recess. Rise 2/8. Re-assemble 29/10. Spill-over of only 3  
days. New session : 5/11.

2. International Court.

S.Ll. Last Apl. we altered terms of our acceptance of jurisd<sup>n</sup>. of Int. Court.  
We didn't inform Parlt. at the time. It may now become known.  
Our defence had better be : interim adjustment, we are still  
considerg our final position. Coming out because mentioned in a  
judgment of the Internat<sup>l</sup>. Court.

3. Defence Policy.

P.M. Present proposal : 4 statements, on consecutive days. Not v. good  
procedure. Statements in general are unwise – puts Minister at a  
disadvantage.

I.M. Mine cd. be combined with D.S. on compensation.

R.A.B. Sh<sup>d</sup>. aim at fewer statements. P.M. cd. usefully do the whole lot.

P.M. I cd. do it on Tuesday. Foreshadowing various White Papers.

J.H. Don't wish to seem to be avoiding unpopularity. I wd. have preferred  
to do it myself.

Agreed : single statement by P.M.

[Exit J.H.  
[Enter B.C.]

4. Pensions.

R.A.B. Existing rates must go up. Must be done on old scheme because no  
time to work out means of doing it otherwise. If done alone, will  
have to be loaded more in interest of Exchequer. 18/4 p. card. If  
done with another scheme in mind it mght be done for 17/6.

Other reasons for further scheme – i) existg. scheme is not sound. ii) public wish for extension of supplementary schemes.

We therefore submit compromise plan of graduated scheme. Stops at £750 in order to leave field for life offices. More favourable to Exchequer in long run: vid. Table.

Reduces State intervention to a single scheme. Simple. Admin<sup>ve</sup>. advantages.

M/L. and M/P. wd. accept this only if there were contractg. out. This mght ruin the plan. We wd. need to consider it further. Life offices think it possible, but that it's absence wd. not cripple them. They shd. however, be seen by Ministers. But if contractg. out won't work we shall have to devise alternative plan.

- B.C. W<sup>d</sup>. welcome decisions on the 2 points i) level of early increases ii) nature of new plan.  
Only one more move in this Parlt. Hence favour 10/= & removal of tobacco concession.  
Timing : announce before recess & pass leg<sup>n</sup>. in spill-over. Legislate early in new session : & bring into op<sup>n</sup>. in April.  
On ii) : this is compromise. Don't like it : resembles Crossman : doubt wtr figures are sound. Contractg. out: even Crossman makes some prov<sup>n</sup>. for that : wrong for Tory Govt. to encroach on field of life offices w'out enabling those in sound private schemes to contract out.
- I.M. Support R.A.B.'s proposal. Doubt if we cd. go fwd. w'out contractg. out. But if that is feasible the scheme cd. be commended to our Party.
- P.T. Crossman plan is inflationary. Has not, for that reason, made the impact expected. We shd. certainly not out-bid it.  
On (i) – no early impact on Ty. On economy will give some impetus to cost inflation. Will be pressure for more when 2<sup>nd</sup>. scheme announced. 10% is above subsistence : 5/= (with no change on tobacco) wd. be enough.  
On (ii) best compromise. Contractg. out shdn't be made a dogma. If life offices con't insist on it : dec<sup>n</sup>. shd. be allowed to turn on admin<sup>ve</sup>. consid<sup>ns</sup>.
- M. C. out is needed because large no. of women who already pay 6% of salaries in cont<sup>ns</sup>.
- B.C. Don't come in if under £8 p.wk.
- M. Not many are below that.
- I.M. Party view as well as life offices must be considered – on contractg. out.

P.M. Ordinary rate shd. go up by an amount wh. will last this Parlt.  
 Graduated scheme : contractg. out must be considered from  
 practical & political angle.  
 In any event no one benefits before 1960 – viz., not in this Parlt.  
 Get practical views on contractg. out (not political) before Cab.  
 next discussion.  
 Consider wtr 2<sup>nd</sup>. piece of leg<sup>n</sup>. need come in before Xmas. Tho’  
 dec<sup>n</sup>. earlier because if we are to do it cont<sup>n</sup>. on flat-rate  
 plan cd. be lower.  
 M/P. to consider wtr practicable to bring in 1<sup>st</sup>. plan by Xmas.

5. Persian Gulf : Muscat. [Exit B.C.]

P.M. Rebellion of tribes v. Sultan of Muscat. Saudi encouragement. Certain  
 forts seized. We have supported Sultan – Buraimi onwards. We  
 must help him. Rebels will declare themselves independent, &  
 they are likely to get support fr. State Dpt. and Aramco.  
 We can i) send Br. co. to Buraimi. ii) authorise despatch of Trucial  
 levies to rescue some of Sultan’s men who are cut off. iii) R.A.F.  
 to drop supplies & arms to them. iv) 1 frigate ordered in & 1  
 more can follow. Ques is wtr, in add<sup>n</sup>., we shd v) shoot up one of  
 the forts, seized by the rebels. Def. Ctt<sup>ee</sup>. have agreed to i) to iv).  
 Argument against v) : howl from Saudis, Egypt & prs. U.S.  
 Argument for : overwhelg. moral effect in whole area of our  
 showing our teeth. May nip this in bud & save us genl. campaign  
 wh. world opinion wd. deplore.

S.Ll. Internationally we shd. have no trouble by progressive use of ground  
 troops. Prompt air action will certainly arouse criticism : & by  
 no means certain that one sortie will finish it.

x| But on balance I wd. favour authorising A.O.C. to do it if he is  
 | satisfied that is necessary to success of genl. op<sup>n</sup>. as contempl.  
 | para 3 of Tel. 77. Rockets not bombs.

D.S. All these Rulers are lookg. to see wtr we shall support them or let them  
 down. Ques. : is wtr we do this now or later.

H. Rebels are in mountains : can’t be dealt with save by land action. Is it  
 necessary to bomb.

D.S. Risk of Arab support for “independence”. Then Br. action is even  
 more difficult.

H. What is value of bombing Muscat’s forts after rebels have left it. You  
 are to ask them to leave before you bomb.

P.M. Agree if isolated : but envisaged as part of larger operation in wh.  
 ground troops mop up.

Agreed : as at x/  
D.S. to instruct C-in-C., in consult<sup>n</sup>. S.Ll.

6. Roads.

H.W. Ty. & M/T. have bn discussing roads p'mme. Unless I can get my minimum figure (23%) I cdn't defend road p'mme – in debate on Monday.

1. Persian Gulf: Oman. [Enter B.C.]

S.Ll. No more inform<sup>n</sup>. : nothing therefore to say in H/C. : But House will expect something. And debate is on M/D. and F.O. votes – and can be discussed.

H.A. U.S. re-action?

S.Ll. Suspiciously quiet. We have told them what we intend.

P.M. And I have sent personal message to President.

2. Steel Prices.

P.T. Steel Bd. had planned to announce on Wed. their expansion plans & increased prices. Now propose to have it announced by Bd. on Thursday, & I can refer to it in debate.

Agreed.

3. Industrial Disputes.

R.A.B. Have asked Police to look out for violent acts of intervention. Cov. Gdn. strike spreadg. to lorry-drivers. Potatoes are getting short in Ldn. Emergencies Ctt<sup>ee</sup> is mtg.

I.M. W<sup>d</sup>. be helpful if prosec<sup>n</sup>. or two cd. be taken. Cousins is seeking to spread the strikes. But Cov. Gdn. is showg. how little the porters did.  
Award of Tribunal likely to be available on Thurs. – may afford basis for a settlement. An award of 7/6 wd. be right.

4. Transport Commission: Purchasing Policy.

H.W. Have received report of commission on M<sup>r</sup> Gethin's alleg<sup>n</sup>. Sir H. Howitt will examine report & general purchasing policy of B.T.C. Wish to announce this on Wed. in reply to P.Q. Both reports will be publ<sup>d</sup>.

5. Pensions. [Enter B.C.]

P.M. Have discussed procedure. Irrespective of dec<sup>n</sup>. on larger Bill we shd. have to raise o.a.p. rates. Sh<sup>d</sup>. need two Bills. Content of first

wd. turn on dec<sup>n</sup>. on second. C<sup>d</sup>. be introduced on 29/x: re-introduced on first day of new session (5/xi) : and taken immediately after Queen's Speech. To secure early operation we shd. need to decide, before recess, amount of pension. Printing mght begin in Sept. – acceptg. risk of leak. Oper<sup>n</sup>. cd. then be early Jan. or conceivably by Xmas.

R.A.B. That wd. do. Avoids speeches etc., during recess. Announcement not earlier than Party Conference.  
We cd. manage 2 Bills. But must know content of 2<sup>nd</sup>. before introducg 1<sup>st</sup>.

B.C. Criticism wd. be : paymt. before Xmas means 17/12. Re-rating takes 5 wks. Sh<sup>d</sup>. have to announce by 5/xi tht. pensioners shd. bring in their books. We shd. therefore be seen to be anticipatg Parl't.'s decision & cd. accept no amendments.  
Dec<sup>n</sup>. on cont<sup>n</sup>. wd. be needed by mid. Aug., in order to print stamps. 3 months to print & 1 month to distribute. 27 different denominations.

P.M. Better prs. have 2<sup>nd</sup>. Rdg. in Oct.

R.A.B. But amendment wd. be at Ctt<sup>ee</sup>. Stage.

P.T. Also means that increased benefits are paid before increased contrib<sup>ns</sup>. are collected.

M. Why not try to supplement Stationery Office resources (stamps) by private printing firms.

Agreed : resume discussion at Cab. next week.

6. Commonwealth Economic Development. [Exit B.C.]

P.T. Have seen Party : they won't press for much larger investment.

Agreed : Present to Parl't., with improved peroration, on Tues. of next week.

7. Anglo-Canadian Trade.

No note taken.

8. Cotton.

- P.T. One day restriction will have to be imposed – not only for grey cloth but for gloves & other industries as they grow up in countries which have a much lower standard of living.  
On grey cloth, shd. the mission go out again? If H. Kong would come into line, the other 2 countries wd. make a bargain.
- P.M. Disturbing to Lancs. if 2 indep. countries are willing to put a limit to find that a colony won't come into line.
- A.L.B. But if anyone else did this to H Kong we shd. have to object on their behalf in G.A.T.T.
- P.M. But it wd. be voluntary agreemt. by industries.
- A.L.B. And H. Kong wd. not make a voluntary agreemt. If we imposed q.t. in H. Kong, we cdn't deny it to W. Indies v. U.S.
- D.E. Almost all other parts of Comm. restricts imports fr. H Kong. We don't seek auth<sup>y</sup>. to impose q.t. at present : only to warn H. Kong industry tht. they must make voluntary agreemt. for fear of worse. Worse being growth of B. opinion wh. wd. compel q.t. eventually.
- H.A.<sup>(2)</sup> We shan't be able for long to m'tain free entry for Col. manufactured goods. H. Kong obduracy will hasten that day.
- M.<sup>(1)</sup> W<sup>d</sup>. it not be enough to offer to Lancs. tht. we wd. police a vol. agreemt. if it cd. be reached.
- P.M. {Do (1). If H. Kong Govt. seeks advice, tell them (2).  
{D.E. to see Govr. on those lines.



1. Nuclear Tests. [Enter E.H.]

P.M. Recent tests successful. But need for more because importance of evolving methods using less material. Esp. important because risk of cut-off of production under a disarm<sup>t</sup>. agreement. Less need for long notice. Propose therefore extension of last tests – to be carried out as soon as possible. Will become known because of movements of troops. May therefore have to make some announcement. e.g. that we shall hold our prep<sup>ns</sup>. in readiness for continuance of tests.  
Spoken to L.P.S., who agrees.  
Will inform Menzies – Friday. Then inform Holland. U.S. to be informed thro' mil. channel.

Approved.

2. Parliament.

E.H. Business for next week.  
Summer recess – dates to be announced to-day.  
Debate on L. Govt. H.B. to open: Boyle to reply : Bevins to wind up on 2<sup>nd</sup>. day. R.A.B. may have to wind up.

H.B. Much pressure v. block grant from l.e.a. circles.

J.M. In Scotland l. govt. circles as a whole are critical.

3. United Nations : Rep<sup>n</sup>. of China.

S.Ll. We must now decide to support moratorium. Need to support U.S.  
May come up this week.

Agreed.

4. St. James's Theatre.

H.B. Debate in H/L. – we intend to m'tain our tough line.  
Old theatre : not capable of enlargem<sup>t</sup>. on site : not recommended for preservation as historic bldg. L.C.C. decided, w'out reference to Govt, to give permission for change of use to offices. Raised value of site by about £100.000. Littler sold theatre to Fenston.  
If I revoked planning permission, cost wd. be (compensation) £50.000 to Ldn. and £50.000 to Ty. Problem wd. remain of finding

someone to buy it & run it economically as theatre – most unlikely to happen.

- D.S. Support. When I approved Co. of Ldn. plan I inserted prov<sup>n</sup>. tht. no change of user for theatres cd. happen w'out its coming fwd. for decision as such.  
But there is a flaw in the law : if permission given there is no appeal to Minister – who can't then act w'out compensatg. Law shd. be altered to provide tht. in such cases compens<sup>n</sup>. be limited to expenses already incurred.

[Exit D.S.  
[Enter Carr.

5. Colonial Immigrants.

- K. Recommend no action at present. When taken shd. not be by immigr<sup>n</sup>. quota but by proposed Bill.  
Total net immigration fr. W. Indies has dropped in '57. Worst feature : transform<sup>n</sup>. of areas into black colonies. Bound to increase. This shd. be noted. But, despite that, recommend no action.

- A.L.B. Decline in trend is continuing. Discouraging reports from those here.  
[Exit S.Ll.

- H.B. In areas affected, public opinion is ready for restriction. However, I accept this report.

- R.C. M/L. are content qua employmt.

Agreed : no action at present.  
statistical report by Christmas.

6. Development Areas.

- D.E. Have found a means of doing this w'out leg<sup>n</sup>. – as in memo. If we fail to act now, it won't be done in this Parl.

- H.B. Favour this as giving chance to schedule N.W. Wales. This is ideal opportunity to correct anomalous position: favouring areas wh. no longer need help & w'holding it from some which do.  
<sup>x</sup>/Project of State organisation to hold trading estates needs further thought.

- J.M. Support x/ : need for interdepl. examin<sup>n</sup>.  
Cannot accept de-scheduling of N. Ayrshire.

- P.M. Views of R.A.B. No practical advantage to be gained – and much oppos<sup>n</sup>. will be aroused.

J.C. If it is to be done, we shd. act now – for seasonal unemplt. will begin to rise.

P.M. Are we really ready to do this : plan changed : not in pos<sup>n</sup>. to answer any ques about it. We are not in strong Parl<sup>y</sup>. pos<sup>n</sup>. to meet criticisms. We gain nothing by this. Many other anomalies – but we can't cure them all. C. & A.G. may well criticise propriety of this scheme.

P.T. Welsh position is the difficulty. [Re-enter D.S.  
| Assume steel plant is put in Monmouth, it wd. be nonsense to go  
x| on treating S.W. Wales as developmt. area and N.W. Wales not.  
Why not take the step then & limit it to Wales.

D.E. Can't add N.W. Wales until I can subtract somethg. else.

Agreed : postpone, in hope of acting on lines of x/.

[Exit J.C.]

#### 7. New Towns.

H.B. Leg<sup>n</sup>. – not this coming session but in 58/59. Can't frame it w'out consult<sup>ms</sup>. Policy will become known. Wiser therefore to admit it.

P.T. Support policy. We have put £350 M. into these towns.

P.M. Agree l.a.'s shdn't inherit this property. But argument will be : shd. it be sold off or held as by Crown Lands.

H.B. Aim : diversity of ownership : but an agency to manage m'while.

D.S. We shd. aim at making them normal towns. Specially important tht. rents shd. not all be paid to a l.a.

H.B. Want an expert Ctt<sup>ec</sup>. to work out system.

P.M. Better to have Ctt<sup>ec</sup>., under control of Dpt.,

#### 8. Channel Tunnel.

Note not taken.

#### 9. Hong-Kong. Cotton.

Note not taken.

Pensions.

[Enter E.M., B.C., E.H.]

- P.M. Must be an increase in o.a.p. soon. Must be by Bill on orthodox basis, introduced separately so as not to be delayed by discussion of larger measure.
- i). Amount of increase. 5/= wd. cover increased c/living. Or 7/6, but if tobacco concession were w'drawn wd. be equivalent of only 5/= for smokers. Or 10/= which wd. cover rise in c/living & w'drawal of tobacco.
  - ii) Timing. Impressed by weight of argument v. anticipating Parl<sup>y</sup>. approval. Mght have done it on Peake's Bill, where all agreed on need to increase rate. But now the Bill will come in atmosphere of Crossman's plan. If we can't get it into op<sup>n</sup>. by Xmas, I wd. prefer to do it in normal way – w'out now altering date of re-assembly of Parlt, which wd. look as to' we cdn't make up our minds. 2<sup>nd</sup>. Rdg. day after Queen's Speech : carry Bill into law in 10 days or so. R. Assent, at earliest, by 21<sup>st</sup>. Nov. C<sup>d</sup>. start printing after Ctt<sup>ee</sup>. stage in H/C. Proposals of 2<sup>nd</sup>. Bill wd. be made known at that time – after mention in Queen's Speech.
  - iii) Must increased contributions be exacted at same time as increased benefits.
- R.A.B. On (ii) aim at getting rates & cont<sup>ns</sup>. as soon as possible in regular fashion w'out altering date of re-assembly of Parlt. Ctt<sup>ee</sup>. to make time-table.  
On (i) I favour 10/= plus w'drawal of tobacco concession.  
Contribution : wd. prefer 17/6 and justify this by decision to go fwd. with graduated scheme, announced in Queen's Speech.  
Long-term plan. Contracting-out wd. be v. costly & administratively difficult. W<sup>d</sup>. wish my Ctt<sup>ee</sup>. to consider it still further this week.
- I.M. Agree with R.A.B. on all points save contracting-out. I attach great import<sup>ce</sup>. to that. W'out it, no approval of existing schemes or new ones. Also : diff. for us to put fwd. plan more stringent than Crossman's – wh. does allow for contractg. out. If we can't find a way of doing this, we must find a way of encouraging voluntary schemes.
- B.C. Timing. Accept Jan. proposals, but wd. still need early decisions on rates & cont<sup>ns</sup>. For work on war pensions (para. 12) wd. start. And there might be leak.
- P.T. Leak wd. be politically disadvantageous.
- R.A.B. Cdn't risk this until October.
- I.M. Not until after Party Conference.

- P.M.           \* Can't begin para. 12 work before 14/10. Base time-table on that.  
 |            Not politically necessary to give w. pension paymts a 2 wk. lead  
 x|            over o.a.p. Not more than 1 week : & if necessary simultaneous.  
 |            Aim at end of January.
- B.C.           Diff<sup>y</sup>. remains about N.A. rates. Hope, however, Chairman wd. p'pone  
 his increase until ours if ours was to come in Feb<sup>y</sup>.
- H.B.           Try hard to hold this back until ours.
- Timing : Agreed as at x/. Hope N.A. rates may come in  
 simultaneously.
- Bill can be introduced in spill-over & allowed to die, if there has  
 been a leak. If none, Bill need not be introduced until outset of  
 new session.
- Amount.
- M.            If tobacco concession w'drawn, Labour may offer to restore it.
- H.A.           Favour 10/= minus tobacco concession.
- H.B.           Labour wd. never re-introduce it. R.S.C. tried to abolish it.
- Ch.H.          Widely known to be unfair.
- P.T.           Wise to make increase now which will hold pos<sup>n</sup>. until end/Parlt.  
 Ready to accept 10/= on that basis if we w'draw tobacco  
 concession and get scheme on a sound basis via graduated  
 benefits.
- B.C.           Doubt if Party wd. support such a scheme unless it contained prov<sup>n</sup>. for  
 contractg. out.
- Agreed 10/= plus w'drawing tobacco concession.  
 (P.T. Subject to their being a graduated scheme.)
- Contribution. Now 13/7. Increase to 18/4 or 17/6 if graduated scheme.
- P.T.           W'out some overload we shall have deficit in next 2 years which will  
 be carried on Budget – making tax remission more difficult.
- After further discussion – general dispos<sup>n</sup>. to look at possibility of  
 cont<sup>n</sup>. of 18/1 in order to give increase of 12/= in benefit.
- Agreed : Meet on Friday 2.30 p.m. H/C. to take final decisions.

1. Disarmament. [Enter E.H.]

S.Ll. F. Dulles has come over to supervise Stassen. We have agreed on next phase. Aim to get Sub-Ctt<sup>ec</sup>. adjourned & w. parties to be set up to work out details of western plan.  
Looks as tho' Julius Holmes sent S.O.S. for Stassen to be brought back to U.S. party line. Stassen thght to be hoodwinked by R.  
"Open skies" plan : need is first to work out system – not to say where it shall be exercised.

P.M. We shd. try to bring it out that U.S./U.K. are trying to make progress. Show that w. Powers are not behind R. in seeking means of agreement. Ch. Hill to consider means of putting this over, on F.D.'s departure.

2. Cyprus.

a) Conference.

S.Ll. Seen T. Amb., who accepted readily. The Turk. P.M. was less enthusiastic. But shd. be O.K.  
Caccia saw F.D., who asked for time. Here he is unbriefed & evasive. But we must pin him down.  
Spaak has promised support.  
Once F.D. is in line, we can approach Gks & make genuine effort to persuade them to attend.

b) Military.

P.M. Enclaves are becoming more numerous.

D.S. But isolated points are v. small & uninhabited.  
My view is that U.K. shd. assume responsibility for defence of Island as whole.

H. Difficult to m'tain sovereignty over the isolated spots.

P.M. Perpetual lease wd. give us all we really need. Consider now wtr B. sovereignty cd. be limited to 2 main areas & rest under perpetual lease (on analogy of U.S. Bases in Caribbean). Examine this v. background of triple sovereignty collapsing.

A.L.B. Claim to sovereignty over Nicosia wd. wreck chance of our plan being accepted.

S.Ll. I wd. sooner claim larger enclave at Dhekelia. W<sup>d</sup>. look better.

- A.L.B. V. good land : if you took whole peninsula.
- P.M. Present<sup>n</sup>. : these are places we must retain under our sole control.  
Leave it there for argument wtr basis in some cases can be lease  
vice sovereignty.
- c) Constitutional.
- P.M. Functions sugg<sup>d</sup>. for N.A.T.O. shd. be given to named Powers  
members of N.A.T.O.
- K. Defence. If NATO were ready to express concern, they mght ask U.K.  
to act on their behalf.  
On para. 13., I wd. prefer (b).
- D.S. N.A.T.O. will be hesitant because of para. 10. – Bagdad Pact.
- R.A.B. You can't ensure that population will not rise up eventually and make  
it unworkable.
- \*Financial & trade implications to be examined by officials.\*
3. Legislative Programme.
- R.A.B. Auth<sup>y</sup>. needed to prepare 2 L. Govt. Bills : small Bill on H/L. reform :  
1<sup>st</sup>. Pensions Bill : Tariffs Bill & Milford Haven.  
K.'s memo. on Emergency Powers. Proposes leg<sup>n</sup>. next session on  
land powers. Suggest we prepare that Bill, incldg. open-cast  
mining.  
Also some smaller social Bills e.g. Child Adoption.  
Colonial Bills : Malta & Singapore.  
This wd. leave over for later decision : 2<sup>nd</sup>. Pensions, Agricultural  
tenure.  
And, finally, Betting & Gaming. On this opinions are seriously  
divided. Only grounds for proceeding : pledge and morale of  
Police. My view : enough trouble w'out embarking on this.  
Bookmakers may be willing to give voluntary levy to racing.
- H.W. Park Lane Bill.
- R.A.B. C<sup>d</sup>. be worked in.
- I.M. Factories Bill – for last session – will incorporate Gowers on Rlways.
- Ch.H. Against Betting & Gaming. Establishmt. of betting shops wd. stir up  
v. gt. controversy esp. among non-conformists.
- I.M. If we drop it this time we can't do it next.

- H. Don't underestimate corrupting effect of status quo. Brings law into contempt. Non-conformist conscience is less powerful, and more reasonable, than it was. Cdn't we have the Bill prepared.
- H.B. Disposed to agree. Why did we give pledge before?
- H.W. Avoid leg<sup>n</sup>. which divides our own Party.
- P.M. W<sup>d</sup>. like to see Heads of Bill before we finally decide. Also to see proposals re Wolfenden Rpt. which raises same problem of corruption of police and is more likely to command public support.



1. Parliament. [Enter E.H.]

R.A.B. Business for week after recess.  
Ctt<sup>ec</sup>. on Privileges has reached agreement : no report before the autumn.

2. Port Said Operation.

P.M. Propose that Genl. K.'s despatch shd. be published. W<sup>d</sup>. be mistake to w<sup>h</sup>old it. Will scrutinise text, and show final draft to A.E.  
Publish in recess. As early as possible in August. Agreed.

3. Cyprus.

S.Ll. Have assured F.D. that conference is genuine attempt. He will back it with T. & G. But he doesn't want to have U.S. observer – tho' will have expert in Ldn. at the time. This is best we can get from U.S.  
Propose therefore to go ahead with T. & G. Govts. [Exit S.Ll.]

4. Industrial Disputes : Economic Cost.

I.M. a) Can't keep too many balls in air at once. Lesson of last rlwy dispute – cd. have stood out on engineering but not that & others too.  
b) Claims over next period will be staggered.  
Main risk now is claims for 40 hr. week. If they were co-ordinated into a single threat, we shd. have to meet it.  
c) Can you isolate strike? Cousins' policy is to spread it. Tried it over Covent Gdn.  
Mght be isolated rlwy strike : we shd. have due notice of it.  
\* {We mght. have further study of detailed means by wh. emergency {organisation wd. meet it : viz., rlwy strike.  
d) W<sup>d</sup>. be dangerous to build up in Party a feeling tht. we are looking for opportunity for a show-down. Don't believe we cd. fight out a strike in rlways & coal to a point at which men wd. give in.  
Public opinion wdn't tolerate it nowadays.  
Prefer to aim at period of stability. Rely on new Council. Continue to urge restraint.

R.A.B. Agree that Party are on dangerous line.  
Emergency Organ<sup>n</sup>. is as ready as it can be made.  
W<sup>d</sup>. like to be clear on legal point in para. 22.  
Emergency Ctt<sup>ec</sup>. under me can't consider or mitigate economic effects.  
Note the danger from the v. sensitive points e.g. drivers of oil

- \* tankers. Suggest Emergency Cttee. shd. make further plans on that.  
Agree tht. it wd. be diff. to face out a strike : but if Cousins made the challenge we shd. have to meet it.
  
- M. Agree with I.M.'s approach.  
Doubt if these strikes wd. occur in isolation. Coal strike unlikely unless w'spread dissatisf<sup>n</sup>. in T.U. movement : and in that event it wd. spread.  
Vulnerability by reason of power stations.  
Not sure about para. 15 : confidence wd. turn on judgmt. wtr men wd. win.  
\* Further study – likely trend of a future dispute. Where will challenge come from.
  
- H.W. If we allow feeling in Party to grow, it won't help. We can't take on T.U. movement as a whole. Better to try to divide it.  
\* Favour earlier dist<sup>n</sup>. of coal stocks.  
None of 3 Rlway Unions have passed resol<sup>n</sup>. in favour of wage claim. B.T.C. are inclined to try to avoid annual row over wages, but to persuade Unions to spread it out. Sh<sup>d</sup>. wish to encourage that. In due course he will ask wtr Govt. will back him in standing pat on an arbit<sup>n</sup>. award.
  
- D.S. W<sup>d</sup>. like to stand firm on an occasion when public opinion is behind us. Best case is on an arbitration award.  
W<sup>d</sup>. like further thought given to a new Labour Relations Act – much of it is quite out of date. Sh<sup>d</sup>. embody a duty on T.U.'s to go to arbitration.
  
- D.E. If M/L. is right that we cdn't win, we must prevent war from starting. To do that, we must arouse a sound public opinion. We shd. use for this militant element in Party. Can we develop the deterrent element in p. opinion. E.g. strikes affect consumers i.e. women : cd. that fact be exploited. Danger of allowg. present feeling in Party to grow.
  
- Hail. Hankering for a show-down is dangerous. S.B.'s virtue.  
Can't really win a strike : creates such bitterness as to do more harm than good.
  - i) Must, however, condemn violence & mobilise opinion v. it.
  - ii) Assert tht. country is governed by Parlt. not T.U.'s.
  - iii) Must guard v. paralysing blows e.g. power stations.  
But in general shd. play this slowly & calm down our hot-heads.  
In last resort a strike must be defeated by public opinion, not by Govt.
  
- Ch.H. Much larger body of opinion regrets failure of Govt. to give clear lead on inflation – or wage demands. Debate last week was good because P.T. indicated tht. it mght be right to reject one. But how do Govt. take such a line in dispute betwn. employers & men.

There is speculation on this. Can we clear up the doubt. What is Govt. policy? Diagnosis has succeeded : we ought now to indicate cure. What advice are Govt. going to give to parties?

- I.M. That wd. be interference with collective bargaining wh. wd. lead to “wages policy”.
- P.T. Deep feeling among Tories (country) – anger & frustration. We are getting it understood tht. higher wages mean higher prices. We might do more e.g. with women.  
But busmen have had 11/= and farm-workers now have 9/=.  
Do arbitration tribunals really regard needs of national economy.  
\* C<sup>d</sup>. we study alteration in methods of arbitration?  
Only 2 alternative lines to follow – a) bargain of some kind with T.U.’s offering capital gains tax or profits limitation (neither of which is economically sound). b) cut off supply of money – involvg. direct control over bank advances & 10-15% cut in public expenditure.  
Can’t recommend either of these courses. Prefer, pro. tem., to phase back investment, to hold public expenditure at existg levels, and to be ready at some stage to say “no” to a wage demand.
- Hail. x/ Prov<sup>n</sup>. in arbitration for national case to be presented by counsel.
- I.M. Council is designed for that. Counsel wd. make it appear as a rule that Govt. are siding with employers.
- P.T. I still think x/ wd. be worth study.
- Hail. Present<sup>n</sup>. cd. be balanced.
- H.A. Food supply in a strike – wd. be O.K. so long as oil is available.  
On more genl. ques : more thght needed on strategy & tactics.  
Solution lies in developmt. of public opinion. I wd. deplore a clash : ut cdn’t rule it out if public opinion supported it.  
Party feeling on T.U.’s. i) Privileged pos<sup>n</sup>. is out of date ii) anger at intimidation.  
P. opinion favours principle of arbit<sup>n</sup>. We shd. study means of makg. it more effective.  
Tactics : in short term we may have to take a more positive line in rel<sup>n</sup>. to wage claims in nationalised industries.  
Credit rest<sup>n</sup>. Wrong to go on asking banks to act v. commercial interest. May be better to have some direct control over banks.  
Increasg. doubt wtr we can continue to reconcile full emplt., price stability & free negotiation of wages. We may be driven to somethg. like a wages policy.  
In history it will look odd that Tory Party shd. have done nothg on this sector in 9 years of office.
- H. i) Arbitration : improvemt. shd. be studied.

- ii) Coal stocks: v. vulnerable : cd. we not improve them : using argument that Suez showed our vulnerability over stocks of coal & oil.

- D.S. Favour some leg<sup>n</sup>. H.A.'s points. We shd. be ready to act on those lines if opportunity offered.
- J.M. Strength of feeling re Govt. inaction. Growing realisation that wage increases are main cause of inflation. Need for "wages policy" tho' I don't know what that means.
- K. Remember that Tory Party must m'tain some popular appeal. T. U. members & families are about 17 m. out of electorate of 28 m. We, as a national party, must appeal to that section. That rules out any ques of limiting "privileges" of T.U.'s.  
Compensation of higher wages is more intelligent electorate.  
Parties long in office tend to favour their extremists. Take care.  
Arbitration : shortage of good men. Rely therefore on single Council.
- H.B. N'less Govt. must m'tain order and check violence during strikes.  
This is a duty of Govt. We must show tht. we can discharge it.  
Party is concerned about wage increases in nat<sup>d</sup>. ind<sup>ies</sup>. : it assumes tht. Govt. do settle these claims.
- P.M. (i) On narrower field, we see what further studies shd. be made [in particular power stations, oil tanker drivers, stocks of coal and oil.] We shd. safeguard vital points.  
(ii) On broader ques, we are trying to reconcile irreconcilables with free wage negotiation and also fixed exchange rate. There is no fuse to blow. If it weren't for st. area we cd. provide the fuse of a floating rate. We must therefore consider all possible remedies. First, help P.T. to hold public expenditure : it is because so much money is pushed into the economy tht. the higher wages can be paid.  
Arbitration : circulate the old factual memo. by M/Labour.  
Situation has changed since collective bargaining was evolved in 19<sup>th</sup> century. Now the interests of both sides of industry is to exploit consumers. Struggle is likely to be on ques wtr award of arbit<sup>n</sup>. is to be implemented : support for employers will be in standing firm on an award & not going beyond it.  
Develop p. opinion on conn<sup>n</sup>. between wages & prices.  
Some of the ques shd. be brght to an issue – e.g. control of banking system. [Exit E.H. Enter O.G.]
5. Aircraft Industry.
- P.T. Reported views of E.P.C. Private & unpublished investigation.

Agreed.

6. Nuclear Power. I.B.R.D. Loan.

- P.T. Seek auth<sup>y</sup>. to discuss possibility with M<sup>r</sup>. Black when in W<sup>h</sup>ton in September.
- M. No diff<sup>ce</sup>. betwn. borrowg. as a Govt. & borrowg. thro' a nat<sup>d</sup>. industry. Strong obj<sup>n</sup>. esp. if done in Wall St.
- D.E. See the obj<sup>ns</sup>. But somethg. different about nuclear power. On other hand U.S. may well exploit us in some way.
- I.M. This is our special thing in wh. we take pride. That will be damaged if we do it on U.S. money.
- P.M. But it wd. be debenture, not equity. There wd. be no U.S. control.
- M. Don't trust U.S. not to take some advantage out of this – v. keen competition internationally in nuclear developmt.
- Hail. Prefer good money to bad publicity.
- H.A. Favour P.T.'s plan – tho' we shd. look at it again if it's proposed to come thro' Wall Street.

Agreed : explore possibility but reserve final decision.

7. Cotton.

- D.E. Peril point procedure wd. get us too far from present policy of making b/p diff<sup>ces</sup>. the only ground for protect<sup>n</sup>. New solution therefore suggested – as in memo.  
Sometime next autumn or winter there is bound to be recession in Lancs.
- A.L.B. This is least harmful way of doing somethg. It is not recommended that we shd. do anything. If adopted & proved unsuccessful, we shall be pressed to do somethg. which will be really harmful to our Colonial interests & oversea trade.  
Shdn't be able to convince overseas territories tht. this is voluntary – if we agree to police it even at request of H. Kong.  
Can't we leave H Kong out?
- P.M. No chance of agreemt. with I. and P. if we leave out H. Kong.
- O.G. Ultimately it threatens import quotas.

- P.M. Don't raise issue of imports from low-cost Commonw. producers. Try this compromise line, to evade that issue.
- A.L.B. If Cab. insist, I must be allowed to approach Govr. informally before he receives instructions. I must warn him tht. this will spread to other U.K. industries.

1. Cabinet Procedure. [Enter E.H.]
- P.M. Arrangements for Aug. & Sept.
2. Commercial Policy : European Free Trade Area.
- P.M. Appointment of Maudling to give whole time to this for time being – with separate office and a small staff.  
To be announced at middle of next week.
3. Civil Aviation.
- a) Sales to Egypt.
- D.E. On 4/6 Sale of Arms Ctt<sup>ec</sup>. decided tht. 2 Viscounts be sold to Egypt. Paymt. thro' Special A/c. No appl<sup>n</sup>. to B/T. for export permits. Doubt wisdom of this – while Br. claims on E. are un-settled.
- P.T. Sh<sup>d</sup>. have bn. referred to a Minister. But decision is probably right. We are not putting embargo on trade with E. Think our line shd be : let them buy what they want.
- P.M. Let a memo. be circulated. Ty. to take the lead. [P.M. cd. settle?]
- b) Sale of Britannia Aircraft to U.S.
- H.W. Needs consideration. Mainly for M/Supply. But risk : Britannia isn't right yet – and mght be said aircraft is a flop. Play this down. Leave it to B.O.A.C. and B'tol Aircraft.
- P.M. Keep an eye on this – M/T. and M/S.
4. Pensions.
- R.A.B. Time-table. Payments by end/Jan. simultaneously with N.A. rates. 23/xi is not v. firm because in view of incl<sup>n</sup>. of tobacco concession it will be more controversial.
- B.C. 25/xi is latest date for beginning to call in pension books. Incl<sup>n</sup>. of prov<sup>n</sup>. re tobacco wd. involve Ways & Means resol<sup>n</sup>. Can't guarantee tht. N.A. Board will be able to wait until end/Jan.

Time-table approved.

Amounts.

- R.A.B. 10/= and 17/6 (assumg. a graduated scheme will follow).
- P.T. Support this.
- I.M. Can't do more than one rise in this Parlt. Must last for 2 yrs. from this autumn. The 10/= is only 7/8 to 50% of pensioners. 4/2 has already gone. Will 3/6 be enough to last the 2 years.
- H.A. Agree there is this risk. But I wd. accept 10/=.
- H.B. Diff. to justify a rise as large as 12/=
- D.E. Immed<sup>te</sup>. need is to prevent wage increases. 12/= mght appear to be a hedge v. inflation. Safer to give 10/=
- P.M. Argument of appearing to hedge v. inflation is v. strong.

Agreed : 10/= and w'drawal of tobacco concession, and 17/6.

Graduated Scheme.

- R.A.B. W<sup>d</sup>. wish for decision in principle in favour of graduated scheme. People under £8 wd. pay less, and those over wd. pay more, than now. Over £8 you pay 8% of earnings. Contractg. out wd. cost £50 M. and wd. be v. difficult administratively. W<sup>d</sup>. be necessary to make adjustments e.g. as sugg<sup>d</sup>. in para 7. But this wd. mean tht. lower-paid wd. pay proportionately than higher-paid. May well be found tht. contracting-out is impossible.
- B.C. No serious work yet done on contracting-out. W<sup>d</sup>. wish to do this. There is a case on merits for not applying graduated principle to sickness or unemplt. benefit. Crossman provides for contracting-out. Diff. for us to be harder on private industry. Graduated scheme will not be v. popular. No advantage to Ty until 1960. Hasn't the merit of looking like a Tory plan.
- M. Contractg. out is essential. Govt. graduated scheme will damage v. seriously existing supplementary schemes in industry.
- P.M. Suggest we now work out graduated scheme. Study contracting-out. Decide that we want to have a graduated scheme, if it can be done. We want to see two plans – one with contractg. out and one without.



1. Free Trade Area : Agriculture. [Enter R.M., Profumo.
- R.M. Approval sought for general line w'in existg. policy.  
Can't m'tain exclusion of agriculture altogether. But no-one is proposing free trade for agriculture – the Six contemplate managed marketing etc., on model of 20<sup>th</sup>. cent. socialism. Tho' we can't do that, we shall have to give them somethg.  
Institutions : the 6 will press us to join : our agric. policy wd. then be subject to majority vote. That wd. not be acceptable.  
Specific commitments on certain commodities e.g. wine.  
These ques are being considered. At present, we make only limited proposals in para. 24. These mght be offered, eventually, as a package.
- H.A. V. good memo. Agree with what R.M. has said. Diffy = timing.  
Want to know how they are going to work their managed market. Favour idea of separate statute. Most diff. area for concessions will be horticulture. Cdn't abolish quotas on apples & pears until we had some safeguard in its place. Minimum price technique mght be solution therefore we are studying that, i.e. free imports when home prices reach a defined limit. We may have to define our expansion aim e.g. no further increase in gross production. W<sup>d</sup>. like to get J. Turner into the negotiations on our behalf.
- P.T. Qua Commonwealth, we ought to get waiver of provisions in favour of their products. But we mght have to give heavy price in return.  
Some C. interest in 90% of food imports.  
Continental attack won't be v. our farmers but v. our cheap food policy.  
They want us to fit into high price level of Eur. agriculture.  
This is a managed Socialism.
- M. Thght our policy was to be self-supporting in food & cheap. This alarms me.
- J.M. Diff. to reconcile even this sort of concession with Tory Members' statements. Imp<sup>n</sup>. is plain tht. f. t. area won't touch agric. at all. Will need v. clear & careful present<sup>n</sup>.
- R.M. Stress continuation of O.E.E.C. vice new f. t. area departure.
- H. Memo. refers to Europeans (not us) being satisfied tht. there is, in any foodstuff, a substantial Commonwealth interest.
- P.M. That shd. be a matter of fact, not judgment. Or our judgment.
- H. Standing Comm. Ctt<sup>ee</sup>. e.g. of H. Commrs. While negot<sup>ns</sup>. continue.

- P.M. Useful.
- R.M. Prs. I shd. go to Ottawa.
- D.E. Tactics. Fr. have succeeded in makg. agric. problem appear to be one of extractg. somethg. fr. U.K. We shd. come in as champion of fringe Europeans who will be damaged by managed market of the Six. – even by giving them a better share of U.K. market. We must be free to determine our agric. policy. We shd. do nothg. for agric. in Europe wh. we don't do for agric. in Comm. If our apples & pears are to suffer, Canada not Italy shd. benefit. If we are to have managed marketing, tariffs are no longer needed. We needn't offer or ask for concessions in tariffs.
- P.T. But we need tariffs for Comm. products – to protect them.
- D.E. Para 24 I (c) – is not important to Europe. No need to re-assure them. Increased prod<sup>n</sup>. p. acre is by no means at an end. Don't lose the advantage, in cheaper food, by freezing the position.
- R.A.B. – thro' P.M. – is disturbed. Wants to avoid entanglement. Alarmed by para 26. But it is mainly present<sup>n</sup>. because people have assumed tht. agric. will be firmly excluded.
- P.M. Three points emerge : a) We must present any agreemt. on agric. as somethg. quite diff. from the f. t. area for industry. A wholly separate Statute. And extension of what we are doing already under O.E.E.C. Recognise, ourselves, tht. damage will be not to our producers but to consumers thro' dearer food.  
 b) Bring Comm. into assoc<sup>n</sup>. R.M. shd. go to Ottawa. Standing Comm. Ctt<sup>ee</sup>.  
 c) Avoid U.K. being isolated as target for criticism by Six. Other Europeans have same interests as we. The Six wdn't admit e.g. Denmark to their managed market.  
 d) Get J. Turner on our Delegation. Informal talk between him & R.M.  
 e) Care over para. 24(v). Stress uneconomic and bring in reference to corresponding policies of others and deliberate act of policy.

Agreed : work to proceed on this basis.

2. Commonwealth Economic Affairs.
  - a) Meeting of Commonwealth Finance Ministers.

- P.T. Canadian memo. pretty thin as a basis for Comm. Econ. Conference.  
Can stage one on big issue like preferences or convertibility. But this is a hopeless miscellany.  
Even so, doubt if it can be avoided. Progress with f. t. area etc., will force some consult<sup>ns</sup>. with Doms.  
Recommend therefore we wait on views of others & if general support for Conference we shd. press for adequate prep<sup>n</sup>. by officials.
- D.E. Not heard.
- H. Tactics. Little interest likely from other members. General atmosph. will be lukewarm. Canada doesn't care much about other members : mainly concerned with U.K. Believe we can therefore avoid Conference. Wide range of subjects needing study : let officials meet in spring & consider their report before we agree to Conference. This wd. prs. work with Canada too if we cd. indicate in advance tht. we wd. like to discuss bi-lateral U.K./Canada deal.
- M. Go for closer U.K./Can. trade association.
- P.M. True. Much depends on what we cd. get out of Anglo/C. discussions. Unless we can see practical results coming fr. that, I wdn't want to take too discouraging a line on the other. Must not repulse the new Can. Govt. whose attitude to U.K. is welcome & healthy – for U.S. too. In Ldn. Menzies was v. rough with D. He was grateful for our support – & we shd. continue it.  
We, too, may need support with our people as result of our f.t. area talks.  
Don't therefore take lead in decrying it. Admit there is much to discuss, incldg. Europe. Let us have Standing Ctt<sup>cc</sup>. on that. Also mtg. of offls. in spring. And don't exclude Conf<sup>cc</sup>. of Ministers thereafter.
- P.M. Let us have a draft memo. on our line.  
Don't let Garner disseminate any doubts.
- b) Anglo-Canadian Trade.
- P.T. 15% switch to U.K. cdn't be done w'out Canadian discrimination v. U.S. Canada cd. achieve it by entering a f. t. area with U.K. This wd. be to our advantage, tho' wd. involve repealing duties on Canadian cars & tractors. But they wd. have to w'draw prot<sup>n</sup>. v. a wide range of U.K. manufactures.  
If she rejected that : we cd. consider, in return for our removing quota rest<sup>ns</sup>., getting them to hold sterling. They might consider it on a big deal.
- P.M. Is it because of politics or practical diff<sup>ies</sup>. tht. you have to take quotas off U.S. as well as Canada.

- P.T. Mainly political.  
Third possibility wd. be to work, in detail, for some switch of Can. supply from U.S. to U.K.
- D.E. Task is to find some basis on wh. Canada cd. discriminate v. U.S. First : our commercial rel<sup>ns</sup>. with Canada shd. be as close as with Europe. Therefore float seriously the concept of Anglo-Can. f. t. area. In long run Can. will have to rely on exchange of manufactures with U.K.  
Holding reserves. Sh<sup>d</sup>. not be advanced as a banking proposition. Merely a valid reason for justifying their discrimination v. U.S. in their trade. Not a direct trading bargain for us.  
Revive proposal to sell our U.S. securities & re-invest them in  
x| Canada – as counterpart to their holding sterling.
- M. Don't believe Canada can accept f. t. area.
- P.M. Study x/ with enthusiasm. C<sup>d</sup>. we use the money to set up an Anglo-Canadian investment board.
- P.T. We cdn't bring this off, or any of it, w'out some preparation. Shdn't F. Lee go out & have some preliminary disc<sup>ns</sup>. with pfficials.
- D.E. Diff<sup>y</sup>. is tht. they haven't produced any plan for 15% switch – and Can. officials think it impossible. Easier to broach our plans thro' a Minister.
- P.M. Lee cd. accompany M/Ag. & open it up.

1. Welfare Orange Juice. [Enter V.M., Profumo.

P.M. Agreed that distribution to children from 2-5 shd. be discontinued, as  
from 1<sup>st</sup>. November. Agreed.  
What about reducing the subsidy also?

P.T. We cd. meet our commitment to W. Indies even if subsidy reduced.

H.A. We mght make it ½ price, as with other welfare foods.

V.M. W<sup>d</sup>. not have support of Cohen Ctt<sup>ee</sup>.

Hail. W<sup>d</sup>. confuse the clear clinical reason for w<sup>'</sup>drawing issue to 2-5  
children.

P.M. Then let us reduce subsidy to ½ price level at about time of next  
Budget. Reserve for final decision then. Agreed.

Prof. That wd. affect W. Indies & we shd. have consider that also.  
[Exit V.M.

2. Sale of Arms : Cruiser for Turkey. [Enter S.

P.M. F.O. favour : M/D. oppose.

H. We refused to give cruiser to Pakistan : they paid.

S. Even if they sold Goeben for scrap, they wd. have to fine £700.000 to  
re-condition it. No strategic value. No advantage to us.

D.E. They are insolvent on commercial debts. This shdn't take priority over  
those obligations. Madness, commercially.

Hail. They have already had destroyers.

P.M. Because of Cyprus, F.O. don't want to send reply less favourable than  
in Feb. – when we said that if they get £300.000 for Goeben, &  
£100.000 and find credit for refit, we wd. provide hull for  
£300.000. They won't find the credit.

P.T. We shd. then be asked to provide credit for refit. We shd. make it clear  
we can't do that.

Agreed : reply as proposed by F.O. [Exit S.

3. Cyprus.

P.M. No reply from Greece. U.S. forecast negative reply wh. will, however, leave some doors open.

x/ Turks likely to seek p'ponement until after elections – 16/10.  
S.Ll. & I agreed we must accept x/. Sh<sup>d</sup>. therefore continue to press for conference – thus keeping it alive.

General agreement.

Ques now : shd. we tell U.S. more of our plan? This needs thought.  
Timing – prs. a little later. But straws are in wind & awkward vis-à-vis U.S. if more came out.

P.T. But danger, from Party angle, of leakage from U.S.

D.E. Sh<sup>d</sup>. have to tell U.S. before any debate in U.N.

P.M. S.Ll. shd. consider this on return – feel there may have to be some commun<sup>n</sup>. in 2<sup>nd</sup>. half of September.

[Exit Profumo.

4. Egypt : Sale of Viscounts.

P.M. Nature of payments into No. 1. Special Account. Egypt's earnings from these sources can be used for purchases in U.K. In fact they have used v. little.

Ques : do we regard this purchase of Viscounts as an ordinary purchase out of funds in No. 1. Special Account?

D.E. Let them go.

H.A. & H. Agree.

Hail. If it's our policy to squeeze him (Nasser) why let him have these.

P.T. Nothing less effective than half-hearted trade embargo.

P.M. Explain it to U.S.

- Agreed :
1. No interference with decision taken.
  2. Explain pos<sup>n</sup>. to U.S. Govt.
  3. N.B. to ascertain first wtr there are unsatisfied orders for Viscounts from Doms.

P'pone decision until 3. done.

Dropped. – [4. Get clearer picture of amount of trade with E.  
[& wtr they have discharged any of old debt.

5. Sale of Arms. Jordan.

Hail. Why not do this, and face need to sell half a doz. to Israel. They will at least help us v. Syria.

P.T. I wd. let this go, & reserve dec<sup>n</sup>. on Israel.

P.M. It was originally 54 : but prs. we can tolerate supply of 15.

Agreed : Allow this supply to Jordan, recognising tht. we may have diff<sup>y</sup>. in refusing supply to Israel for Zionist feeling in H/C. is now running v. high.

6. India : Export Credit.

D.E. Adv. Council of E.C.G.D., whose advice we take on commercial consid<sup>ns</sup>., have said tht. India is not credit-worthy beyond £25 M p.a. for medium-term. Offers already out will total £34 M. Evident tht. India, havg. failed to get large Governmental loan, are trying to get it this way round piecemeal. Part 2 of Act empowers us to give Govt. loans wh. are not commercially justifiable under Part 1.

C.R.O. & Ty. agree with B/T. tht. we must accept advice given qua Part 1. This will be blow to Indian credit, and will cause India to draw down balances more rapidly.

Credit short-term will go on.

H. See no option but to accept this.

Agreed : subject to discussion P.T., M/State B/T., M., G. Laithw. on methods of informing Indian Govt. etc.,

7. Syria.

P.M. Mysterious messages from Dulles : purport not wholly clear. Diff. & dangerous situation. U.S. uncertain re action. First message suggested 6<sup>th</sup>. Fleet : second stated Loy Henderson. I replied – 3316 to W<sup>’</sup>ton.

I have also indicated tht. we wd. re-establish depl. relations with Saudi’s w<sup>’</sup>out waiting for request from King Saud.

I have indicated, in reply to F.D.’s enquiry, our view on pipelines. (Tel. 3336 to W<sup>’</sup>ton).

Don’t want ourselves or U.S. to take any action which wd. provoke S. to cut our pipelines – unless it precipitates a lasting solution. If U.S. were willing to do a Suez, we wd. support it. But don’t want them merely to make faces at them.

- M. Pipelines : 25 m tons p.a. from Iraq and 12 m (Aramco) fr. Saudi. W<sup>d</sup>.  
not cripple Europe. But would ruin Iraq.
- P.M. Read provisional draft of message to F.D. What is advantage of  
risking short-term economic injury, if we haven't a plan for  
securing a long-term solution.
- Hail. If Syria has cause to cut pipe-lines, E. might well deny us the Canal.
- D.E. If force is to be used, local (Iraq or Turkish) troops wd. have to do it.  
For recent experience has shown that any white armed  
intervention in M/E. will unite all Arabs in opposition.
- P.M. I will consider, in light of discussion, terms of a personal message to  
F.D.



1. Economic Situation.

P.M. Need for agreed Govt. doctrine on limiting supply of money – [avoiding bringing in] theory that speed of circulation as well as quantity is relevant.

P.T. We have scrambled thro' i) by borrowg. to support reserves ii) internal policies. Will circulate memo. on i) showg. how we must repay. On ii) we must see it thro'. Must limit expend<sup>re</sup>. to £1.500 M. On para. 9 of memo. Agree we mustn't present as choice betwn. full emplt. and strong £. On 2<sup>nd</sup>. part, we are not retarding investment in sense tht. it won't go fwd. Same amount of money is to be invested each year, in public sector (£1.500).

P.M. W<sup>d</sup>. wish document to be prep<sup>d</sup>. as basis for speeches.

P.T., H. and I.McL. with R.M. to prepare it (? with Ch. Hill).

P.T. Because we have to accept wage increase for rlwaymen, it doesn't follow that cost shd. be carried by increased Govt. subsidy. May be necessary to find the money by cutting out services etc., Sh<sup>d</sup>. we accelerate report from Cohen Ctt<sup>ee</sup>.? Stiff report by them mght stiffen arbitrators.

I.M. Prices : 106.4 : only .1 needed to put it up by 1 point. And rents will cause it to rise faster in next 12 months than in last. Para. 6 of memo. is therefore important.

Wages : only a v. small part of area can be influenced by Govt : and only about 6% by arbit<sup>n</sup>.

[Enter K.

2. Parliament.

E.H. Debate on economic situation. Two days – Tues. & Wed. On a Govt. motion.

P.M. Yes : P.T. to open. No official wind-up on 1<sup>st</sup>. day. N. Birch to open and I.M. to reply on 2<sup>nd</sup>. day. After discussion : leave it open to decide order – but spkrs to be P.T., N.B. and I.M.

3. Queen's Speech : Prorogation.

K. No references to R. in Syria, Hungary & Disarmament.

S.Ll. Content.

\* Para. 5. Generalise in terms of regional defensive alliances. Agreed.

- \* Para. 9. N.B. to compare with PMM communiqué in search of more warmth.
- \* Para. 10. Is Malayan Def. Agreement signed. If so, shd. be mentioned.
- \* Put Ghana & Malaya in that order. Gloucester in - : Kent in - : gratified at cordial reception accorded to them.
- \* Para 15. Delete final phrase. Also re-organisation vice redeployment.
- \* Para 17. Insert, before this, a para. on M.Tremblant conclusions.

Approved – subject to points noted above.

4. Re-distribution of Seats.

J.E.S. Virtually agreed with Opposition.

E.H. They haven't finally accepted para. 5. But mght. be persuaded to swallow it.

5. Elections : Use of Cars by Voters. [Enter Att. G.

J.E.S. Will not be accepted by Oppos<sup>n</sup>. But law can't be enforced & shd. be changed.

Att.G. Support that : only 25 cases brought with success. Usually no witnesses can be obtained.

Substance approved.

J.E.S. Sh<sup>d</sup>. this leg<sup>n</sup>. be held back until agreed measure on re-distribution is through? If so, shd. Opp<sup>n</sup>. be warned that it is coming along.

H. Why have 2 Bills? Can't it all go into one?

J.E.S. x/ W<sup>d</sup>. open door to other amendmts.

H. Not necessarily.

P.M. Do it in one Bill if x/ can be avoided.  
If two Bills, not sure we want the second.

E.H. Hope we shall do the 2<sup>nd</sup>. May be better to do it alone.

6. Betting and Gaming. [Exit Att.G.

Agreed – not to be included in Leg<sup>ve</sup> P'mme.

7. Queen's Speech : Opening. [Enter H.B.]

- Para. 8. Neutral words : to enable the work of Corp<sup>n</sup>. to be carried on.  
Para. 9. re-organis<sup>n</sup>. will be cont<sup>d</sup>. in acc. with policy laid down in Wh. Paper –  
and no reference to Service pay.  
Para. 11. add reference to stability of prices & check inflation? Confident tht all  
sections of community will co-operate in securing this.  
e.g. These measures wh. are to m'tain an essential basis for f. emplt. &  
to restrain inflationary pressures will have full support of all  
sections of my people.  
Para. 13. Cover it by "other measures". No need for specific mention.  
Para. 14. "import duties" vice "the customs tariff".  
Para. 16. Need not be included in speech.  
Para. 17. full vice maximum.  
[Para. 18. add "and rents" after "tenure" and end at "holdings". Leave in square  
brackets until policy settled.]  
Para. 20. Insert in [].  
Para. 21. Substitute a general paragraph : adding employmt & omitting  
introductory phrase.
- G.Ll. Para. 22. Doubtful wtr it is wise to disturb vested interests etc.,  
throughout the country. On genl. grants, impressed by Oppos<sup>n</sup>. in  
all educational circles. Can't yet judge wtr this oppos<sup>n</sup>. will be  
dispersed by resolute Govt. action. Is this really a part of our  
economic policy?
- H.B. Settled by Cabinet months ago. D.S. started this 3 yrs' ago : every  
expect<sup>n</sup>. tht. we shall legislate : smooth passage in 2-day debate  
in July. Some leg<sup>n</sup>. is inevitable. Admit tht. under genl. grant  
educ<sup>n</sup>. will lose somethg. of its special pos<sup>n</sup>. : but all l. govt.  
circles save LEA. favour that. None of consequences of leg<sup>n</sup>. (in  
changes of status etc.,) will be felt until after Election.
- J.M. In Scotland, outside Edinb., all l.a. opinion is against this change.
- P.T. Genl. grant is essential to our economic policy. L.a. exp<sup>'re</sup> is v. largely  
out of control. V. damaging to resile at this point.
- K. We shd. only have Bills which are necessary or popular. We  
concluded in May that this was necessary.
- P.M. C<sup>d</sup>. we not proceed with general grant only?
- H.B. Structure is known to be inefficient : we now have what is virtually  
agreed plan of reform. Comm<sup>ns</sup>. of enquiry : conurbations etc.,  
are generally welcomed. No small boro' will be abolished until  
their reports are considered.
- P.M. Can we not require their reports to Parlt., not to Minister.

Ch.H. Each individual case has to come to Parl.

P.M. This shd. be stressed. ....

1. Foreign Affairs. [Enter E.H.]

- S.Ll. Syria – congealing outwardly in their favour. Must continue co-op<sup>n</sup>. with U.S.  
Egypt – shall have to define our attitude on small payments.  
Soviet Union. Treat the satellite as part of I.G. Year : congrats. on success shd. be our line.
- P.M. We are compelled, at present, towards containment policy towards Syria – for lack, at present, of better.  
Egypt : are we to resume trade/finance rel<sup>ns</sup> : or to maintain economic cold war – on basis of dividing M/E. and driving Nasser further towards Soviet? For the moment, we can only feel our way in Rome talks. Thereafter, we need a joint policy with U.S.
- S.Ll. Leads on to another ques. Are we to face econ. war with R. in M/E. – e.g. Sudan cotton : Lebanese apples. Are we to put any cash into it? Will U.S. pay their share?
- P.M. World review, if we could make it, would probably indicate a switch of effort and cash from NATO to M/E. Might get U.K./U.S. working party on that.
- Hail. Direct use of Deutschmarks for purchase e.g. of Lebanese apples?
- S.Ll. G. are willing to take a share in that one.

2. Commercial Policy. [Enter Perth : Alport]

- R.M. Mtg. in Paris next week, with P.T. in chair – overture to detailed negot<sup>ns</sup>. Our plan differs from that of Six – i) theirs is method of econ. and pol. integration : ii) theirs reflects detailed balance of interests of each.  
Talks with Eur. Govts. Within the Six, German views coincide very much with our own : though F.O. don't want to upset Fr. Dutch & Belgians want us in something to offset G. dominance within Six.  
Italy : pol. pressures in favour of f.t. area : anxious for compromise. France will be different : they will exact large price & will hang on to what they have gained in Rome Treaty. The others will press them.  
Outside the Six – Scandinavians are much of our view. Denmark is in special difficulty & would have to join Six unless they could get some protection under a f. t. area.  
Outstanding basic ques – agriculture, origins & overseas territories.  
Agriculture. No one thinks f. t. in agric. is practicable. Our line therefore will simultaneous discussion of means of further

internat<sup>l</sup>. regul<sup>n</sup>. of agric. exports etc., Believe this will be accepted.

Origins. V. diff. problem, but crucial.

Overseas Territories. We oppose inclusion. Cdn't admit dependent w'out independent. Shall get some support fr. G. & Benelux.

G.A.T.T. Believe Europeans will prove tht. Treaty of Rome is consistent. But oppos<sup>n</sup>. likely from India & Afro.Asians. Diff<sup>ies</sup>. later over their agricultural practice, wh. will prob. need a waiver. Europeans, if faced with choice betwn. Rome Treaty & G.A.T.T., wd. chose former. Techn. diff<sup>ies</sup>. are immense, but genl. wish to see f. t. area come to birth.

- D.E. Diff. approach of G. & Fr. Latter see Six as method of extending system of high prot<sup>n</sup>. for franc. Former favour liberal commercial policies.  
The instit<sup>ns</sup>. of the Six are such as to give G. leadership in Europe. But strains w'in the Six will grow : their attitude (esp. G. & F.) is not the same. cf. also Italy, wh. is producer of raw materials, whereas G. & Dutch don't : former, with Fr. will seek high tariffs on imports of raw materials, while latter will want opposite. If these diff<sup>ies</sup>. develop, we may have chance of U.K. leadership if we can develop the instit<sup>ns</sup>. in the f. t. area. Top body of that cd. be better instrument than top body of Six.  
G.A.T.T. Commonw. countries are nervous of competition of Six by e.g. bulk buying from their own dependent territories. We can play it long avoiding final dec<sup>ns</sup>. until it is known what use Six will make of their Treaty provisions. We must have U.S. with us if we are to succeed. Hope we can press Dillon to attend G.A.T.T. mtg. We are agreeing our line with Commw. offls : when we have it agreed, we shall tell U.S.
- P. Satisfied with proposed line of action viz., keep colonies out of f. t. area if other overseas territories are excluded. Content also with proposals on agriculture provided some mitigation can be secured for colonies. But we are anxious.
- Alport. Indep. Comm. countries are increasingly apprehensive of potential use of Rome Treaty prov<sup>ns</sup>. Austr. may take lead in critical review at G.A.T.T. Mtg.  
Annex to C. 219. concerns us : if it's logical consequence of U.K. attitude Para. 9 – consult<sup>n</sup>. with Doms. – underestimates diff<sup>ies</sup>. we shd. have with them if we had to weaken on exclusion of agric.
- H.A. Agree tht. proposed approach on agric. is only practicable one. But must insist – i) no free trade in agric. ii) can't reduce our output below present level iii) must retain control of our agric. policy. Hope tht., with attention to timing, we may hope to find a way thro' the diff<sup>ies</sup> – which are v. great.

P.T. Don't allow technical diff<sup>ies</sup>. to cast us down. Contrast the prize we are running for – opening Eur. market to our manufactures. Not inconsistent with continuing Comm. co-operation. Mont Tremblant Conf<sup>ce</sup>. was convinced of that.  
Techn. diff<sup>ies</sup>. are so great tht. we shall only get thro' them if political advantages of united Europe is kept prominently in mind.  
GATT. It is mainly agric. side wh. requires waiver. The rest cd. be accommodated.  
Doms. Right line is to have constant & full consult<sup>ns</sup>.

Hail. From Party angle, don't play it as opposed to Commw. co-operation. And play up political advantages – anti-communist.  
Will Common Market work w'out a f. t. area? Or has it w'in itself seeds of its own destruction. If so, affects price we shd. pay for f. t. area.

R.M. Common Market is fundamental to policy of all countries of Six & they are determined to make it work.

M. Fear pressure to make us join in managemt. of Eur. instit<sup>ns</sup>.  
x/ Negot<sup>ns</sup>. will be long. Party shd. be warned v. expectg. quick results.

H.W. The institutions of Common Market, & their bureaucracy, will become powerful vested interest – in favour of continuance & success.

D.S. Gain achieved at Mont Tremblant.  
Ultimately, this will be pol. decision – need to build strong Europe.  
Shall therefore need consult<sup>ns</sup>. on that level, as well as R.M.'s economic level.

P.M. Approve conduct of negotiations on basis proposed.  
Endorse x/. But, on large issues, we must try to lift the argument above technical level. Europe and Commw. are not in conflict over pol. aim of bldg bulwark of prosperity v. Communist encroachment. Only on this basis will irritations of econ. concessions be accepted.  
We mustn't underestimate importance wh. Europeans attach to institutions. Must make those of f. t. area no less impressive than those of Six – for it is there that we must exercise our influence.  
Will a “statute” of agriculture be understood by Br. people. Charter wd. be preferable.

[Exit P. & E.H.]

### 3. E/West Trade : Copper Wire.

P.M. C<sup>d</sup>. we not make interim offer to restrict our exports over next year to not much more than what we exported in 2<sup>nd</sup>. half of '56 and 1<sup>st</sup>. half of '57.

S.Ll. W<sup>d</sup>. like to get back to 50.000 t. a year. Express that in a time scale.

- D.E. We are being asked for another 10,000 t. W.Germany are offering 50.000. We shall lose the trade if we hang back our firms.  
I wd. prefer a level of 65.000 t., which wd. be covered by P.M.'s formula.
- P.T. x/ Press U.S. to review strategic basis of the controls.
- P.M. Ask for x/ : and offer to limit our sales m'while to a figure of 30,000 t. of licences for next 6 months., i.e. same as in 1<sup>st</sup>. half of last year.
4. Civil Aviation : Independent Airlines.
- H.W. As in memo.
- S.Ll. Timing. If we give it to these, what of others – e.g. Federation Line.
- Alp. Fed<sup>n</sup>. Govt. wd. follow our advice.
- P.M. Defer dec<sup>n</sup>. for 2 wks. – to judge progress of Rome talks. Agreed.
- [Exit Alport.



1. Syria. [Enter E.H., O.G.]

O.G. Division of opinion among Arab States – some believe moderates will emerge in Syria. M'while, Jordan & Lebanon are in danger. Discussing with U.S. practical means of giving effect to a policy of "containment plus".

P.M. Sov. Govt. have written to Socialist Parties of NATO countries accusing Govts. of plotting preventive war. Likely to be published to-morrow. I deduce from this that it may be preliminary to a R. coup in some other Arab country. S.Ll. will be able to discuss with F.D.  
Move of E. troops to Syria : may be demonstration : may lead to R. not putting troops in. But dangerous.  
R. may however ask for 3 Power Conference on M/E.

O.G. But that mght hinder their line of opp<sup>n</sup>. to Israel. [Enter A.J., Alport]

2. Civil Aviation : Britannia Aircraft.

H.W. Suggest Ministers previously asked to go into this shd. study it further and report to Cab. V. urgent to cure defects. Mtg. again this p.m.

A.J. Don't wholly agree. Primary requiremt. is good will by B.O.A.C. Bristols were wrong in sending to Miami an aircraft known to be defective : they are now however appointg. Slattery. But BOAC have violently repudiated their earlier sponsorship of Britannia : that attitude can't be right. This aircraft has a future : we can't yet plumb the problems of jet air-liners. Suggest we must bring BOAC round : make them fulfil their pledge to promote sales to 3<sup>rd</sup>. parties.

P.M. Conflict of interests? – or personalities?

H.W. Can't get it right merely by askg. world to have faith in it.

P.M. Let us revert to examination by Ministerial Ctt<sup>ee</sup>.  
But a) can't allow Britannia to fail.  
b) Bristol's can't be allowed to go bust.  
c) no doctrinaire preconceptions shd. stand in the way.  
x| Ctt<sup>ee</sup>. shd. therefore concentrate on practical means of salvaging this.  
| Add M/L. to Ctt<sup>ee</sup>. : and ask M/Power to preside.

P.T. Don't assume, as granted, that we must do a) and b) at any cost. Must view it objectively.

- A.J. Nor shd. they assume tht. BOAC shd. be rescued at any cost.
- Hail. Is all dependent on Proteus engine? If so, I have no faith in it.
- P.T. Financial implications need v. detailed examination.
- D.S. I had to save de Havillands, after Comet disaster. We must recognise tht. it wd. be national disaster if Britannia collapsed.  
M'while B.O.A.C. shd. be stopped from black-guarding Britannia.
- M. V. useful mtg, with M/S., at which all aspects were deployed. We shd. continue with this study. Agreed as at x/.

3. Economic Situation. [Exit Alport & A.J.  
[Enter D.W.S.]

- P.T. As in C. 230.  
We are in vulnerable position. Must show tht. we intend to carry through the policies we have declared. We are being watched v. carefully on this.
- H.B. a. What is present position?  
b. What is real form on 5 (ii)?
- P.T. b. W<sup>d</sup>. prefer to put in further memo. on 5 (ii).  
a. Reserves static, since my pre-Washington Statement. Rate has improved. But some net reduction in Oct. inevitable because of E.P.U. carry-over.
- D.E. This liability on s.a. balances reduced by run-down, we have borrowed elsewhere. We ought not therefore be investing anything abroad, and shd. instead borrow capital from abroad.
- P.T. We looked at both those possibilities & found v. gt. diff<sup>ies</sup>. in each.
- D.E. But can we risk continuing private investment abroad, even w'in sterling area : for it can be forwarded on e.g. thro' S. Africa or Kuwait gap.
- P.M. These are next stages. Memo. gives state of battle on ground on wh. we chose to fight it. We must carry on that fight. The policies are sound in themselves – even tho' they may not suffice to cure our external difficulties.
- P.T. Not too despondent about external, if we can get our internal economy straight. Other Fin. Ministers are showg. greater realism about s. balances etc.,
- D.S. Can we have memo. on strategy for fighting inflation?

P.M. Clear enough – i) hold back investment ii) restrict Bank advances iii) ?

P.T. Coupled with wage policy.

4. National Health Services : Wage Negotiations.

P.T. Crux is on wages. Diff sit<sup>n</sup>. on N.H.S. Award of 3% given by management side of Whitley, despite clear advice to contrary by Minister. We must decline to give effect to this.

D.W.S. V. diff. situation.  
Tho' I asked Chairman not to make this offer because econ. situation, the award is not excessive – it is in line with awards already made to C. Service, electricity etc., i.e. final step in last round. C<sup>d</sup>. refuse it only as first move in a coherent policy : cdn't be defended on its own.  
Parallel with rlways. If B.T.C. refuse & it goes to arbitration – are we to reject recomm<sup>dn</sup>. for increase. If not, a refusal here wd. be seen to have bn. unjustified. My case can't go to arbit<sup>n</sup>. because no issue between the parties.  
Refusal wd. imply policy of no increases at all, even after arbitration.

I.M. V. important decn. Neden advises against P.T. I don't agree with that. But risk tht. Whitley Council may resign – a serious blow to collective bargaining. Can't now blame compos<sup>n</sup>. for we cd. have altered it.  
Policy : make no offer or lowest practicable : be taken to arbit<sup>n</sup>. & accept result : but make no fresh money available.  
Here we can't go to arbit<sup>n</sup>. because no issue betwn. parties.  
Suggest therefore we offer to look again at this claim in Jan., when it will be 12 mos. since last increase granted. C/living will have risen m'while : discourages too frequent appl<sup>ns</sup>.

D.W.S. <sup>a</sup>. Approval wd. then be retrospective to 1/10.  
<sup>b</sup>. How cd. they be prevented fr. submittg. further claim?

I.M. a. Don't bind yourself on that. b. Cdn't be stopped : but it wd. be frivolous.

J.M. Noel Hall has submitted report on structure. C<sup>d</sup>. delay be justified on that a/c?

D.W.S. No.

M. I.M.'s alternative is worth trying. Buys time, durg. wh. we can see what happens on other fronts.

- H.W. I.M.'s plan wd. help me with rlways. Refusal wd. be read as denial of arbit<sup>n</sup>.
- H.B. Procedure is fundamentally unsound. Must change it.
- Ch.H. Govt. is responsible for payment. Must be made plain at outset that Govt. won't pay. This, for Govt., is the outset. Qua presentation, may be better to give plain negative.
- P.T. Don't want, by I.M.'s formula, to give countenance to annual wage increases.  
Can we create an arbitral issue.
- P.M. Let us first have general memo. on Govts's direct employees as a whole – to see this v. background of genl pos<sup>n</sup>. For Cab. – preferably on Friday at 11. a.m. Consider wtr there can be a general statement – to support particular action of M/H. (cf. article in Fin. Times).
- H.B. Cover also l.a. staffs : over wh. we have no control.
- P.M. And those over whom Govt. have indirect control. (nationalised industries).
5. Investment – Education.
- G.Ll. Cuts shd. be related to numbers. First alternative : levelling off – on basis of equality with investment as a whole. Second : go further but protect tech. educ<sup>n</sup>. & schools for bulge (£11 M).

1. Bank Rate : Alleged Leakage. [Enter E.H.]

P.M. K's enquiry. Rpt. rec<sup>d</sup>. Concl<sup>n</sup>. – no grds. for further enquiry. I propose as P.M. to take responsibility for this decision.  
Alternatives i) to have formal enquiry : no case & unfair to L.Ch.  
ii) publish report, which wd. show up flimsiness of evidence.  
But contrary to precedent : inform<sup>n</sup>. was given in confidence : K. didn't warn witnesses of publ<sup>n</sup>. & they hadn't advantage of legal rep<sup>n</sup>. Moreover, they mght then demand a further enquiry.  
Summarised nature of evidence.  
Regard report as confiden<sup>l</sup>. between K. & P.M. Don't propose to show it to anyone. X/ No reflect<sup>n</sup>. on conduct of Ministers or anyone else. Read proposed letter to Gaitskell.  
Intend to m'tain this position in H/C – tho' there may be a row.

K. Endorse x/.

I.M. Had hoped my Dpt. might have bn. cleared, by publ<sup>n</sup>. of Rpt. But accept your concl<sup>n</sup>.

R.A.B. Publ<sup>n</sup>. of matter exposing rel<sup>ns</sup>. betwn. Govt. & Central office wd. lead to endless debate.

P.T. Agree we shd. expose too wide a flank.

Agreed.

[Enter O.G.]

2. Washington Meeting.

P.M. Eis. sugg<sup>d</sup>. mtg. Their mood is interesting. Ready for closer U.S./U.K. co-operation as core of co-op<sup>n</sup>. by free world. "Too much of take & leave it in U.S. attitude (F.D.)" and Eis. regretting that combined C.O.S. had bn. disbanded after the war. Mood similar to that when NATO was establ<sup>d</sup>. Quote from P.M.'s earlier message to E of 10/x.

Two practical points to gain i) repeal of Macmahon Act, and concept of collective defence, effort of one complementg. that of another; and ii) continuing Anglo-U.S. study of policy & plans – pol., econ. and military – and means of giving effect to it either thro' internat<sup>l</sup>. organisations or otherwise. Informal and covert arrangemts.

But ii) can't be said publicly – wd. create jealousies elsewhere. Don't know how much further U.S. may want to go. Won't commit HMG to more. But R. is formidable enemy, in strong position ruthlessly to exploit their power, & with strong propaganda

(progress) to sell – cf. Napoleon – the appeal to common people. In long run we can't withstand this w'out much greater cohesion in free world. Joint interests, defence & f. policies of U.K./U.S. are same : we shd. go twds. merger. If U.S. Govt. are in this mood, I shd. wish to exploit it.

- R.A.B. Short-term problem in M/E?
- P.M. Danger is subversion, not military. A mil. alliance wdn't meet it. Syrians likely to pretend they are not satellite – Tito-ist line.
- O.G. Limitrophe Arabs are beginning to take more realistic view.
- P.M. We are forced back on containment plus.
- H. C<sup>d</sup>. we mobilise opinion for solution of Arab/Israel dispute? Timing may not be right. Doms. wd. support such an initiative.
- O.G. W<sup>d</sup>. be diff. to settle it w'out R. – but fatal to bring them in.
- H.W. R. offers to supply goods on terms we can't match will increasingly be difficult. Can't overcome those diff<sup>es</sup>. \* w'out U.S. aid.
- P.M. R. don't want settlement in M/E. Will be a struggle. Ques : how can we turn cond<sup>ns</sup>. for it more to our advantage. And Africa will be their next target. \* and G. aid.

### 3. Wages.

[Enter W.S., E.M.]

- P.T. Our example, with own employees, will have important effect on others. Many serious people think we shd. say “no” all-round, incldg. no arbitration. I.M. and I think this wd. go too far. We propose instead tht. we shd. m'tain principle of fair comparison, make lowest offer we can, accept arbit<sup>n</sup>. and recoup cost of any awards to fullest extent practicable.
- First case : this week. 4% increase for industrials. No option but to give it : automatic procedure. But slackening of work in R.O.F.'s will offset increased cost: elsewhere we must meet it by retrenchment.
- Limit offers to low (but not derisory) levels.  
Nat<sup>d</sup>. industries. Chairmen have bn. warned.
- I.M. a) Signs that Union are not keen to have major clash on wages.  
b) Are we sure this policy is practicable. Can we recoup cost of wage increases. Nat<sup>d</sup>. ind<sup>ies</sup>. Can see how it wd. work in rlwys. by reduced staff or services. How does it work in coal?
- P.T. Admit coal is difficult. Cd. not recoup directly.

H.W. Further thought needed, even on transport. Ldn. Buses : 2.000 undermanned. On merits they have a good case : and on arbit<sup>n</sup>. regardless of nat<sup>l</sup>. interest they wd get 6%. Appl<sup>n</sup>. of this policy will not be easy.  
Rlways. Wish to inform B.T.C. formally that Govt. are not prep<sup>d</sup>. to advance more money than last year [for developmt]. This is a preliminary to discussion on means of meeting any increase in wages by retrenchment. Agreed : this shd. be despatched.

M. I have obt<sup>d</sup>. assurances that on wages & prices my Boards will make no move w'out consulting me.

H.W. Think we shd. deny now th famous dictum "if nation willed the end it must will the means". W<sup>d</sup>. like P.T. to say so in econ. debate.

P.M. Difficult policy. Can't expect 100% success.  
M/L. shd. press on with consid<sup>n</sup> of permanent scheme of arbit<sup>n</sup> in place of existg. D.R.

P.T. Gt. importance of Govt. action, especially now at outset.

#### N.H.S. Wage Increase.

P.T. This must be test of our sincerity. Minister can't accept this. My recomm<sup>n</sup>. is tht. we shd. offer to go to arbitration. If award (£½ M) is made, won't be easy to cover it by retrenchmt.

Ch.H. No arbit<sup>n</sup>. available : proposal is to manufacture opportunity for it. Is this a robust course? Awkward precedent.

P.M. x/ Better surely to defer for 6 months. Arbitrator is almost certain to award an increase.

W.S. Cost of increased wages in remainder of financial year (£300,000) wd. have to be found – or we wd. be in breach of faith.  
Moreover retrenchment in N.H.S. wd. involve lowering standard of service : and possibly resignation of members of Boards w'out wh. we can't run the Service.

P.M. Rather than x/, better perhaps to decline to apply award because of national circs.  
Later : tell them to bring it up again in 6 months w'out promising to give effect to it then.

P.T. No undertakg. re retrospection. It cdn't be made retrospective.

Agreed : In view of econ. situation can't give effect to this award at present time. Later, we may be ready to consider it. If they ask for arbit<sup>n</sup>., bring it back to Cabinet.  
Form of words to be settled by Health Ministers in conuslt<sup>n</sup> with P.T.

New Towns.

- H.B. Our Whitley machine, tho' theoretically weak, always works. They do consult us.
- P.T. V.Well. But let us at least consider the machinery of these Whitley Councils.

Post Office.

- P.T. Points of disagreement. i) we can't make offer on one grade, where fact finding is not complete because we have just refused on that ground a much bigger C.S. claim.  
ii) actual offers.
- E.M. This is last 20% of Priestley award. (consequential). And I have said in H/C. tht. charges take a/c of awards expected. Figures suggested by Ty. are quite inadequate. Advantage of Ty. line (sole one) is tht. award will be made at arbit<sup>n</sup>. But, will cost us more, will involve breach of faith, & will sour relations with Union. On new claims I am ready to follow P.T.'s policy.
- P.M. Is it a blow to general policy to settle this by negotiation : given the fact that it is an old claim. A v. large sum. Will appear to be weakening of general policy. We ought therefore to play for arbit<sup>n</sup>. We don't want to settle this by negotiation.
- D.E. Strong point in E.M.'s favour is tht. we have covered the estimated cost.
- P.T. Even more may be given at arbit<sup>n</sup>. But I wd. prefer that.
- R.A.B. x/ Make a non-derisory offer, but one wh. will get us to arbit<sup>n</sup>. x/ }  
P.T., I.M. and E.M. to decide what is x/ } (x)

Agreed : as at (x)



4. Compulsory Acquisition of Land.

H.B. As in memo.

Approved: not this session.

5. Opening of Parliament: Television.

P.M. B.B.C.'s annual letter.

Decision of '53. But since then Queen has done this once – in Canada  
– incldg. reading of a Speech.

We can't do it this year. But pos. we shd. re-examine it, before next  
year.

1. Parliament. [Enter E.H., O.G.]

R.A.B. Business for next week.  
Spokesmen in Econ. Debate. On Govt. motion. P.T. only on 1<sup>st</sup>. day :  
I.M. and P.T. (or Birch) on 2<sup>nd</sup>. day. P.M. to intervene on 1<sup>st</sup>. day  
if Opp<sup>n</sup>. make much ado over the "leakage".

[Enter Perth]

2. Queen's Speech : Prorogation.

Approved subject to minor amendments. [Enter A.G., B.C.]

3. Legislative Programme.

a) Agricultural Policy.

K. Two new factors i) Franks on agric. tribunals – wd. require leg<sup>n</sup>. &  
this wd. direct attention to disciplinary powers & wd. call for  
statement of Govt. policy. ii) Unexpected degree of agreement  
betwn. parties on security of tenure.  
In view of these Sub-Ctt<sup>ee</sup>. have reached agreemt. on a plan for dealing  
with disciplinary powers & security of tenure & also submit  
proposals on rent. Fourth & last point = Scottish law on  
bequeathing property.  
L.P.'s test : popular with our Party tho' not w'out controversy.  
necessary because under discussion for 3 years : bring  
Agric. Acts up to date after 10 years : necessary for  
efficiency of agric.

H.A. Shall be in serious trouble if we miss this chance – for  
i) Franks report shows how vulnerable our pos<sup>n</sup>. is. That  
requires amendmt. anyway of Part II of Act.  
ii) For first time we have measure of agreemt. betwn. farmers  
& l'lords on security of tenure. It may evaporate if we  
don't legislate.  
iii) We have now given long-term assurances : Part I now  
stands alone & penal prov<sup>ns</sup>. no longer justified.  
Opp<sup>n</sup>. will resist any amendmt of 1947 – but prob. not with heat.  
Some controversy inevitable over rents – tho' not much fr. farmers.  
Controversy won't therefore be at all unmanageable.  
If we don't proceed, it will be seen to be due to timidity.

J.M. Endorse H.A.'s arguments.  
Must admit, however, tht. Scottish point (tho' right) will be  
controversial.

- P.M. Must we come to urgent concl<sup>n</sup>. on this merely because of Q. Speech?  
V. little time for Cab. to consider. C<sup>d</sup>. we not find a phrase which  
would enable us to do some of these things.
- R.A.B. We can leave out slaughterhouses Bill anyway.
- Hail. Agric. reform wd. be popular : especially on disciplinary powers.
- R.A.B. Insert ref<sup>ce</sup>. to agric. in para. 24. Put 18 in general terms. Omit  
reference to slaughterhouses.

Agreed : A general reference to this only in the Speech.  
Consider before Debate on Address content of the  
leg<sup>n</sup>.

(b) Penal Reform.

- R.A.B. No need to mention the minor proposals for leg<sup>n</sup> in the Speech. Only  
ques is wtr we refer in Speech to appointment of R. Comm<sup>n</sup>. A  
big task. Will take several years. L.C.J. agrees. T. of r. shd. be  
examined again, and submitted to P.M.
- A.G. Uneasy about this. Sentence shd. follow quickly on conviction. W<sup>d</sup>.  
prefer that enquiries shd. be completed before conviction.  
Changes in Assize & circuit system wd. hardly be justified on  
this a/c. What are the changing condit<sup>ns</sup>. for dealing with  
offenders? No reference here to civil work. Deprecate implac<sup>n</sup>.  
tht. higher cts. pass sentence w'out adequate inform<sup>n</sup>.
- Hail. No case has bn. made out for R. Comm<sup>n</sup>. Blow to tradition.
- P.M. R.A.B. to discuss this proposal with lawyers in Cab. & reserve  
decision wtr last sentence of para 27. shd. be included in the  
Speech.  
Possibly thro' H.A. Ctt<sup>ee</sup>.  
R.A.B. also to consider wtr a reference shd. also be made to intention  
to deal with Wolfenden recomm<sup>ns</sup>. on prostitution.

(c) Pensions.

- P.M. \* Separate Cab. on the ques of substance. For that question only. \*  
x| For Queen's Speech only ques is wtr we add some reference to our  
continuing study of wider problems of provision for old age.  
At the further mtg we can at least decide on nature of the further study  
to be made. The August plan needs little further work if we  
wanted to do it. On Sept. plan, there is not enough inform<sup>n</sup>. to  
warrant dec<sup>n</sup>. in its favour. We ought to have further study of  
practical & admin<sup>ve</sup>. problems which it wd. involve.  
But in any event we are not in pos<sup>n</sup>. now to foreshadow leg<sup>n</sup>. next  
Session on "part 2".

Agreed : add to Speech words to effect of x/.

(d) Tariff Policy.

- D.E. As in memo.
- H. x/ Views of Doms : they don't dissent – not “agree”.
- P.T. Support.
- P. Plea for retention of the bar qua Colonies.
- P.M. This is single item in v. large codifying Bill. In debate x/ will cover us qua Doms. For colonies we shd. be in greater diff<sup>ies</sup>. Distinction betwn. Col. & Doms. wd. hardly work in practice – cf. pos<sup>n</sup>. of emergent countries. Believe we cd. rely on practice and policy w'out putting it into new Act as statutory requirement. I wd. prefer therefore to start Bill w'out a bar : but we mght have to amend Bill under pressure. And if so we ought prs. to warn Doms. [& Colonies] that we may be forced into concession on this point.
- D.E. Duty-free entry for Colonies is already secured by trade agreements.
- P.M. Reality is quotas, not tariffs. Bill deals only with latter.
- P. If it doesn't matter, why not keep bar?
- D.E. Because it is gt. handicap to us in rel<sup>n</sup>. to Doms.
- P.T. Yes : we often have to pay v. dearly for this unreality in trade agreements with other (foreign) countries.
- E.H. No diff<sup>y</sup>. with Party if A.L.B. will tell them there is no risk.
- P. Fear he may be unwilling to do so.

Agreed : Frame Bill on basis that bar is not retained.

(e) Other Legislation.

- P.T. Public Works Loans & Trustee Savings Banks – both are essential by definite dates. Sh<sup>d</sup>. be added to List B. Agreed.
- E.H. Time-table. L. Govt. Bill : may get 2<sup>nd</sup>. Rdg. before Xmas. Pensions is ready. So is H/Lds Bill, but that was to be started in H/L. We are short of major leg<sup>n</sup>., & may be forced to start with minor measures.

Agric. Bill not ready. But Slaughter-houses is ready. We may have to use it.

D.E. Tariffs Bill cd. be brought forward.

4. Queen's Speech. Opening of Parliament.

P.M. Ctt<sup>ee</sup>. to revise in light of to-day's discussion.

R.A.B. W<sup>d</sup>. be wise to try, with K., to re-cast – in light of Canadian speech. We cd. omit 8.”

P. & H. On no!

P.M. We aren't going to do what critics want. Also 14.

J.M. This was mine – for Scotland : it wd. help me.

P.M. Opening paras. Add reference to Queen's visit to U.S./Canada and prs. to my own. Omit references to E. property (para. 4).

D.S. Para 6. drop contrast betwn. rights & interests. Para. 9. Reference to conditions of service. Has bn. made already.

P.T. Damaging leak in Times. Better say nothing now.

P.M. Will also provoke enquiries about pay.

D.S. But remember state of recruiting.

P.M. You mght have the words of the White Paper. Agreed : omit para 9.

I.M. Para. 14. Omit – it will provoke pressure. fr. any area in wh. there is a pocket of unemploymt.

P.M. Para. 16. Omit – too detailed. Retain para. 20.

D.S. Para. 21. Delete “progressive”.

R.A.B. Omit para. 25. Stet para 26. Para 29 – add words referring to further study. And put it higher up.

1. Washington Talks.

[Enter E.H.]

P.M.

Gave summary of talks.

U.S. in v. confused state. W.S.C. came to see before I left : reminded me how he went over after Pearl Harbour & said sputnik had created same sort of atmosphere. Also stressed need to recover pos<sup>n</sup>. of Quebec Agreement.

Eis. is quicker & stronger than at B'muda. Dulles in better pos<sup>n</sup>. since Humphry went.

At our 1<sup>st</sup>. conversation with D. alone, I said we must move twds. world government & to my surprise he agreed.

Tho' we agreed tht. Anglo-U.S. alliance must be the core, we both recognised that we must work thro' existg. organisation & individual friendly Govts.

They know they have only 3 yrs. more to go. They were impressed by fact that Eis. & P.M. have basis of close co-op<sup>n</sup>. which their successors may not have.

U.S. realise now they can't deal with R. on their own.

Declaration – Keynotes are interdependence : trusteeship of the nuclear (on which they are groping for some means of institutionalism) : new stimulus for existg. organisation (to overcome risk of distinction which is emerging betwn. nations who have nuclear & those who can only field p.b.i.). Hence sugg<sup>n</sup>. of N.A. Council mtg in Dec. at Head/Govt. level.

Must m'tain momentum of Anglo-U.S. co-operation.

Outlined agreements for bi-lateral co-op<sup>n</sup>. : in countering Soviet threat; and for applying principle of pooled resources in weapon developmt.

Have agreed on apptmt. of joint w. party on future defence of H.Kong. In return for all this, I have promised tht. this Govt. will not press for seating red China in U.N.

They are not fully conscious of significance of U.S. economic policy in all this. Dulles, if he had his way, wd. favour deliberalisation.

In Canada, all were satisfied with results. We made some sentimental remarks, ate a lot and drank v. little.

S.Ll.

Have now achieved "special relationship" with U.S. Due to H.M.'s special relation with Eis. Must now see that it is m'tained – spirit at top must percolate thro' machine.

2. East-West Trade.

S.Ll.

U.S. impressed by fat-man/thin-man argument. W. party now establ<sup>d</sup>. on criteria for strategic controls.

Don't let us mention existence of these.

1. Washington Talks (cont<sup>d</sup>.)

- S.Ll. Common Market. Eis. doesn't see that high-tariff C. Market wd. be worse than none. Worth another message.  
Support Costs. U.S. will p'pone for 2 wks – to give us chance to make progress with G. on ours.  
Quid pro quo. for atomic etc., co-op<sup>n</sup>. i) Air-routes. We must look & see what concessions we mght make.  
ii) China controls : voyage licensing and bunkering. Awkward to make changes now which U.S. will regard as favouring Chinese. If we must do this, shd. be done quickly.  
Syria. Preferred plan is off : Arabs won't play. Unilateral action by Turks won't do – mainly because the Govt. they put in cd. not hope to last after they w'drew. Plan now is to strengthen friendly Arab countries, assist them to penetrate politically in Syria : details to be worked out with us (containment plus).

- R.A.B. Congrat<sup>ns</sup>. of Cabinet on results of mission. Govt. haven't yet got full credit for it. Suggest P.M. shd. make short statement in H/C. tomorrow & promise to develop it further in debate on Address. U.S. view of R. intentions?

- S.Ll. Agreed intelligence appreciation. Three years during wh. R. wdn't accept risk of major war. But K. is unpredictable. If his prestige became involved too deeply, he mght act.

3. Queen's Speeches.

(i) Prorogation. Draft agreed.

(ii) Opening.

Paras 3/4. Add reference to P.M.'s visit to W'ton – after para. 3.

Para. 7. Add some reference to support of all sections for these purposes. e.g. These purposes must command support of all sections of community.

Approved – subject to these & other amendments.

4. Rhodesia & Nyasaland – Federation.

- H. As in memo.  
There will be pol. trouble here and in Fed<sup>n</sup>. But more still if we objected to this leg<sup>n</sup>. Recommend we incur lesser of the two evils.

- P.M. i) Thanks to H. for tour & b'ground memo.  
ii) Can we p'pone action until after Debate on Address.

H. Difficult : for Fed. Govt. want Election in June. On timing I must lay not later than 31/x/57.  
I doubt if they will in fact seek debate during Address, tho' there may be individual speeches.

P. Support memo. We have no grds. for objecting to measure – it is not, as alleged, a differentiating measure.

[Exit P.

5. Interception of [Telephone] Communications.

P.M. Propose to publish.  
This does not cover activities of S. Service. I have gone into these with S.LI. and R.A.B. & procedures will not conflict with this.

Approved.



1. Parliament. [Enter E.H.]
- R.A.B. Business next week.
2. Administrative Tribunals. [Enter J.H.]
- K. As in memoranda circulated.
- P.M. Defence acts : Distinction is, not wtr there is emergency, but character of bldg.
- P.T. Para. 6 : no advance exp<sup>n</sup>. of sympathy on costs.
- N.B. Drew attention to effect in increasing staffs.
3. Civil Aviation : Britannia Aircraft. [Exit J.H.]  
[Enter A.B.]
- Memo. approved.
4. Nuclear Power : I.B.R.D. Loan. [Exit A.J.]
- Note not taken. [Exit R.A.B.]
5. London Traffic : Park Lane Scheme
- H.W. Widening schemes of various kinds will increase speed of Ldn. traffic and H. Park Corner will be increasingly a bottle-neck.  
Agreemt. reached with all interested parties.
- P.T. W'in p'mme – tho' cost has risen. Timing cd. well be re-considered, esp. in rel<sup>n</sup>. to Election.
- H.B. Support H.W. Most urgent need in Ldn. Can't afford to allow sit<sup>n</sup>. to worsen.
- Hail. 13% increase in last 2 yrs : will get progressively worse.
- Approved.
6. Agricultural Policy.
- K. Expounded this before.

- H.A. N.F.U.'s wd. prefer to stand out of Franks : but we cdn't justify that. I can't suspend Pt. II. Driven therefore to repeal. That, on whole, will be popular and will be accepted by agricultural community – tho' opposed by Labour.  
On tenure, we shd. be mistaken in missing opportunity of agreement reached. Only likely criticism is tht. we mght have gone further.  
Rents : no objective criticism v. our proposal. Land-owners wd. feel let down if we didn't act on agreement reached.
- P.M. By what amount wd. rents rise on criterion now suggested – open market value.
- H.A. Perhaps, at a guess, an average of 150% over pre-war as cpd. with 50% now.

Proposals approved – subject to soft-peddalling on early detailed announcement re rents.

1. Malta. [Enter E.H.]

P.M. Mintoff's successive demands. May be tht. he doesn't really want agreement. Suggest I send him a lr. which puts our position creditably, if there is a break. Extra £400.000.

R.A.B. Latest constitutional proposals are even more difficult – incldg R. Title.

2. Pensions.

P.M. Eventually a grand debate. But Cab. unlikely to be unanimous in favour of August or Sept. plan. Therefore let us have 2 studies – i) by M/P. into practical diff<sup>tes</sup>. of Sept. ii) by Ty. on Aug. plan, incldg. possibility of extending graduated cont<sup>ns</sup>. into social security tax.  
Then a further memo. and a full Cab. discussion.

3. Egypt.

P.M. Negotiations in Rome. Assume Pickett is not plenipotentiary. He is only exploring pos<sup>n</sup>. – under a) to d) : e) is excluded.

P.T. Agree.

4. Atomic Energy : Accident at Windscale.

P.M. Prelim. enquiry under Penney. Rpt. to Authority : v. technical : unsuitable for publ<sup>n</sup>. : also reveals detailed techn. op<sup>n</sup>. of a defence plant. Specially inopportune now in light of Anglo-U.S. discussions on A. Energy ques.  
Propose therefore to publish summary – in White Paper on Friday : with oral statement. W. Paper will be coll<sup>n</sup>. of documents incldg. report by M.R.C.  
Further formal enquiry by Fleck – to reduce risk of repetition of accidents. His report will be written with view to publication.

5. Wages.

P.M. H/C. was quiet. Neither side want to plunge into this. I wd. prefer to say no more at this stage. See wtr argument can be avoided.  
Try to get people to think there are even more important issues abroad. But try to get agreed formula – on which we can answer ques.

Read draft of this. Ty. & M/L. shd. refine on this.

L.P.S. to concert with P.T. & I.M. this p.m.

6. Parliament.

R.A.B. Business for Remainder of D/Address and for next week.

7. Foreign Affairs.

- S.Ll. a) Syria. I.P.C. are to spend £15 M. on pipeline extension. This is wanted by Iraq. It is w'out prejudice to Turkish project.  
b) Suez Canal. Awkward situation in U.N. on clearance costs. We want this resol<sup>n</sup>. to be passed – least awkward solution – and shd. support U.S. on it. Easier qua ship-owners to abstain : but if we do it may be lost.

H.W. If we support this, they may say some of them won't pay it. They have expected us to abstain.

S.Ll. We can say (tho' voting for) tht. we don't regard it as unsatisfactory.

H.W. Ship-owners may ask us to re-imburse them. Will do my best.

P.M. Balance of advantage tht. scheme shd. be adopted. P.D. mght be able to arrange tht. U.K./France shd. abstain as protagonists.

8. Armed Forces : Recruitment. [Enter 3 Serv. Ministers

P.T. Complaints re procedure. a) Leak to Times on pay.  
b) Independent Ctt<sup>ee</sup>. : v. dangerous procedure. for Ty. Hear that individuals have bn. asked.

D.S. I did keep in touch with Ty. officials : what more can I do? T. of ref. aren't yet settled. Emphasis will not be on pay.

P.M. \* N.B. to make a report on this. \*

Recruiting.

Services' needs: stated by Service Ministers.

P.T. Are we going to get total? I doubt it : looks as tho' there will be gap of 40.000 or so. Doubt if more money will close it. May well pay & not get the men. May be driven to i) N.S. continuing ii) further cut in commitmts.

- x| Don't announce interim pay award. Say it's being considered. Delay it until Feb. Shall then know i) how industrial wages are going ii) what is answer to the 3 def. ques.  
 Allowances. No announcement until we know precisely what they are. Must screen those wh. are concealed pay increases.  
 Ctt<sup>ec</sup>. : a v. dangerous expedient. If we have it, we must not give it the task of saying what is needed to get 375.000 regulars.  
 Amenities : barracks etc., cd. go forward.
- S. Sympathise : this wd. give me £9 M. on pay which I wd. sooner spend on equipment.
- Hail. If role of Service is clear & worth while you will get recruits. You can't buy them.
- D.S. But you can deter, by unfair rates, those who do desire to join. Ready to accept x/. : but must, if so, say somethg. on allowances.
- J.H. Agree no early announcement on pay : but allowances are v. urgent, esp. for Army, to remove injustices.
- P.M. Diff. problem – on substance & timing. Glad Services accept P.T.'s view on latter. Pos<sup>n</sup>. in Army, Navy & R.A.F. Why is it that Army recruiting is worst when a) it has regimental trad<sup>ns</sup>. b) it's role is least in doubt.  
 Must not abandon now concept of ending N.S.  
 Must study secretly how we wd. fill gap – e.g. selective service for sutlers.  
 Pay : study with view to announcement. in Estimates. M'while, wd. like some earlier announcement re barracks : e.g. 5 yr. plan. mainly affects Army.  
 Allowances : study them fr. accommod<sup>n</sup>. view-point, not supplement<sup>n</sup>. of pay.
- R.A.B. Pay increases and capital investment – both inconsistent with genl. economic policy – now said to be essential to achieve policy of abandoning N.S. Quite inconsistent with treatment proposed for C.D. and for civil investment p'mmes.
- H.B. Agree : pressed to cut even sewerage p'mmes. Cdn't accept public campaign for barrack accommod<sup>n</sup>.
- R.A.B. How can Ctt<sup>ec</sup>. do its job w'out knowledge of future defence plans.
- D.E. Surely Service Dpts. know answers w'out a Ctt<sup>ec</sup>.  
 Can't you get recruits from overseas – incldg. Turkey (!).
- P.M. Transforming 700.000 N.S. into 350.000 regulars demands dramatic treatment. V. different fr. prisons etc.,

- Hail. C.D. as essential backing to deterrent.
- P.T. Can we get out of this Ctt<sup>ec</sup>. idea?
- P.M. Must have a smaller discussion on genl. issues.  
What do we say in Debate? Can we announce i) barracks ii) Ctt<sup>ec</sup>.
- H. Gt. danger of their saying double the pay. Asking for trouble.
- J.H. Not necessary : rel<sup>n</sup>. to civil earnings plus removal of grievances on barracks & allowances plus prestige & role.
- P.M. Accept Ctt<sup>ec</sup>. T. of r. to be agreed betwn D.S. & P.T. & submitted to P.M.

9. Cyprus.

[Exit Serv. Ministers  
[Enter P. & Att.G.

- S.Ll. Dislike this v. much : but no ground in law on which we could oppose it.  
To refuse wd. put us in diff<sup>y</sup>. in U.N. debate.  
Believe it can be played slow – report in N. Year.
- P. Support – tho' with equal reluctance.
- K. See no alternative. We have accepted & applied the Convention.
- H. Can investig<sup>ns</sup>. be confined to a) & b)?
- S.Ll. Yes. Atrocities case hasn't yet bn. argued before Comm<sup>n</sup>. : & we can oppose that when it comes along.
- P. Must resist any enquiry on atrocities.

Approved.

- S.Ll. Ideas for Spaak : for a conference.  
Add T. enclave.

10. I.L.O.

Approved.

Egypt.

- P.M. Negotiations in Rome. Neither delegation is plenipotentiary.  
Agreement are ad referendum to both Govts.  
Position reached – set out in C. 267. Explained as in memo.  
Para. 5. Unlikely to get this w'out limit : for wd. give them advantage  
as cpd. with situation pre-Suez.  
What we face is this – i) Is it worth while to have any agreement? If  
so, trade will re-commence & some rel<sup>ns</sup>. will be resumed. Is that  
to our interest? Or is it better to m'tain economic freeze?  
ii) If so, is this a good bargain?
- A.L.B. Are French doing anything comparable?
- S.Ll. They have no E. money, as basis for a bargain.
- Hail. Agreeemt. seems to contemplate our use of the £30 M. only for (b) viz.,  
sequestrated properties – not for the nationalised.
- P.T. It is deliberately vague : gives us open option.
- Hail. But it lays no oblig<sup>n</sup>. on E. Govt. in respect of 2(a) of C. 267.
- P.T. Yes : para 2 applies to all Br. property.
- Hail. Disputed this.
- P.M. The claim in respect of nationalised property must be kept alive.
- S.Ll. Yes : payment on a/c : we cdn't accept this in full satisfaction.
- D.S. Arbit<sup>n</sup>. shd. cover 3(a) as well as (b) and (c).
- S.Ll. Look at policy first. Qua domestic policy, we shall have gt. trouble  
with claimants if we don't settle. Qua f. policy : by dragging on  
we shan't bring N. down – he can hang on despite economic  
pressure. Have asked our Allies : they all favour a settlement  
provided it doesn't appear to be a surrender. It is in our interest  
to resume rel<sup>ns</sup>. with E. and exercise influence there. I conclude  
therefore in favour of a settlement.  
War damage, & our claims re Base, are excluded. This, on whole, is to  
our advantage.
- P.M. Domestic : we shall have to get somethg. out of E. or pay claims  
ourselves – to B. subjects who have suffered by reason of our act  
of policy. We cd., in need, do that. Ques therefore turns on f.  
policy consid<sup>ns</sup>. Is it better to await favourable turn of events.

- If we make an agreemt., it must include some provision for nationalised as well as sequestrated property.
- H. Do we lose by delay? E. blitz on Jordan. Compen<sup>n</sup>. to Suez Canal Co. is uncertain. Better to delay for month or so?
- R.A.B. When shd. we get a better offer from E? This is surprisingly good. No internat<sup>l</sup>. effect so long as we make it clear it doesn't cover all nationalised property.
- P.M. Do we try to settle on basis of £30 M. – if agreemt. covers nationalised property & provides adequately for arbitration on balance.
- RAB. N. is evidently in a weak position : v. unlikely to get better offer later.
- Hail. Pol. arguments are all in favour of settlement. But this cdn't be represented as a good business deal, except on basis tht. E. is bankrupt. Leavg. aside individual claims, N. gets £100 M. assets in return for £53 M. at most.
- P.M. We cd. not, as bankers, pinch whole of E.'s sterling balances. Effect on Kuwait, Malaya etc., wd. be v. serious.  
First ques : do we accept an agreement on reasonable terms?
- S.Ll. This bargain, if we can get it, benefits us more than him.
- D.E. Take it : for he is so desperate tht. otherwise he may take somethg. from R. which wd. be v. damaging to us.
- M. Conclude – so long as it is made clear that is on a/c.
- H. Still doubt if it's wise – qua effects in M/E. What wd. T. & Jordan say?
- S.Ll. T. wd. take it if it appeared a good bargain for us.
- H. But what of effect on J.?
- I.M. N.'s designs on J. mght be enhanced by a failure to get his £18 M? If he got it, tension mght lessen.
- H. Consult first with A. & N.Z. and also prs. with T. and J.
- Hail. Certain crisis if we broke off negot<sup>ns</sup>.
- S.Ll. Also crisis here if this broke off and Canal clearance ques went bad on us. But, if you play it too long, you may drive N. into R. arms as we did over arms.



R.A.B. Pol. importance is being exaggerated. Make it plain No. 1 A/c. is being put back as was – open. Also that £30 M. is on a/c. Then it will be regarded as ordinary commercial matter.

P.M. | Say on figures : not less than £30 M. Then other points – return all  
| sequestrated : £30 M. is on a/c of nationalised – tho' we shall be  
x| free to use if for either, as we like. Get it to point that, if there  
| is to be agreemt., this will be it.

Agreed : as at x/.

U.S. to be kept informed,  
also C., A. & N.Z. in confidence.

1. Parliament. [Enter E.H.]

R.A.B. Business for next week.  
Need for Bills to be completed.

2. Bank Rate Leakage.

R.A.B. P.M.'s regret that time did not allow for consult<sup>n</sup>. with Cabinet.

P.T. Sure decision was inevitable – no other way of clearing imputations.

Hail. Abuse of absolute Parl<sup>y</sup>. privilege : growing scandal. Monstrous  
injustice.

E.H. Oppos<sup>n</sup>. amendment : Spker unlikely to call it – out of order.

R.A.B. Argument will be used in debate anyway.

P.T. Stand firm on Bank rate leak : that was their case & complaint.

Hail. Also : this is proper for judicial enquiry : the other is at most a matter  
for political discussion.

R.A.B. Appointment : formally by S of S. In accordance with precedent.

K. Parker L.J. – Chairman : Holland (Chancery) : Roskill (Common law)  
If they consent to serve.

K. In light of discussion, agreed to substitute Veale for [Enter Att.G.]  
Roskill. Subject to checking that none is Conservative candidate.  
T. of r. on Order Paper p. 217.

3. Foreign Affairs.

- a) Aden and Yemen.
- b) Arms for Tunisia. Fr. wdn't supply : B. (P.M. of Tunisia)  
threatened to go to E. or R. Despite pressures on Fr. Govt., they  
have offered only if B. promises not to transfer them to anyone –  
or only if he promises to look to west & refuses E. gift of arms.  
Risk tht. B. will decline undertakg. If he does, U.S. & we feel we  
must supply : about £40.000 worth in all. Will be bitter  
accusations v. us from France. Even so, we can't afford to drive  
these Arab countries one by one into R. arms.  
Encouraging unity with U.S. – heartening message from Dulles.
- c) Egypt. "On account": not "on account of Egyptianised property".

Bring out i) we preserve our rights ii) it is on account. N.B. to arrange for amendment to be sent.

[Enter Selkirk.

4. Malta.

- A.L.B. P.'s discussions have bn. v. successful. Esp. on money, we have averted trouble and secured reasonable solution.  
Status of Malta. Can't change R. Title. Alternatives in Annex C. wd. avoid this. First wd. be more acceptable to Malta.
- Att.G. L.O.'s not consulted. Must have chance to consider if I am to advise.
- J.M. And Sc. L.O.'s too.
- K. II wd. be neat & effective, but I better for Malta.
- H. No gt. obj<sup>n</sup>. to I.
- R.A.B. W<sup>d</sup>. be diff. to get this thro' H/C., save with Opposition votes. Need therefore for caution re titles. I wd. prefer II – easier in H/C. and wiser, constitutionally.

Agreed : L.O.'s (all of them) to consider Alternatives.

Affirmations. To be reviewed also by L.O.'s ....

- H.B. First affirmation – wd. bind up in perpetuity : more than qua Scotland even.
- Hail. Unless faith is pledged, I wd. be v. much concerned over this.
- R.A.B. Qua N. Ireland, the right is reserved to Parlt. at W'minster.

Agreed : Cab. shd. have memo. on repercussions for Sc. Wales & N. Ireland.  
L.O.'s also to consider legal aspects.

Agreed. H.O. to co-ordinate & present a single memo. for Cabinet.

- R.A.B. Dockyard. Can't settle all this now. But how wd. decision on dockyard affect general solution?
- S. I cd. guarantee level of work for 3 years, if Vickers took it over. During that time they cd. build up commercial work. Naval work is tapering off : it is urgently necessary to get Vickers in.

- A.L.B. They wd. employ only  $\frac{1}{3}$ <sup>rd</sup>. of those now. We shd. have 7,000 unemployed & U.K. wd. have to carry them. Tho' I am anxious to see commercial vice naval work there.
- D.S. No strategic justif<sup>n</sup>. for keeping dockyard in Malta. If we keep it on, we shall be doing to merely to keep up empl. there – and we shd. have to close Chatham. Also wd. cost us £6 M., by reason of sending ships out for repair there. Serious to ask R.N. to do a military nonsense merely to help Malta.
- R.A.B. Def. Ctt<sup>ee</sup>. must review this first. Then come to Cab. (on Malta) with other Malta pp.
- P.T. Dockyard is only natural asset Malta has. Must exploit it. W<sup>d</sup>. wish to see Vickers going on.
- D.S. Then go ahead with approach to Vickers.

Agreed : Go ahead with that – to get agreement ad ref. to Cabinet.

Def. Ctt<sup>ee</sup>. can look at main genl. ques m'while.

5. Access to Cabinet Records.

No note taken.

6. Kenya.

Approved – subject to submission to C.P. Ctt<sup>ee</sup>. of matters under Concl<sup>n</sup>. (2).

1. National Health Service: Pay Claim. [Enter E.H., D.W.S.]

P.M. Asked to receive dep<sup>n</sup> fr. body representing Whitley Councils in N.H.S.

D.W.S. Wait until we can give answer on arbit<sup>n</sup>. point. Party think it wiser not to refuse during ban on over-time.

P.T. W'in limits of M/H. and they shd. see Minister first.

P.M. Yes : mght on that a/c. seem weak for me to see them.

Agreed : Reply that they shd. see M/H. or S of S. Scotland "in the first instance".

[Exit D.W.S.]

2. The Queen.

P.M. Read messages exchanged re celebration of 10<sup>th</sup>. anniversary of wedding.

3. Bank Rate Enquiry.

P.M. Terms of disclosure to be made of Cabinet's discussion on 17/9. Permission of Sovereign will be required.

After discussion – approved.

4. Local Government Elections.

P.M. See no reason why Ministers, other than M/Housing & his Parl<sup>y</sup> Sec<sup>y</sup>, shd. not accept invitations. Avoid appearance of intervening in particular elections.

5. Ministers' Visits Overseas.

P.M. Need for discretion – may be overdoing this a little. Avoid straining hospitality of our hosts.

I can't control this unless I am asked at an early enough point.

Ministers shd. not commit themselves too far before seeking my consent.

This Xmas recess we shd. avoid too many absences. Bad if only few were available when things go bad – e.g. late Jan. or early Feb.

- H. Waste if 2 or more Ministers go abroad to same Comm. country at same time.
- H.W. Does this apply to junior Ministers. e.g. Signing agreemt. with Quantas.
- R.A.B. Important to consult well in advance.
- D.S. Advantages in travel by Ministers with responsibilities – e.g. C.O. & Services.
- D.E. New fashion in trade promotion – e.g. German Minister.
- P.M. Gives bad impression that it is all done in Recesses.

Agreed : P.M. to consider.

6. Parliament.

- R.A.B. Motion to refer to Judicial Ctt<sup>ee</sup>. the report of Ctt<sup>ee</sup>. on Privileges. Debate on report will follow, when advice of Judicial Ctt<sup>ee</sup> is available.
- Hail. Development of privilege over last 15 years is not popular with the public.
- R.A.B. Business for next week.  
Rhodesia : Monday : Alport & ALB. to spk.

7. Foreign Affairs.

- S.Ll. a) Yemen. No profitable result from talks with Crown Prince.  
b) Tunisia. Tripartite discussion in W'ton. We can't give promise never to supply w'out Fr. consent – tho' we can promise to consult, as we did.
- P.M. Public opinion in Fr. is bad : but Govt. know they behaved foolishly.
- P.M. c) France. I offered to meet Guillard on appointment. Have now agreed to go on Mon. with S.Ll.

8. House of Lords Reform.

[Enter Selkirk

- H. Result of exploratory debate – indicates enough support for our measure. Esp. if we assume H/L. will restrict attendance by its own orders of procedure.  
But S. will press for wider reform. This wd. provoke Socialists to pledge themselves to abolition. Unwise to offer this provocation.

They are at 6's & 7's. They will find nominated Chamber wdn't do : they don't want elected Senate : they may decide, faute de mieux, to accept status quo, after our limited Bill.

- K. Wider scheme is not acceptable to all members of Govt. or all members of Tory Party in H/C. W<sup>d</sup>. also provoke Labour. But, if we don't get limited reform, H/L. will "die on its feet."  
Two technical points:-  
Bill as drafted won't allow of amendmts in H/C. to allow Peer to sit in H/C. in preference to H/L. – nor Peeresses in own right. i.e. neither the reluctant heirs nor the anxious heiresses cd. be brght in.
- S. Don't dissent in substance. But we are in favourable position – and we are being pressed to go further in direction wh. most of us favour. Can we look favourably on any amendmt. designed to strengthen power of H/L. to control its own procedures – so as to give effect, by order, to Swinton or Sal. limit<sup>n</sup>. of hereditary element.
- H. W<sup>d</sup>. excite oppos<sup>n</sup>. of re-actionary Tory Peers. W<sup>d</sup>. fear this. Prefer to stand firm on limited plan.
- Hail. Agree, reluctantly, that this is practical course. Can't hope to get more than this thro' both Houses. Opp<sup>n</sup>. to anything which would strengthen or confirm hereditary principle. Even if Parl<sup>t</sup>. accepted it now, you wd. invite Labour Party to destroy it later. Can't put too much new wine into this v. old bottle.

Memo. approved.

9. Regent's Park Terraces. [Enter H.M.]

- R.A.B. Fine Arts Comm<sup>n</sup> are v. pleased & warmly welcome the plan. Favour early statement. Will end the controversy. Favourable to Ty. – because avoids guarantees. Only demolitions are of v. little architectural merit.
- H.M. V. satisfy. compromise. Will give experience – to see what can be done.  
Will satisfy public opinion.  
Hope re-development will be in harmony with what is left.
- H.B. Satisfied qua planning. Some minor amendmts. of wording agreed with Eve
- D.S. Object : preserve Terraces, despite planning arrangemts.
- H.B. No : wd. aggravate those who want consent to get offices (planning permission) in M<sup>o</sup> fair.

P.T. Keep that issue open for the time.

Memo. approved.

[Exit H.M.]

10. British Honduras.

ALB. Deleg<sup>n</sup>. here. Head of it is in touch with Guatemala, on basis of secession. Have charged him – to other members – with treasonable activities. Intend to send this Deleg<sup>n</sup>. home, indicatg. readiness to discuss business with a more responsible party. at a later date.

Possibility of disorder. A Br. company is there : a frigate can be available.

I may have to disclose facts which will lead to pressure to remove Guatemalan Minister.

S.Ll. His removal wd. do more harm than good.

G.Ll. Guatemalan Govt. shd. be creature of State Dpt. Can't they help?

S.Ll. They can't do much.

Note taken of position.

11. Cyprus.

S.Ll. Must settle instructions to our Deleg<sup>n</sup>. to U.N. Must avoid intervention of Sec. Genl. or a U.N. Conf<sup>ee</sup>. C<sup>d</sup>. promise to keep U.N. informed.

Must start talks with Turks. To enhance imp<sup>n</sup>. of diplomatic activity. So as to get us thro' U.N. Debate.

When do we let Ctt<sup>ee</sup>. (Human Rights) go to Cyprus? Can we give the body diplomatic immunity – by Order requiring Parl<sup>y</sup>. approval.

P.M. Put the Order thro' on a quiet day – as a consolidating measure. Delay decision to allow (timing) Ctt<sup>ee</sup>. to go to Cyprus – as they are asking to cover atrocities in same visit.

H. Spaak's plan or Averoff's. Cdn't have Cyprus in Commonwealth, as independent, for a defined term of years.

P.M. Agree it cdn't be fully independent.